# TCFD Report

September 2024

storskogen

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# Storskogen's climate-related financial disclosures

## Introduction

It is central to Storskogen's business to understand the challenges ahead when it comes to the impact of climate change. It is important to manage potential risks, both physical and transitional, and still take advantage of the opportunities that are presented.

Storskogen has mapped climate-related risks and opportunities in line with the internationally recognized guidelines from Task Force on Climate-related Financial Disclosures (TCFD). We aim to increase the understanding of our vulnerability to climate-related financial risks and how the organisation can be strengthened by maximizing opportunities in the transition ahead.

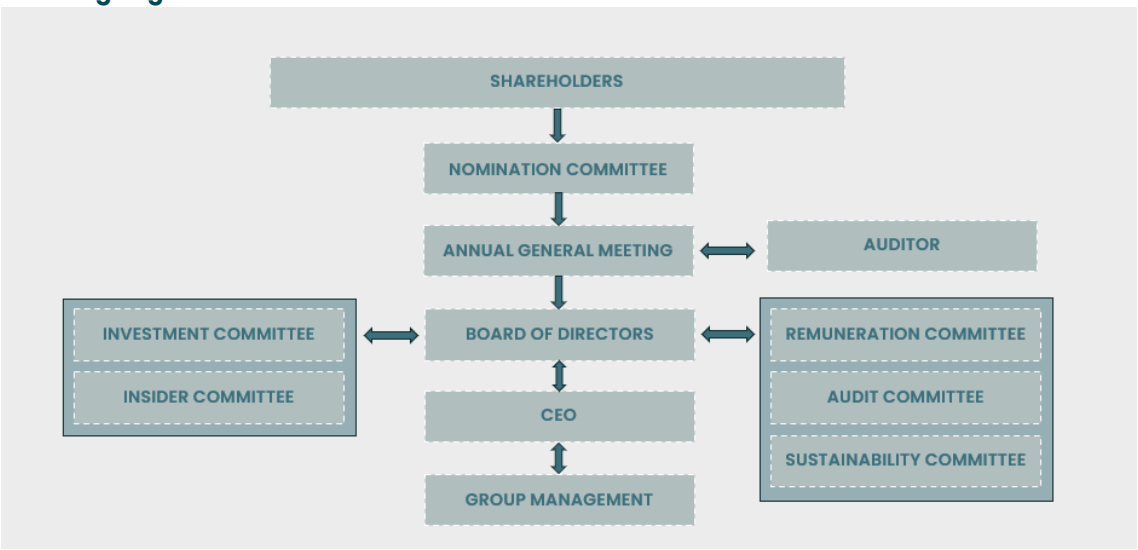
In line with CSRD-ESRS, Storskogen completed the inaugural Double Materiality Assessment in Q3 2023. From a financial materiality perspective, climate change mitigation is material for Storskogen. This report provides additional details on how Storskogen manages its climate-related risks and opportunities.

## 1. Governance – The role of the Board and management

The Board is, together with the executive directors appointed by the board, responsible for the management of the company.

The Board is tasked with determining the Company's overarching goals and strategy and responsible for decisions on certain major corporate acquisitions, follow-up and operational control, financial development, risk assessments and ensuring regulatory compliance. At the annual statutory Board meeting, the Board adopts Rules of Procedure that govern the responsibilities of the Board members and the Chair of the Board. The Board of Directors is also responsible for issuing instructions to the Audit Committee, the Remuneration Committee and the Sustainability Committee and for delegating authorisations to the Investment Committee.

**Storskogen governance model**




The Board monitors and oversees progress related to our sustainability strategy, and that our sustainability targets are achieved, including our net-zero carbon reduction targets for scope 1-3 emissions. Policies and guidelines, including the sustainability policy is established by the Board.

The management group is responsible for analysing and managing the overall organisational risks, including climate-related risks and opportunities.

The Board has overall responsibility for Storskogen's sustainability governance. The Board's role includes managing strategic areas, such as investments and acquisitions, where also sustainability issues are integrated and dealt with in the scope of Storskogen's overarching risks and opportunities analysis.

On the operational level, climate-related risks and opportunities are actively managed by the CEO, the Head of Sustainability, Group Management and the Business Units.

The Head of Sustainability is specifically responsible for ensuring transparent reporting and following up on all aspects related to climate impact. This division of responsibilities achieves structured and effective management of sustainability issues on the strategic and operational levels of the organisation.

### Roles and responsibilities – sustainability governance

Storskogen's organisation have clear roles and areas of responsibility to ensure that our ongoing sustainability work is as effective as possible. The following roles are included in Storskogen's governance sustainability work in assessing and managing climate related risks and opportunities.

| | |
|---|---|
| BOARD OF DIRECTORS | Ensuring sustainability measures in place, including adequate policies and guidelines. Meetings on a yearly basis to address compliance with the sustainability policy, review the sustainability policy and propose possible amendments; and review and approve the annual sustainability report. |
| GROUP CEO | Overall responsibility for implementing the Group's sustainability work and ensure that the Group's operations are conducted in accordance with the sustainability policy. |
| BUSINESS AREA MANAGERS | Ensuring that each subsidiary identifies material sustainability factors in their operating environment and that these are addressed and monitored in the company's strategies and processes. |
| BOARD OF SUBSIDIARIES | Each subsidiary's board is responsible for ensuring that the respective subsidiary has appropriate sustainability measures in place, in accordance with the sustainability policy. |
| CEO'S OF SUBSIDIARIES | Establishing and implementing appropriate sustainability work, including setting relevant, quantifiable goals, drawing up and implementing policy documents and instructions, ensuring that compliance is followed up annually and reported to the respective subsidiary's board. |

## 2. Strategy – The impact of climate-related risks and opportunities on our strategy and resilience

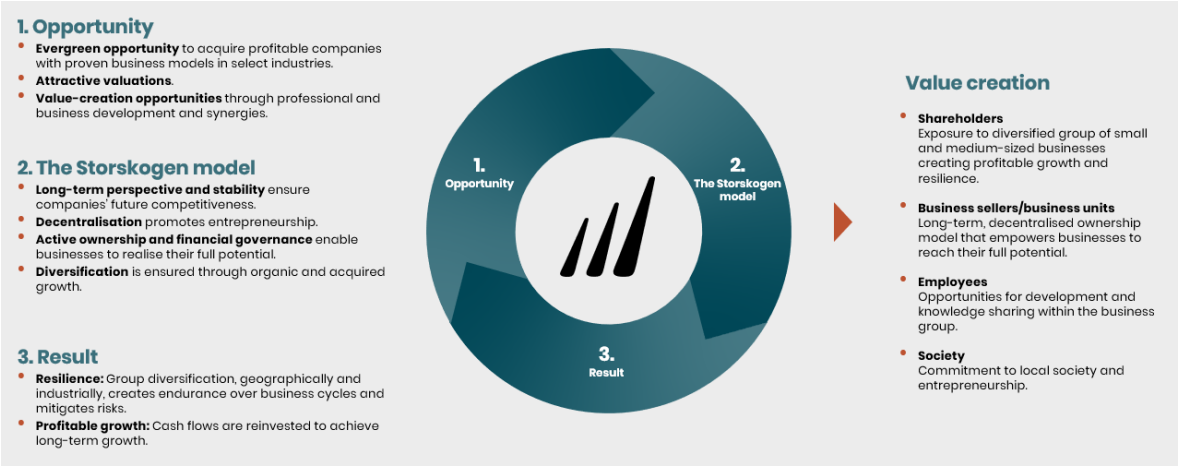
### Sustainability in our business model – climate resilience through diversification

Storskogen have identified climate-related risks, such as increased costs for emissions, as well as other new requirements and regulations that could potentially limit existing business models. However, group diversification, geographically and industrially, creates endurance over business cycles and mitigates risks. For example, if one business area is adversely affected by climate related impacts, other areas may benefit from opportunities related to the same. Storskogen sees a growing demand for its emission-reducing products and services, driven by a trend towards more sustainable and fossil-free solutions. This also creates opportunities to improve Storskogen's resource efficiency in both product development and production.

Storskogen owns and develops small and medium-sized businesses to create profitable growth and resilience. With intention to be a long-term owner, it is natural to consider material sustainability factors in the ongoing process to identify, analyse, acquire, and develop Storskogen's companies. Major global challenges, such as climate change, scarcer natural resources, and ensuring good social conditions for a growing population, have prompted a powerful process of change in society, resulting in rapid changes in legislation, consumption patterns and customer preferences. Storskogen continuously monitor and assess how material sustainability aspects may impact its own business model, as well as the business models of potential target companies and existing subsidiaries and ensure that material aspects are addressed and monitored in strategies and processes.

Apart from taking responsibility for our impact on people and the environment, Storskogen firmly believe that a sustainable business model offers attractive future business opportunities. Together with Storskogen's companies and their customers, we can develop new and better solutions and products that also have a positive impact on the development of society.

## Storskogen business model




## Climate scenarios for risk assessment

Climate scenarios present plausible futures, not forecasts, based on different levels of climate change and associated policy responses. Storskogen has completed a Climate Scenario Analysis, which considered Storskogen's value chain (direct operations, upstream & downstream) to investigate potential climate-related impacts on Storskogen.

**In our analysis we applied the following publicly available scenarios:**
**– The IEA NZE – (International Energy Agency's Net Zero Emissions by 2050) scenario for transitional risks**
**– SSP5-8.5 – (Intergovernmental Panel on Climate Change) scenario for physical risks**

**These scenarios were selected as they present the divergent views on the future levels of climate change and associated policy responses. The selection of these two scenarios enabled different plausible future states, including Storskogen's climate resilience under these different future states, to be explored.**

**The scenarios applied by Storskogen are commonly applied and align to the climate scenarios applied by several other companies operating in similar markets to Storskogen, which may support stakeholders to compare the climate resilience of Storskogen to other market participants.**

### Impact of climate-related risks

| High emission-scenario | Low emission-scenario |
|---|---|
| The **source of this scenario** is the Intergovernmental Panel on Climate Change (IPCC), Sixth Assessment Report.<br>- A scenario where climate change **mitigation challenges** dominate, and the global economy growth is fueled by **exploiting fossil fuels** and **energy-intensive lifestyles**.<br>- The temperature rise is set to approx. 4,4 C in 2100, which is the **least ambitious** of the scenarios from IPCC.<br>- We used this scenario to assess **physical** risks & opportunities | The **source of this scenario** is the International Energy Agency (IEA) and its full name is Net Zero Emissions by 2050 (NZE).<br>- A scenario that shows what is needed across the main sectors by various actors for the world to **achieve net zero** energy-related Co2 **emissions** by 2050.<br>- The temperature rise is set to approx. 1.5 C in 2100, which is the **most ambitious** of the scenarios from IEA.<br>- We used this scenario to assess **transition** risks & opportunities |
| **Climate indicators considered:**<br>(non-exhaustive)<br>- Max 5-day precipitation*<br>- Days with TX above 35 degrees**<br>- Mean temperature (annual)***<br>- Water stress**** | **Climate indicators considered:**<br>(non-exhaustive)<br>- Carbon price<br>- Electricity costs<br>- Technology costs |

** Max 5-day precipitation: Measures the highest amount of rainfall over any five consecutive days. This helps in assessing the risk of flooding and extreme weather events.*

*** Days with TX above 35 degrees: Counts the number of days with maximum temperatures exceeding 35°C. This is important for evaluating heatwaves and their effects on health, agriculture, and energy demand.*

**** Mean temperature (annual): The average temperature over a year. This indicator is fundamental for tracking long-term climate trends and anomalies.*

***** Water stress: Assesses the demand for water relative to its availability. High water stress indicates potential shortages and challenges for water management.*

### Material gross risks

Storskogen has material climate-related (gross) risks based on the aggregated/consolidated results from the vertical-level risk assessment workshops, specifically:

- Carbon pricing under a low emission scenario
- Acute physical events under a high emission scenario

## Vertical level assessment

*Short-term (1 y), Medium-term (2-6 y), Long-term (7-20 y)*

### *Low emission scenario (IEA NZE)*

| | |
|---|---|
| **Category** | Climate-related transition risk, Policy & Legal |
| **Event** | Carbon pricing |
| **Risk description** | Changes in external climate-related policy and/or legal operating environment leading to increased pricing of GHG emissions |
| **Primary potential financial impact** | Increased operating costs, reduced margins |
| **Material unmitigated impact term** | Medium-term (2-6 years), long-term (7-20 years) |
| **Current mitigation actions & resources to mitigate risk** | -Investment exclusion criteria, including 'fossil fuel' dependant business<br>-Sustainability policy, including direct reference to potential climate-related financial impacts<br>-GHG emission reduction targets, covering key scope 1, 2 & 3 emission sources*<br>-Climate Reduction Roadmaps: Reduction roadmaps covering c. 75% of Storskogen's total scope 1&2 emissions in place. Intention to complete scope 3 reduction roadmaps following SBTi submission<br>-Employee Code of Conduct, including pledge to align business operations with the goals of the Paris Agreement<br>-As of 2023, climate related KPI's are linked to Group Managements remuneration |

**)Updated near-term & longer term net zero targets to be formally submitted to the Science Based Targets initiative (SBTi) in 2024.*

### *High emission scenario (IPCC SSP5-8.5)*

| | |
|---|---|
| **Category** | Climate-related physical risk, Acute |
| **Event** | Acute events (e.g. flooding, heat waves, storms) |
| **Risk description** | Increased frequency and severity of extreme events, leading to higher costs of, or delays receiving purchased goods and services from suppliers and/or logistics |
| **Primary potential financial impact** | Increased operating costs, reduced margins |
| **Material unmitigated impact term** | Medium-term (2-6 years), long-term (7-20 years) |
| **Current mitigation actions & resources to mitigate risk** | -Group diversification, geographically and industrially<br>-Sustainability policy<br>-Storskogen sustainable supply chain strategy<br>-Business partner Code of Conduct, self-assessment questionnaire and audit guide<br>-Supplier due diligence and risk assessments<br>-Supplier diversification<br>-Risk transfer instruments (e.g. 'cost plus' contracts with some customers) |

### Material opportunities

No material (gross) Storskogen-wide opportunities have been identified, however several material opportunities at the vertical level, for example increased demand for products and services with lower life cycle emissions, improved resource efficiency and improved energy self-sufficiency.

### Risk management climate targets

To proactively address challenges and optimize the emerging opportunities, we have integrated climate-related risk and opportunity analysis into our risk management strategy. This methodology enables a systematic and integrated process for identifying, assessing and managing climate-related risks in parallel with other business risks. By actively exploring and taking advantage of the new opportunities, Storskogen strengthens the resilience of its business units and contributes to more sustainable business operations.

When it comes to the climate target risk, we have a framework agreement for renewable and fossil-free energy, and Storskogen is investigating similar solutions in all geographical areas. There is a major renewable energy shortage in some of Storskogen's geographical areas, and potential solutions are discussed in the boards of the business unit when needed.

### Next step

Storskogen has a clear vision for the future, aimed at reducing its climate impact and contributing to sustainable development. The company believes that the most effective way to reduce global emissions is through the implementation of a global carbon price. Such a measure would drive a technological shift towards fossil-free resource usage, making the adaption of these types of political actions crucial.

To achieve its long-term environmental goals, Storskogen plans to undertake several concrete actions. The group is focused on improving its processes and implementing sustainable solutions that can reduce its climate impact. One of the strategies under consideration is the introduction of an internal carbon pricing mechanism. This mechanism would function as a shadow budget, aiming to raise awareness of carbon costs in all business decisions and ensure that the companies are well-prepared for potentially rising emission prices.

## 3. Risk management

Storskogen's operations and business units are exposed to risks that may affect the Group. Storskogen has a decentralised organisational model, which means that the business units are largely responsible for running their operations independently.

The decentralized organization places high demands on financial reporting, corporative governance and internal control. Group management governs, controls and monitors the activities of the business units through its representatives on the board of each business unit. The boards of the business units perform annual risk assessments and Storskogen performs its own quarterly risk assessments of the business units.

Storskogen's Group management conducts an annual risk workshop with input from other representatives from the Company and follows up regularly on the resulting risks and action plans. According to the risk assessment method used on the Group and business unit levels, the likelihood of a specific risk occurring is balanced against the impact such an occurrence would have. Group management reports to the Board of directors on the outcome from the risk workshop and the implementation of any action plans adopted in connection with the workshops.

### Processes to identify and evaluate climate-relate risks

The Head of Sustainability has overall responsibility for identifying transitional risks, physical risks and opportunities related to the climate. This includes keeping the CEO and Group management informed of long-term and short-term changes. Major climate-related risks are integrated and evaluated regularly as part of Storskogen's annual risk management process. The Head of Sustainability is also responsible for communicating and keeping the organisation updated on current climate-related risks and opportunities.

### Processes to manage climate-related risks

Climate-related risks are managed as an integrated part of the annual risk assessment together with Storskogen's business units. When relevant risks and opportunities are identified, these are discussed in detail, and any necessary measures are taken to minimize negative impact or make use of opportunities.

### Integration in the organisation's overarching risk management

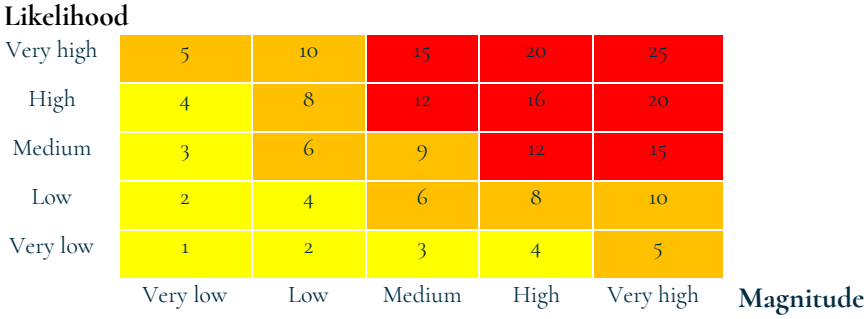
Storskogen's risk management system includes a process for identifying, evaluating and managing climate-related risks. The Head of Sustainability ensures that the processes to identify, evaluate and manage climate-related risks are fully integrated into the organisation's overarching risk management structure. By integrating these processes, it is ensured that climate-related factors are considered in the same way as other business risks and opportunities. Material climate-related risks and opportunities are integrated in the company wide risk register that is considered by the Board and Management team annually.

### Structure of assessments and thresholds

A combined risk or opportunity value (magnitude * likelihood) between

- 1 and 4 corresponds to low risk/opportunity
- 5 and 10 corresponds to medium risk/opportunity
- 11 and 25 corresponds to high risk/opportunity and is considered material

The thresholds for likelihood and magnitude (impact) are based on Storskogen's risk methodology.




### Magnitude

| Value | Value | Financial |
|---|---|---|
| 5 | Very high | Severe financial impact (> 200 MSEK) |
| 4 | High | Material financial impact (> 100 MSEK) |
| 3 | Medium | Some financial impact (40-100 MSEK) |
| 2 | Low | Low financial impact (20-40 MSEK) |
| 1 | Very low | Inmaterial financial impact (< 20 MSEK) |

Please note that financial thresholds have been set for low and very low impact, compared to Storskogen's usual methodology.

### Likelihood

| Value | Value | Description |
|---|---|---|
| 5 | Very high | 76-100 % risk/chance of occurrence |
| 4 | High | 51-75 % risk/chance of occurrence |
| 3 | Medium | 31-50 % risk/chance of occurrence |
| 2 | Low | 11-30 % risk/chance of occurrence |
| 1 | Very low | 0-10 % risk/chance of occurrence |

Please note likelihood in the double materiality assessment considers short (1 y), medium (2-6 y) and long-term (7-20 y), while Storskogen's risk methodology considers the next three years.

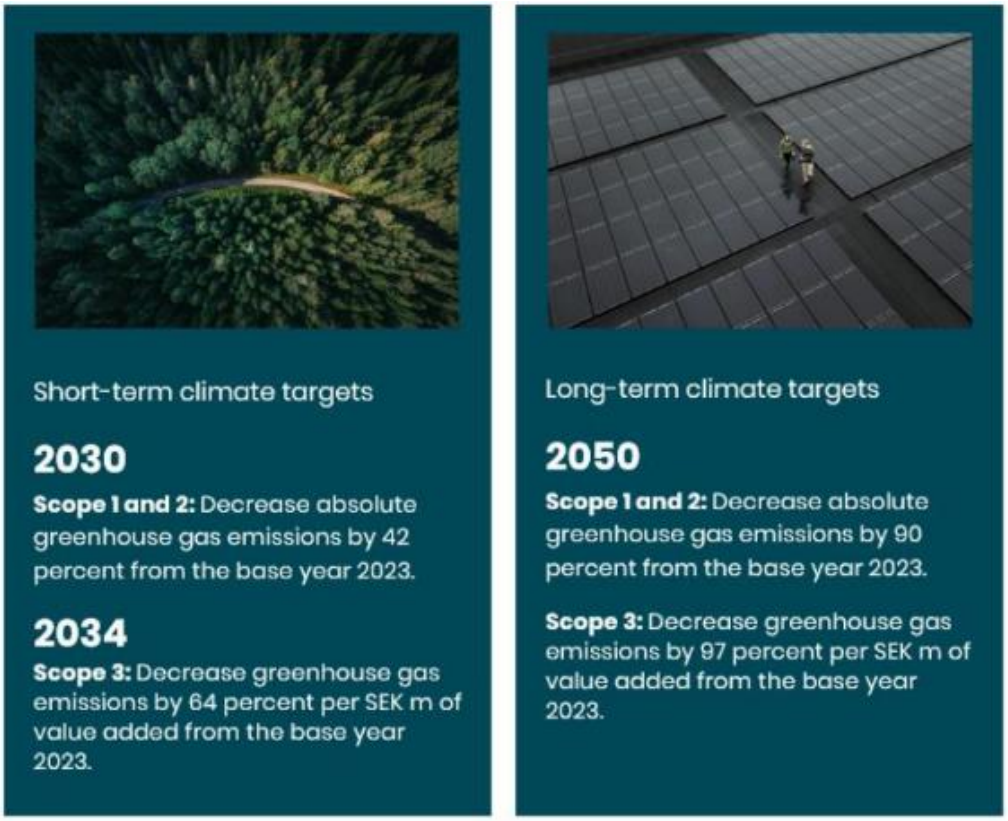
## 4. Metrics and targets – Storskogen's climate impact

Storskogen has updated the climate targets set in 2021 by transitioning from intensity-based targets to absolute numbers in accordance with SBTi guidelines. Since Storskogen has now also set targets for Scope 3, the base year for these targets has been updated to 2023, with 2050 established as the common target year for the two long-term goals.

This approach provides the company with a consistent base year for all climate targets, while the data quality of the base year has significantly improved, as Storskogen has been reporting sustainability data for several years. The targets are designed to align with the Paris Agreement's ambition to limit global warming to 1.5°C above pre-industrial levels.

Storskogen maintains the ambition to begin offsetting the remainder of its greenhouse gas emissions from 2030 onwards. This is based on the belief that placing a value on emissions is crucial for strengthening the incentives to reduce them further.

### New targets



## *Targets climate-related financial risks*

| Climate related financial risks | Targets | Indicators | Progress made |
|---|---|---|---|
| Climate-related TRANSITION risks | See above | Storskogen's annual Sc 1, 2 & 3 GHG emissions (tCO2e) | A yearly decrease in intensity measure, see below |
| | Target waiting to be formally approved by SBTi by end 2024 | Formal SBTi approval/validation | Formally committed to set SBTi Submitted SBTi for verification (awaiting approval) |
| Climate-related PHYSICAL risks | Have a risk identification process that includes physical risks along the supply chain | Number of suppliers exposed to physical risk. | We have concluded there is a gap regarding identifying physical risks in the process. This will be added. |

## *Emission intensity – outcome 2023*