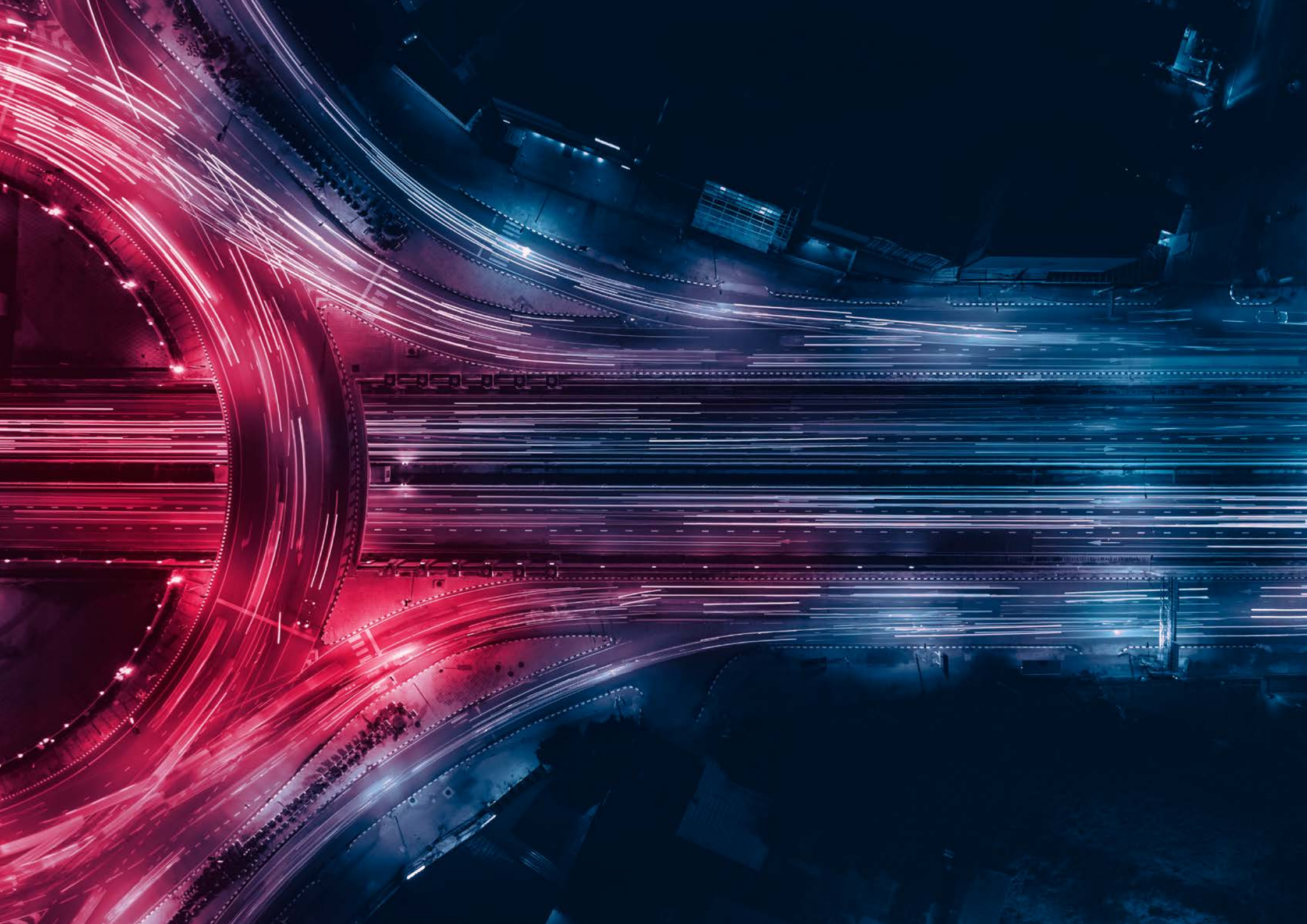


# SUSTAINABILITY REPORT 2022



VALMET AUTOMOTIVE





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# KEY EVENTS OF THE YEAR

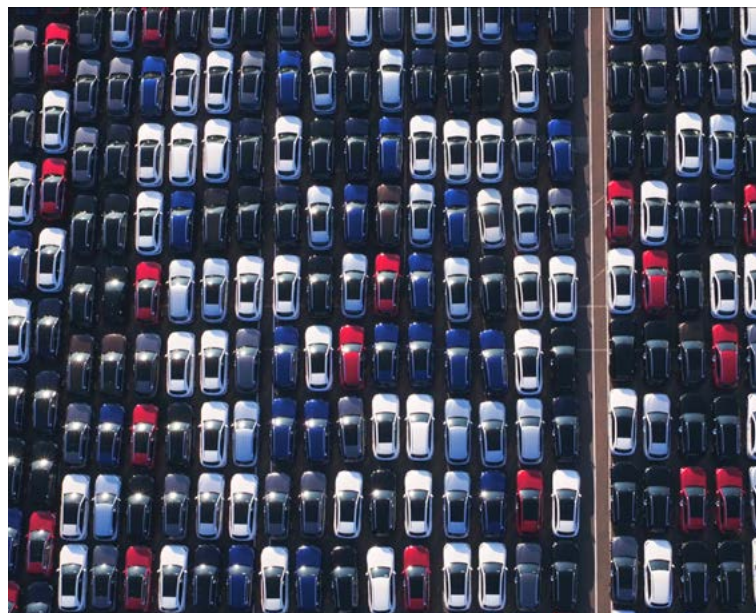
## ACHIEVING VALIDATED CARBON NEUTRALITY

We achieved CO<sub>2</sub> neutrality for our own operations (scope 1 & 2). The commitment and our emissions are externally assured.



## CONTINUOUS IMPROVEMENT OF OCCUPATIONAL SAFETY PAID OFF

By investing heavily in occupational health and safety, we managed to improve the injury rate significantly in Vehicle Contract Manufacturing (VCM). The rate (LTIF) dropped by 42%. Nevertheless, the rate went up in Electric Vehicle Systems (EVS) from 4.8 to 9.9, mainly due to several new people hired.



## NAVIGATING THROUGH GLOBAL CRISES

This year, the global crises significantly affected the automotive sector and the availability of components. We had to react quickly to sudden changes, and that affected our personnel with change negotiations and uncertainty. The outside turbulence also ceased our well-planned IPO process.



# KEY EVENTS OF THE YEAR

## COMMITTING TO SCIENCE-BASED CLIMATE TARGETS

In 2022, we committed to set climate targets in line with the Science Based Targets Initiative. The initiative validates the targets to make sure emission reductions and corporate strategy are aligned with the Paris Agreement. We also received the score C (Awareness) in CDP climate reporting.



## GROWING THE BATTERY BUSINESS

We are firmly following our ambition to grow EVS sales to the level of VCM or above. In October 2022, we reached a major milestone: 1 million produced battery packs.



## MODULAR POWER PACK FOR PONSSE'S ELECTRIC FOREST MACHINE CONCEPT

We supplied our battery system to Ponsse's EV1 electric forest machine technology concept. We have designed the Modular Power Pack, especially for applications that require high peak power, fast charging, and a long life-cycle.



## PROVIDING WORK FOR UKRAINIANS WHILE LAUNCHING NEW PRODUCTION LINES

The war in Ukraine brought a shocking crisis close to our Roof & Kinematics (RKS) plant in Zary, Poland. During 2022, we employed around 150 Ukrainians and are doing our best to support them settling in. Despite all the challenges during the year, we managed to launch new products and grow our business in RKS.



# TIGHT FOCUS ON SUSTAINABILITY AMID VOLATILE TIMES

Dear Reader,

Welcome to the Sustainability Report 2022 by Valmet Automotive Group. With this annual report, we present an insight into our sustainability management and the various ways of how we continuously improve the economic, environmental, and social impacts of our activities.

In 2022, the business environment continued to be volatile with the war in Ukraine, high inflation rates, rising energy prices, issues in international supply chains, and the continued Covid-19 infections and mitigation activities. Despite all this, we have firmly kept our focus on sustainability. We consider it a main contributor to value creation for all our stakeholders, as well as a main contributor to fulfilling the expectations for future growth and stability of the company.

Therefore, we launched the True Green Initiative in 2022, a comprehensive program aimed and designed to accelerate and integrate sustainability with practical actions into everything we do, from processes to attitudes. Furthermore, at the

beginning of 2022, we took another major step forward in sustainability, as we became confirmedly carbon neutral in all our own operations, and now only offer zero-emission production and services to our customers.

Yet we are raising our ambitions even further: we have announced our intention to meet the high climate standards of the Science-Based Targets Initiative. This is further proof of our unwavering commitment to sustainability. We fully acknowledge our role in contributing to the future of our planet by minimizing the risks of climate change.

Valmet Automotive is consequently moving forward in contributing to the shift towards a zero-emission society, by minimizing our own negative impacts and adding positive value to our customers. For us, sustainability is not just another business imperative, it is a core value that makes us a leading strategic partner for Original Equipment Manufacturers (OEMs).

With best regards,

**Olaf Bongwald**

CEO, Valmet Automotive











# SERVICE PROVIDER FOR THE AUTOMOTIVE INDUSTRY

Valmet Automotive provides services for the automotive industry with three business lines. Our extensive history in the automotive industry combined with our world-class expertise in engineering and manufacturing of electric vehicles, batteries, and kinematic systems makes us a preferred strategic partner for OEMs (Original Equipment Manufacturer).

## THREE BUSINESS AREAS



### VEHICLE CONTRACT MANUFACTURING

- Over 50 years of world-class vehicle contract manufacturing



### ELECTRIC VEHICLE SYSTEMS

- Engineering and testing EV systems
- Manufacturing batteries and other EV systems



### ROOF & KINEMATIC SYSTEMS

- Developing and delivering active spoilers, convertible roofs, and active charging flaps





## 2022

### VALMET AUTOMOTIVE GROUP

- Established in 1968
- Head office in Uusikaupunki, Finland
- Parent company Valmet Automotive Plc (Finland)
- ~ 4.000 employees
- Delivered ~ 73,000 cars, ~ 615,000 battery systems, ~ 46,000 roofs and kinematic systems to markets worldwide
- Shareholders: Pontos (38.46%), Tesi (38.46%), CATL (23.08%)

### ECONOMIC VALUE CREATED

- Gross sales\* 2,841.9 (2021: 2,977.5) MEUR
- Net sales 603.5 (2021: 570.2) MEUR
- Operating profit 31.3 (2021: 35.6) MEUR
- Total wages and salaries 179.7 (2021: 176.1) MEUR
- Employee social security and pension 35.5 (2021: 35.4) MEUR
- Total equity 58.8 (2021: 42.3) MEUR
- Research, development, and engineering expenditure 43.6 MEUR (2021: 38.0) MEUR
- Gross investments in fixed assets 77.9 (2021: 62.1) MEUR
- Current year income tax expense 3.8 (2021: 7.2) MEUR
- Income tax paid 3.9 (2021: 9.5) MEUR

### GROUP MANAGEMENT TEAM

- Olaf Bongwald, CEO
  - Charlotte Caswell, Remigiusz Grzeskowiak, Christian Kleinhans, René Kohl, Jaakko Liljeroos, Jyrki Nurmi, Peter Ohm, Pasi Rannus, Juha Torniainen.
- As announced in October 2022, Juha Torniainen, the Group's CFO, is leaving Valmet Automotive and his successor Petra Teräsaho has taken over as the new CFO as of March 1, 2023.

\*Gross sales are defined as total (gross) sales including both net sales and sales of customer-directed material and parts, which are material and parts purchased from the principal or from suppliers selected by the principal, at prices negotiated by the principal.

## LOCATIONS

### FINLAND

**Uusikaupunki** – Vehicle Manufacturing, Manufacturing Engineering, EV Systems manufacturing

**Salo** – EV Systems manufacturing

**Turku** – EV Systems product development

**Vantaa** – Group Corporate functions

### GERMANY

**Osnabrück** – Roof & Kinematic Systems product development

**Kirchardt** – EV Systems manufacturing

**Munich** – EV Systems product development

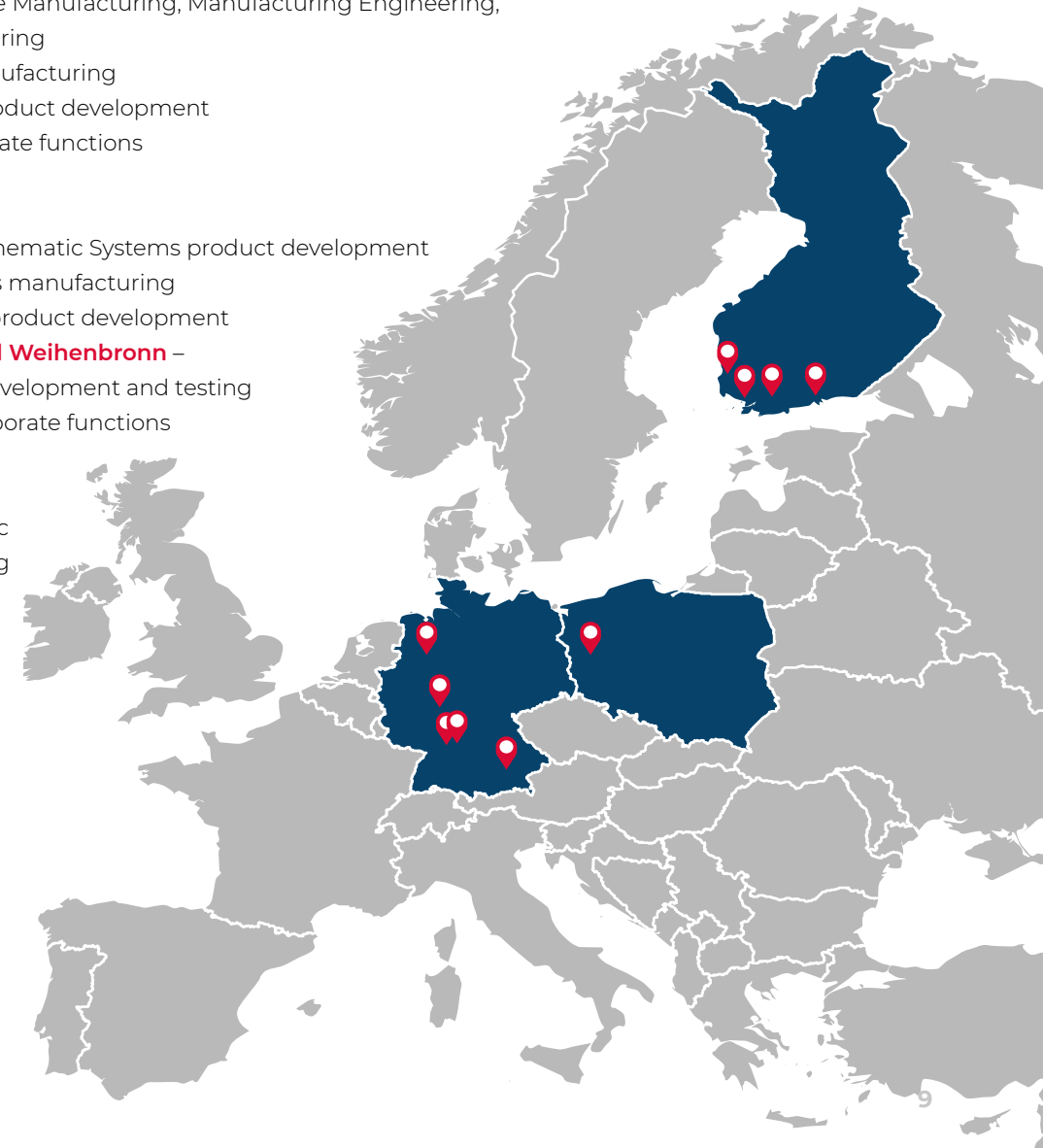
**Bad Friedrichshall and Weihenbronn** –

EV Systems product development and testing

**Frankfurt** – Group Corporate functions

### POLAND

**Zary** – Roof & Kinematic Systems manufacturing





# GROWTH FROM ELECTRIFICATION

During the turbulent year of 2022, we took some twists and turns. However, we gained growth from electrification and for 2023, we are expecting the trend to continue with new products in all business lines.

## GROWTH IN THE MIDST OF GLOBAL TURBULENCE

The year 2022 was a period of rapid growth for our battery business. We reached a milestone of one million manufactured batteries, started production at the Kirchartt battery plant, and introduced two new battery module production lines in Uusikaupunki. We also introduced our Modular Power Pack battery system, which has been developed as a power source, especially for off-highway and heavy duty vehicles. The system is already in use in the technology concept of Ponsse's EVI forest machine.

The production of plug-in-hybrid battery packs has continued to grow at the Salo plant. We have also invested in battery testing. This is a very important function for us, especially as a battery system supplier, as it includes a product development and validation phase.

In the midst of growth, we have reformed our organization. We have moved

to a plant-based management model in several operations where the central unit coordinates resources when needed. Our aim is to help our employees focus more on the needs of our projects. We will continue this process.

Demand is strong, but our growth has been slowed down by the fact that we face global uncertainty in our work every day. The war in Ukraine and the Covid-19 lockdown in China have made it difficult for our customers' component suppliers, and this has also affected us. Our plants have been running all the time, but due to the component shortages, production volumes may have suddenly decreased. On the other hand, rapid changes have also been reflected in the fact that we have increased capacity at very short notice when necessary.

The world will not return to the way it was. That is why we must find solutions that do not just impose the need for flexibility on personnel. In 2022, we have in-

creased the number of personnel briefings and internal communications, and we still have room for improvement. We want to offer our employees a good and interesting place to work.

We are looking for more growth in 2023. As a Tier 1 system supplier, we start pre-series production of the first battery system we have developed for a customer, as well as the series production of our Modular Power Pack battery system designed for heavy duty vehicles. We will increase volumes and develop new products at the same time. We are also preparing for the requirements of the EU Battery Regulation and the development of the digital battery passport, for example by expanding the collection of sustainability data from our suppliers.

**Jyrki Nurmi,**  
SVP, EV Systems





## MANY TRANSFORMATION PROCESSES GOING ON SIMULTANEOUSLY

In 2022, we have undergone a number of important changes in vehicle manufacturing. While the decline in our production volumes led to change negotiations, we were able to expand our customer portfolio and prepare for a major organizational change.

We started the production of a solar electric vehicle in November. We also achieved a clear improvement in occupational safety. The number of accidents at work was historically low due to the improved handling of near-loss notifications and a long-term cultural change. In addition, we set up an innovation center at the car plant to test the technologies of the future car plant.

However, the year was clouded by uncertainty. The war in Ukraine, the energy crisis, and inflation affected economic prospects and the availability of components. The personnel was also affected by the uncertainty: the change negotiations in summer concerned about 1,000 employees, about two-thirds of whom we had to lay off temporarily and the rest made redundant. In the annual personnel sur-

vey, we identified the need for supporting mental well-being at work, and this will be one of our upcoming priorities in 2023.

Rapid reaction has become a new standard. Our strengths are reliable and high-quality operations in a varied environment. That is why we started to speak openly and communicate our strategy in 2022. One example of this is the first video of the future, compiled by a working group of our car builders. We want to create a future that focuses on people, a more digital working environment, and a green attitude.

### Pasi Rannus

SVP, Vehicle Contract Manufacturing



## WORK AND SAFETY FOR UKRAINIANS DURING PRODUCTION GROWTH

The challenges of 2022 showcased flexibility as our strength.

The war in Ukraine brought a shocking crisis close to us. In response, we immediately started helping Ukrainians by delivering food and clothes. We also intensified cooperation with work agencies that arrange jobs for the refugees. In late 2022, we employed around 150 Ukrainians, and we are doing our best to support them.

Inflation combined with a lack of components continued to disturb the automotive industry. To react quickly, we added resources for communication with our clients and suppliers. Our management was also very committed to finding new solutions. However, supply chain issues forced us to interrupt production several times and this caused uncertainty among our employees. Fortunately, the interruptions usually lasted only 1-2 days and we managed to shift people between programs.

Despite all challenges, we managed to grow our business and the number of employees. The highlights of the year were new products and projects: we launched

one new roof program and were nominated for five new products. In the future, we will increasingly focus on active spoilers and charging flaps. Our asset is the know-how on complex kinematic systems that premium EVs require. We are also looking for more sustainable materials, as well as solutions in our supply chain.

The work we have accomplished in 2022 has created an excellent basis for the future. When looking at our extensive and versatile production pipeline, we are confident in 2023 and beyond.

### Remigiusz Grześkowiak

SVP, Roof & Kinematic Systems





# E-MOBILITY AT THE CORE OF OUR BUSINESS STRATEGY

Valmet Automotive's business is built on three strong pillars with significant synergies: Vehicle Contract Manufacturing (VCM), Electric Vehicle Systems (EVS), and Roof & Kinematic Systems (RKS). Our focus is on e-mobility, and we have continued to take huge leaps toward it in all three business lines.

Our vision is to contribute to climate protection and a truly green world by positioning ourselves as an international and leading systems and service provider in e-mobility and renewable energy storage. Sustainability is at the core of this vision and an integral part of our business model and organizational culture, allowing a boost to the transition to a zero-emission society.

## HARVESTING SYNERGY FROM E-MOBILITY

Our ambition is to grow our EVS sales to the level of VCM or above, to boost the sales of RKS and to keep VCM at a constant high level. In brief, we are targeting at gross sales of more than 6 billion Euros in the long-term.

During 2022, much of the strategic focus of VCM was devoted to solar electric vehicles. In addition, we started prepara-

tions to launch a new car model for one of our longstanding key customers.

In RKS, we won new business for EV charging flaps as well as active kinematics in aero efficiency systems for EV. We have been successfully marketing the "charging experience 2.0" concept developed to improve charging convenience for premium EVs. Another important milestone in 2022 was the start of production of a new convertible roof system program.

## FAST EXPANSION

We are further expanding our business in EVS. Mid-2022, we reached a major milestone: over a million battery systems produced since 2019. During 2022, we also started production in our third battery plant in Kirchartd, and the second production program for the Kirchartd plant is already in development. In addition, the lifetime and volume of running battery

production programs were increased, and we received the first order for our Modular Power Pack, which has been developed for e.g. off-highway purposes. We see a large, growing demand for testing services in the market and made a remarkable investment to expand our battery testing operations in Bad Friedrichshall.

The geographic expansion in the EVS business supports our strategy of being close to our customers. The current plant capacities are fully sold out, and therefore we are looking at the fourth and even fifth plant on our roadmap, depending on the customers' requirements. We will set forth acting as a contract manufacturer for EV systems, and at the same time further develop our competencies and capabilities as a system supplier.





# STAKEHOLDERS' PRIORITY ISSUES FOR SUSTAINABLE DEVELOPMENT

Our sustainability materiality assessment is one of the cornerstones of our sustainability strategy.

Materiality topics help to ensure internally strategic focus and to deliver relevant and decision-supporting information to our stakeholders.

The focus of this report is based on our sustainability strategy and material assessment conducted in 2019 at group level with an emphasis on the operations in Finland. We identified and selected the internal and external key stakeholders, such as personnel, suppliers, and public authorities. The sustainability themes for the survey were identified from relevant documents and key stakeholder interviews.

With the assessment and the related stakeholder survey, we identified and

prioritized the most relevant economic, social, and environmental sustainability topics. Stakeholders expect Valmet Automotive to prioritize the well-being of the personnel, the economic continuity, and our profile as a global forerunner in environmental issues mirrored in our sustainability strategy.

As we are committed to regularly conducting and improving our sustainability materiality assessment, we will conduct a materiality assessment in 2023 aligned with upcoming standards such as on double materiality. The results will inform our strategy, risk management, and disclosure.

## ESSENTIAL TOPICS FOR STAKEHOLDERS

### GOVERNANCE

- Ensuring business profitability and continuity
- Identifying the driving forces in the industry and adapting to change
- Close cooperation with municipalities and educational institutions
- Attracting subcontractors to the area in cooperation with municipalities

### SOCIAL

- Continuous improvement of work safety
- Motivating employees, support for coping at work, and extending careers
- Ensuring equal and fair treatment at workplace
- Planning and predictability in employment

### ENVIRONMENT

- Profiling globally as a forerunner in environmental issues
- Development of energy and material efficiency, reduction of energy consumption
- Active reduction of environmental impacts in operations
- Utilizing high technology and investments in new, greener processes and practices



# ABOUT THIS REPORT

This is the fourth annual sustainability report of Valmet Automotive Plc (“Group” or “Valmet Automotive”) covering the same entities as our financial report for the reporting year 1 January to 31 December 2022, unless otherwise stated. We report with reference to the GRI standards and are preparing for upcoming sustainability reporting standards. Our Group Management Team (GMT) reviews and approves our sustainability report.

Our reporting is aimed at a broad range of audiences, including but not limited to

our employees, customers, investors, NGOs, and industry associations.

The focus of this report and the selected topics are based on our sustainability strategy and materiality assessment. We will reassess materiality in 2023 to take into account updated regulations and practices.

Scope 1 & 2 CO<sub>2</sub> emissions have been externally assured. For more information on the environmental data, please read page 72.

This report was published in March 2023.

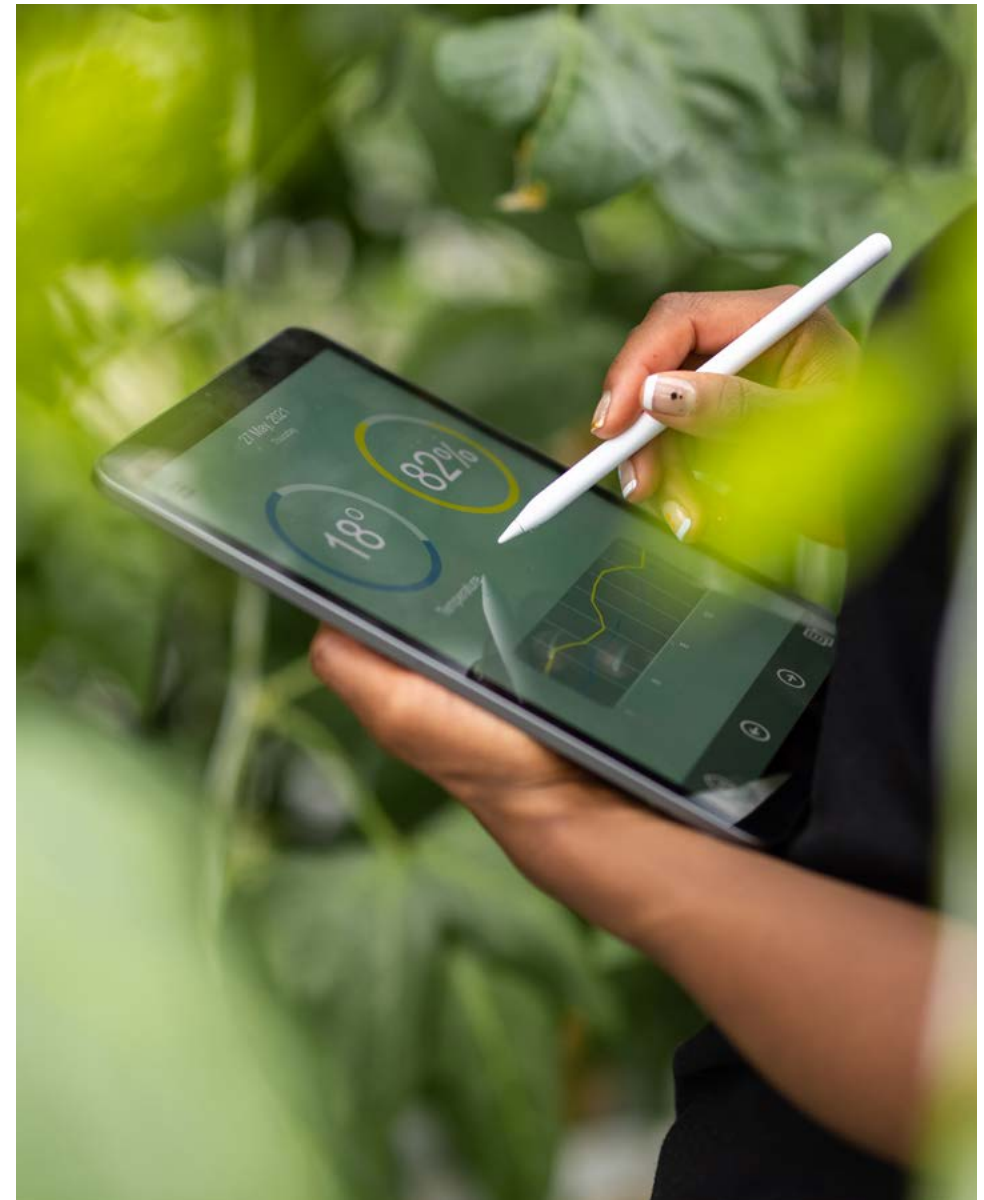
## CONTACT INFORMATION

### Jaana Hänninen

Director, Sustainability Strategy  
jaana.hanninen@valmet-automotive.com

### Mikael Mäki

Manager, Corporate Communications  
mikael.maki@valmet-automotive.com





# RESILIENT BUSINESS

We strive to ensure resilient, profitable business by committing to lead the transformation into a zero-emission society throughout the organization. We also strive for good governance, to provide reliable and transparent data, and to set requirements for our supply chain to leverage our sustainability work.

<b>SUSTAINABILITY STRATEGY.....</b>	<b>18</b>
<b>VALUE CREATION .....</b>	<b>20</b>
<b>THE SUSTAINABLE DEVELOPMENT GOALS .....</b>	<b>22</b>
<b>SUSTAINABILITY GOVERNANCE .....</b>	<b>23</b>
<b>RISK MANAGEMENT .....</b>	<b>26</b>
<b>STAKEHOLDER ENGAGEMENT .....</b>	<b>30</b>
<b>BATTERY TESTING .....</b>	<b>32</b>
<b>CO<sub>2</sub> NEUTRAL OFF-HIGHWAY VEHICLE .....</b>	<b>34</b>







# OUR FIT-FOR-FUTURE SUSTAINABILITY STRATEGY

Our vision is to contribute to climate protection and a truly green world by positioning ourselves as an international and leading systems and service provider in e-mobility and renewable energy storage.

Building towards this north star, our sustainability strategy builds on three key themes with action areas:

- Ensuring resilient & profitable business
- Strengthening integrity & dignity
- Respecting planetary boundaries

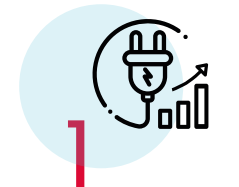
Our sustainability strategy is based on our materiality assessment, and a thorough review of upcoming regulatory changes, future trends, international sustainability frameworks, and relevant business factors. The strategy has an emphasis on climate and environmental issues and is supported by the separate human resources (HR) strategy that is led by the Group HR. Our ambitious sustainability goals define and help measure our progress toward climate neutrality, resource efficiency, and responsible sourcing. In 2023, we are setting short-term science-based targets to ensure robust climate targets that cover both our own operations and our supply chain.

## TRUE GREEN INITIATIVE

To put our sustainability strategy and goals into action, we launched a company-wide True Green Initiative in 2022. The initiative is a program and practical guide which integrates green thinking and actions into Valmet Automotive's organizational culture at all levels.

Our True Green Initiative consists of six workstreams, and each workstream includes a wide range of concrete actions. The initiative aims at enhancing green attitude within the organization, enforcing circular design and manufacturing, building sustainable value chains, ensuring data quality, and strengthening integrated decision-making and disclosure.

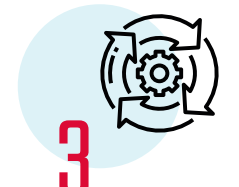
## TRUE GREEN INITIATIVE WORKSTREAMS




**1**  
**GREEN MANUFACTURING**



**2**  
**SUSTAINABLE VALUE CHAIN**



**3**  
**DESIGN FOR ENVIRONMENT**



**4**  
**DATA MANAGEMENT**



**5**  
**GREEN ATTITUDE**





**6**  
**DECISION-MAKING & DISCLOSURE**



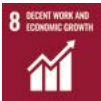
# STRATEGIC AREAS OF ACTIONS

**ENSURE RESILIENT PROFITABLE BUSINESS**

- Provide **reliable and transparent** data
- Commit to **lead the transformation** throughout the organization
- Actively develop processes and products to **proactively fulfill future demands**
- Operate in collaborations, **partnerships and ecosystems** at global and local level
- Set requirements and implement **SCoC to our suppliers**






- Truly bring the **Code of Conduct** alive through our organization
- Ensure **the sustainability maturity level** and strengthen **ethical culture** in the organization



**STRENGTHEN INTEGRITY AND DIGNITY**

- Introduce **True Green Initiative** to accelerate and lead the Sustainability Strategy
- Reach **low carbon value chain** and collaborate with suppliers to reach CO<sub>2</sub> neutrality
- Add **environmental values** in decision-making processes
- Utilize **digitalization** opportunities to drive green transformation.
- Develop and utilize **circular economy** and improving efficient use of resources (energy, water, materials)

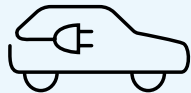
**RESPECT PLANETARY BOUNDARIES**





# BUILDING CARS IS OUR BACKBONE

## TRENDS THAT DRIVE OUR BUSINESS



### E-MOBILITY

Strong market and regulatory trend for e-mobility



### TALENT MANAGEMENT

Providing a sustainable environment for personal growth – we ensure success through competent, proud personnel



### CLEAN ENERGY

Shift to green energy and its storage systems



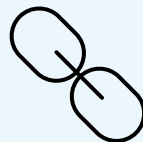
### GLOBAL GOALS

Our vision aligns with the UN Sustainable Development Goals, the EU Green Deal and the Paris Agreement



### PREPAREDNESS FOR FUTURE SCENARIOS

In a volatile environment, we proactively anticipate and create new solutions



### VALUE CHAIN

Focus on management across the whole value chain

## OUR VISION

Our vision is to contribute to climate protection and a truly green world by positioning ourselves as an international and leading systems and service provider in e-mobility and renewable energy storage.

## KEY RESOURCES FOR OUR BUSINESS

- HUMAN & SOCIAL
- FINANCIAL
- ENGINEERING AND MANUFACTURING FACILITIES
- NATURAL

### VEHICLE CONTRACT MANUFACTURING



ELECTRIC VEHICLE SYSTEMS

ROOF & KINEMATIC SYSTEMS



## VALUE CREATION 2022

### ECONOMIC

- Net sales **603.5 MEUR**
- Gross sales **2,841.9 MEUR**
- **>1 MILLION** Battery packs produced since 2019
- Accelerated growth of battery business creating strong business pillar
- **SOLAR ELECTRIC** vehicle production started
- Extended business on **NEW PRODUCTS IN RKS**
- Listed among the world's **100 LARGEST** automotive suppliers

### CLIMATE AND ENVIRONMENTAL

- **CARBON NEUTRAL** in own operations since 2022
- Scope 1 & 2 emissions cut by **80%** Since 2019
- CDP Climate score C
- Water use **128 667 m³**
- Recycling rate **64%**

### SOCIAL

- **~4 000** employees & **93** nationalities
- -5 Employee Net Promotor Score Measure (eNPS)
- Group injury rate 9.4 (LTIF) (2021: 14.1)
- Collaboration with Finnish, German and Polish universities on theses, internships and courses

## TRUE GREEN INITIATIVE



Company-wide program to accelerate action towards sustainability strategy and goals



### GREEN MANUFACTURING

Minimize own (scope 1 and 2) CO<sub>2</sub> emissions & improve energy efficiency



### SUSTAINABLE VALUE CHAIN

Reduce scope 3 emissions and improve supplier risk management



### DESIGN FOR ENVIRONMENT

Fulfil legal & customer demands & reduce the CO<sub>2</sub> of own products



### DATA MANAGEMENT

Efficient, reliable, trackable and tagged reporting



### GREEN ATTITUDE

Increase the sustainability maturity level & implement it into company processes



### DECISION-MAKING & DISCLOSURE

Integrating sustainability into decision-making and reporting

## 2027 SUSTAINABILITY GOALS

### ZERO EMISSION COMPANY

Reducing GHG emissions in alignment with science-based targets

### POSITIVE CLIMATE IMPACT

Actively avoid CO<sub>2</sub> by our own products

### EFFICIENT IN ELECTRICITY CONSUMPTION

Improving electric efficiency and using renewable energy

### CONTRIBUTOR TO CIRCULAR ECONOMY

Efficient resource use and processes

### RESPONSIBLE SOURCING

Identifying and managing sustainability across the value chain

### CULTIVATE GREEN ATTITUDE

Engaging employees on sustainability

### GREEN INVESTMENT TARGET

Consistent with market requirements

### IMPROVE THE GLOBAL CDP SCORING

Transparent climate disclosure

CONTRIBUTING TOWARDS












# HOW WE CONTRIBUTE TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The United Nations have created the Sustainable Development Goals to help governments, companies, and citizens to navigate into a more sustainable world by 2030. There are 17 main goals of which four are centrally linked to our strategy and operations.

VA'S STRATEGIC SUSTAINABILITY AREA	RELEVANT UN SUSTAINABLE DEVELOPMENT GOALS (SDGS)	SCOPE OF THE SDG	OUR STRATEGIC AREAS OF ACTIONS THAT CONTRIBUTE TO THE SDG
ENSURE RESILIENT PROFITABLE BUSINESS	 <p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Goal 9 concerns building resilient infrastructure, promoting inclusive and sustainable industrialization, and fostering innovation by 2030.	<ul style="list-style-type: none"> <li>- Commit to lead the green transformation throughout the organization.</li> <li>- Actively develop processes and products to proactively fulfill future demands.</li> <li>- Operate in collaborations and partnerships and ecosystems at global and local level.</li> </ul>
	 <p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Goal 12 strives for mitigating the impacts of global consumption and production on the planet. It is increasingly important to invest in sustainable production of goods.	<ul style="list-style-type: none"> <li>- Set requirements and implement Supplier Code of Conduct (SCoC) to our suppliers.</li> <li>- Provide reliable and transparent data.</li> </ul>
RESPECT PLANETARY BOUNDARIES	 <p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Goal 12 strives for mitigating the impacts of global consumption and production on the planet. It is increasingly important to invest in sustainable production of goods.	<ul style="list-style-type: none"> <li>- Develop and utilize circular economy and improving efficient use of resources (energy, water, materials).</li> <li>- Utilize digitalization opportunities to drive green transformation.</li> </ul>
	 <p><b>13</b> CLIMATE ACTION</p>	Goal 13, taking climate action, means taking urgent action to combat climate change and its impacts.	<ul style="list-style-type: none"> <li>- Introduce the True Green Initiative to accelerate and lead the Sustainability Strategy.</li> <li>- Reach low carbon value chain and collaborate with suppliers to reach CO<sub>2</sub> neutrality.</li> <li>- Add environmental values in decision making processes.</li> </ul>
STRENGTHEN INTEGRITY AND DIGNITY	 <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	Goal 8 strives for promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	<ul style="list-style-type: none"> <li>- Truly bring the Code of Conduct alive throughout our organization.</li> <li>- Ensure the Sustainability maturity level and strengthen ethical culture in the organization.</li> </ul>



# OUR SUSTAINABILITY GOVERNANCE

Good governance is essential to run our business sustainably and to meet our ambitious goals

Our Board oversees our sustainability strategy whereas sustainability management is realized on three levels, the Group Management Team (GMT), Sustainability Committee, and the Sustainability Team, in addition to being diffused into business line management.

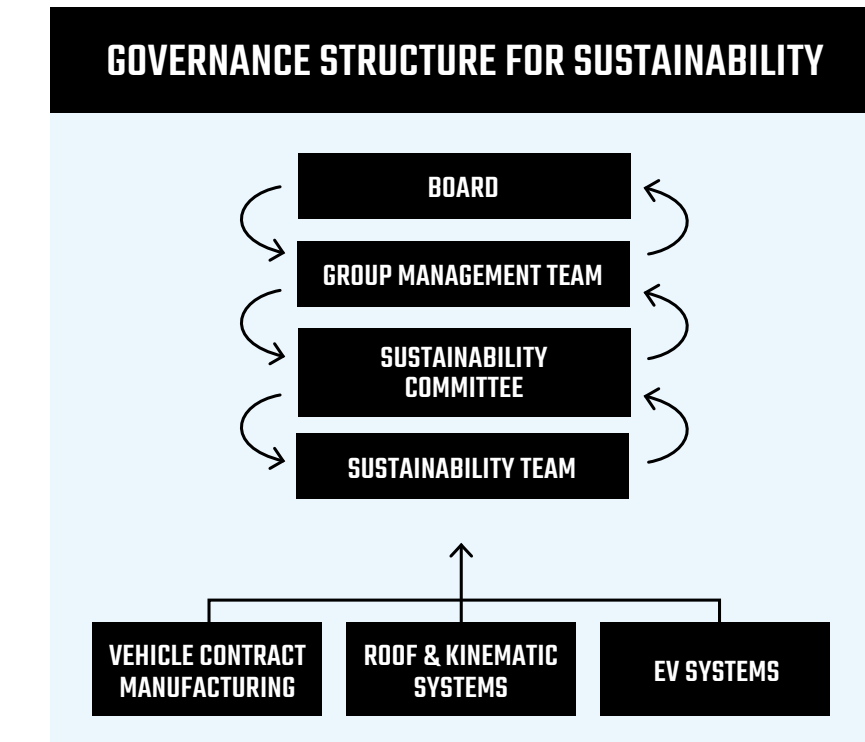
The Board is composed of six non-executive directors with wide-ranging expertise and extensive leadership experience (profiles can be read here\*). Valmet Automotive’s Shareholders’ Nomination Board, comprising of representatives of three largest shareholders and the Chair of the Board, annually prepares proposals concerning the composition and remuneration of the Board. In addition to the requirements of the agreement between the Shareholders, the Nomination Board considers Valmet Automotive’s business needs, as well as the diversity principles, independence and stakeholders when carrying out its tasks.

All Board members are independent of the company, and all except for one are also independent of the company’s significant shareholders.

The Board approves and oversees the implementation of our sustainability- and climate-related strategy, action plans, risks, and performance. As sustainability is integrated into our corporate strategy, the relevant sustainability- and climate-related aspects are woven directly and indirectly into conversations throughout all board meetings. Sustainability-specific performance is monitored regularly as information is escalated by the CEO, GMT, and the Sustainability Strategy Director. In addition, an annual sustainability-themed board meeting takes place to deep dive and make decisions on sustainability- and climate-related performance, action plans, strategy, and policies.

The GMT consists of the CEO and Senior Vice Presidents (SVP) responsible for different business areas including a SVP of Operational Planning and Sustainability (profiles can be read here\*\*).

The GMT ensures that corporate and sustainability strategies and goals align. It also approves, oversees, and ensures the effective management of sustainability and climate-related policies, risks, strategy,



goals, and programs. The GMT monitors and assesses quarterly reports on sustainability-related business line KPIs, including electricity and water withdrawal,

\*<https://www.valmet-automotive.com/company/board/>

\*\*<https://www.valmet-automotive.com/company/management/>





health & safety, recycling rate, waste management and CO<sub>2</sub> emissions.

The Sustainability Committee contains people from the GMT and the Sustainability and Environment Director. The Committee's task is to develop and advise on climate-related issues and the sustainability strategy, policy, processes, trends, risks, guidance and goals for the Board and GMT. The Committee also leads the materiality and stakeholder assessments which are communicated to the Board and GMT.

The Sustainability and Environment Director is responsible for the operational management and leads the Sustainability Team. This team ensures the implementation of the common sustainability strategy and goals at the business line level and is responsible for the development and follow-up of local programs, goals, and actions.

An internal auditing system for sustainability and its governance is part of the VA Operating System.

### MANAGEMENT SYSTEM PROCESSES

The role of a management system is to harmonize common processes and working methods internally, enhance transparency within the company and to communicate to all stakeholders how the company is organized and operated as well as ensure compliance with the relevant standards, customer, and authority requirements.

Valmet Automotive has a company-wide system that helps gather and unify documents of management system processes from all three business lines into one central location. The system also allows linking e.g., sustainability processes to related certification and customer-specific requirements. As a result, the Valmet Automotive Group can more easily manage current trends and challenges as well as group-wide guidelines and processes. Additionally, employees can easily

get an overview of their responsibilities. We continue to standardize proven models and then define KPIs from different business areas with follow-ups.

To ensure robust implementation and management of sustainability aspects on a strategic and operational level, we utilize external certification programs. We are IATF 16949:2016 certified which covers quality management in the automotive sector supply chain and assembly.

Business line plants	External certifications
Organization-wide	ISO 27001 Information security
Vehicle contract manufacturing (VCM)	IATF 16949 Quality Management ISO 14001 Environmental Management ISO 45001 Occupational Health & Safety Management
Electric Vehicle Systems (EVS)	IATF 16949 Quality Management ISO 9001 Quality Management ISO 14001 Environmental Management
Roof and Kinematic Systems (RKS)	IATF 16949 Quality Management ISO 9001 Quality Management ISO 14001 Environmental Management ISO 45001 Occupational Health & Safety Management



**SUSTAIN:ABILITY**  
**THINKING GREEN,**  
**THINKING VA!**



# REINFORCING RESILIENCE IN A CHANGING OPERATING ENVIRONMENT

Sustainability risks are integrated into our mainstream risk management to ensure strategic focus.

Our operating landscape is changing swiftly with the increasing prevalence of sustainability issues and expectations from customers, regulators, and other stakeholders around sustainability. Our corporate and sustainability strategies focus on the low-carbon transition through e-mobility and are informed by sustainability risks and opportunities. To ensure strategic focus, sustainability risks are integrated into our mainstream risk management process.

Our risk management is steered by the Risk Management Policy, annually reviewed by the Board of Directors. The main purpose of risk management is to identify, assess, monitor, and mitigate significant external and internal risks, which could affect or threaten the strategy we have put in place for the accomplishment of the objectives of our company. Identifying, assessing, and managing sustainability-related risks are realized in all business lines and at group level to help navigate operational and strategic risks, such as the

ones discussed below. Sustainability and climate risks are considered and evaluated among other strategic, operative, hazardous, and financial risks on a scale of severity, likelihood, and control. Risk reviews and reporting happen on a quarterly, half-yearly, and yearly basis depending on the risk characteristics and organizational level.

Given the large spectrum and complexity of sustainability issues, we continue to improve our risk management process to systematically integrate sustainability and harmonize across business lines through capacity building and targeted focus. Going forward, the role of reliable and transparent information on sustainability performance across our value chain becomes highlighted. Good-quality data, which supports decision-making, will help decrease risks of reputational damage, non-compliance with our commitments, inefficient resource use, and limited operating licenses.

Informing our future risk work, we look to the Taskforce on Climate-related

Financial Disclosures (TCFD), the upcoming regulatory requirements, and building our roadmap for science-based targets. In addition, we are planning to realize a new materiality assessment in 2023 that will feed into our risk work.

## EU SHIFTING TOWARDS A LOW-CARBON ECONOMY

Current and upcoming regulations, under the EU's Green Deal umbrella, focus on the just transition to reach carbon neutrality by 2050 and reduce emissions by 55% by 2030, creating transitional risks and opportunities. In October, the EU approved to ban new internal combustion engine (ICE) vehicles powered by gasoline or diesel from 2035 with other regions announcing similar legislation coming into effect between 2030–2050. At COP27, the Zero Emissions Vehicle Declaration increased its reach to over 100 pledged with new business and government signatories. Our focus on enabling OEMs in their transition to low-carbon electrified mobility, aligns with





these developments. These trends also support green financing opportunities, technological developments, and customer preferences toward climate-conscious products.

### RESPONDING TO EVOLVING REGULATORY LANDSCAPE

We are building the capability to enhance processes, practices, and disclosure, to understand and respond to the various upcoming policy and legislation changes focusing on sustainability issues such as disclosure, value chain management, green financing, and circular economy. Non-compliance might result in reputational harm, lost opportunities, or penalties. The novelty and pace of change are challenges requiring adaptability and resources. Changes in the legal framework at short notice can be associated with additional costs or higher investments.

The current developing regulatory landscape supports the demand for low-carbon vehicles aligning with our business objectives and expertise in the electric vehicle business. Collaboration across departments and with key partners is crucial to strategically identify and respond to the opportunities linked to these changes in our operating environment.

### VALUE CHAIN CRUCIAL TO FUTURE-PROOFING OUR BUSINESS

Our most significant procurements are components, services, energy, and investments in production infrastructure such as assembly lines. As a Tier 1 supplier for OEMs, we also make direct procurements of e.g. battery components and logistical services.

Supply-side challenges have continued with geopolitical instability, including the war in Ukraine, the energy crisis, inflation, and intermittent Covid-19 lockdowns, affecting component shortages. From a sustainability lens, the automotive sector's and e-mobility's value chain is susceptible to challenges in material sourcing, labor practices, human rights, and environmental impact. Because of the complexity of technology going into batteries and the developing business nature of e-mobility, systems for supply chain management are still being developed.

To support identifying sustainability supply chain risk and improvement areas, we use a supplier self-assessment questionnaire (SAQ), which covers a large array of topics related to human resources, health & safety, responsible sourcing of raw materials, environmental management, and other sustainability subjects

aligned with current good practice and legislation.

Working with our suppliers to set out clear expectations, we demand all of our suppliers to sign and adhere to our Supplier Code of Conduct (SCoC), which covers expectations on environmental management, human rights, labor standards, and responsible conduct. The SCoC is integrated into the tendering process to ensure that all current and potential suppliers are fully aware of our requirements. Our client's Code of Conduct applies in cases where vehicle components are procured according to the client's requirements. Along with SCoC, we request information on the supplier's sustainability performance and goals prior to sourcing and during cooperation, for example through the SAQ and Conflict Minerals Reporting Template (CMRT). In addition to our code of conduct and requesting environmental, social, and governance information from our suppliers, we are building more established due diligence practices that span across our value chain.

To continue strengthening our resilience, we are building science-based climate targets aligned with the Paris Agreement which includes our value chain emissions. We have started dialogues with



suppliers to build collective solutions such as green freight corridors. In addition, upcoming regulatory changes require systematic sustainability risk processes and reporting throughout companies' value chains, such as the EU Battery Passport and the EU Green Taxonomy. These bring opportunities in the coming years to help harmonize, collaborate and more effectively manage significant supply chain risks. Challenges remain with data quantity and quality to systematically prioritize and effectively manage sustainability aspects throughout our supply chain.

## CLIMATE AND ENVIRONMENTAL ASPECTS

Acute physical climate-related risks include extreme weather events causing, for instance, power outages in manufacturing facilities and affecting global value chain logistics, resulting in raw material or components bottlenecks. Chronic physical climate-related risks include extended drought periods, which can decrease the availability and thus increase the prices of certain materials, whereas hot summers can affect production conditions and employee health and safety. For more information on climate-related risks, please see our CDP report.

We announced our climate neutrality in our own operations in 2022 and we are constantly working to mitigate our negative impacts on the environment by reducing our CO<sub>2</sub> emissions in our own operations and soon, also in our value chain through science-based targets.

In our operations, we follow quarterly KPIs on environmental performance and manage impact on pollution, environmental incidents, water use, and others. All our factories (except Kirchartt which is in the set-up phase) are ISO 14001 certified and audited annually to ensure the management of environmental risks. In addition, our True Green Initiative action plan includes improving energy efficiency, circular economy, and environmental performance to build resilience and efficiency. We are following closely the rising volatility and uncertainty of energy costs which could affect the planned timelines for the remaining lower-emission energy projects.

## SOCIAL ASPECTS

Attracting a skilled workforce in all locations is crucial for our company's future. We aim to keep our salaries competitive while pursuing well-being and equal treatment to ensure talent acquisition and continuity of business.

In battery production, we have identified increased safety risks due to the handling of high-voltage battery systems, which are mitigated by rigorously updating Valmet Automotive's safety practices and instructions.

As a Tier 1 supplier, Valmet Automotive takes the product responsibility seriously through the whole product lifecycle from concept phase until decommissioning. We manage the product development and manufacturing in sustainable and safe manner with proper processes. At the same, we keep our policies and processes up-to-date with external certifications such as IATF 16949:2016. In battery development and production, we have identified presence of safety risks due to the handling of high-voltage battery systems and lithium-ion battery cells, which are mitigated by rigorously updating Valmet Automotive's safety instructions and state-of-the-art product development processes. Moreover, the product and producer liability against product safety and environmental protection is top priority for the business responsibility for Valmet Automotive and such topics are actively trained for every member of the organization.







# STAKEHOLDER ENGAGEMENT

As an international service provider for the automotive industry, we are constantly working to enhance stakeholder dialogue and coordination with identified key actors in our operating space such as our customers, personnel, owners, financial institutions, suppliers, local societies, authorities, and educational and local institutions.

STAKEHOLDER GROUP	EXPECTATIONS	BINDING OBLIGATIONS	INTERACTION CHANNELS
<b>CUSTOMERS</b>	Creating value add, fulfilling contractual requirements, products conforming with the requirements	Certified Management systems IATF16949, ISO9001, ISO14001, ISO 27001, ISO 45001; operational performance; compliance with customer-specific requirements; customer audits	Customer feedback, regular meetings, workshops, audits, reports, collaborative projects
<b>FINANCIAL INSTITUTIONS</b>	Sustainable growth and profit, risk management	Reporting, compliance with contracts	Reporting (sustainability, financial, project related)
<b>SUPPLIERS</b>	Co-operation as defined in contracts and forecasts, proper solvency, long-term agreements, risk management	Supplier Code of Conduct, contracts	Communication through contact persons, collaborative meetings and projects, supplier audits
<b>ADVOCACY GROUPS*, LABOR MARKET/ UNIONS</b>	Ethical and employee-focused business, reliable and interactive communication, and dialogue	Working according to the set common guidelines, collective agreements, Act on Co-operation within Undertakings	Employee steward and management communication, regular meetings
<b>PERSONNEL, DEPARTMENTS</b>	Orientation to work, competence, motivation, training, personal and career development, ensuring equal and fair treatment at workplace	Providing health care, ensuring and developing work safety requirements, ensuring employees' equal treatment, non-discrimination policies	Training, internal newsletters, intranet, management meetings, face-to-face discussions, successor planning, competence mapping, performance review, quality inspections, safety walks, online surveys, compliance channel

\*Valmet Automotive is a member of several major industrial and relevant international automotive and professional associations (e.g. the battery strategy working group set by the Ministry of Economic Affairs and Labor in Finland).



STAKEHOLDER GROUP	EXPECTATIONS	BINDING OBLIGATIONS	INTERACTION CHANNELS
<b>INSURANCE COMPANIES</b>	Work towards a safe and secure workplace, risk management, workforce training	Insurance agreements	Meetings and audits
<b>EDUCATIONAL INSTITUTIONS</b>	Co-operation as defined in contracts and forecasts	Actions according to contracts	Workshops, training, thesis work, partnership programs, collaboration forums, visits at the plants
<b>MEDIA</b>	Transparent, fast, ontime, reliable communication (proactive as well as reactive)	Communication processes, nominated responsible persons available	Media meetings, interviews, press releases, internet pages, social media channels, annual reports
<b>MUNICIPALITIES, SOCIETY AND AUTHORITIES</b>	Collaboration to ensure the continuation of operation, license to operate, direct and indirect taxes, investments; safe, ethical and environmentally aware operation	Compliance with all regulations and requirements of the officials, common rehearsals and follow-up of changes in regulations and environmental permit, taxes, fulfilling environmental permits and other legal requirements (e.g. construction permits, town planning requirements)	Collaboration projects, meetings, regular audits, meetings as needed, business forums, local collaboration with the neighborhood, annual performance reports, authority inspections
<b>OWNERS AND BOARD OF DIRECTORS</b>	Reputation, profit, and sustainable growth, risk management, continuous improvement, good governance	Reporting, ensuring business profitability, risk management and sustainability policies	Sustainability and financial reports, Board or Directors meetings, Shareholders' General Meetings
<b>INTERNAL BUSINESS LINES</b>	Ensuring business profitability, Identifying driving forces in the industry and leading the change, good governance	Common management system with harmonized processes and standards	Common intranet OnePlaza, meetings, training, newsletters, workshops, co-operation forums
<b>CERTIFICATION AUTHORITIES</b>	Continuous development, processed way of working	Fulfilling the demands of the standards and requirements	Regular audits, meetings

# CASE: LARGE INVESTMENTS INTO BATTERY TESTING

Valmet Automotive invests into battery testing to offer customers high-class system development and safe & sustainable battery systems with top quality. However, new talent has been hard to find, so the company has increased training internally.

Along with the growing need for long-lasting and safe high-voltage batteries, the demand for battery testing is steadily increasing. Over the past few years, Valmet Automotive has made significant investments to increase its battery testing capacity.

The company operates hundreds of different tests to ensure battery safety and quality. Within its three test centers, it focuses on automotive customer battery validation in Bad Friedrichshall, technology testing in Weihenbronn, and off-highway applications in Uusikaupunki.

“Battery testing has a major impact on product quality and development. It ensures successful and sustainable business for Valmet Automotive and its customers,” says **Stefan Sommer**, Director for Battery Testing at Valmet Automotive.

Valmet Automotive has the capability to conduct electrical, life cycle, function, performance, and high voltage safety tests on batteries. In overload tests extreme

conditions and mechanical stress are simulated to see what happens if batteries are misused or used in harsh conditions.

## SOURCE OF KNOW-HOW FOR PRODUCT DEVELOPMENT

A lot of knowledge is needed to develop a safe and long-standing battery. This is why Valmet Automotive aims to build up massive testing capabilities.

The company has already invested in an experienced and talented team of professionals. The test centers employ around 50 people, and the target is to increase the number to 80 employees in 5–7 years. As the field of battery testing is reasonably young and the availability of talents is limited, Valmet Automotive has decided to train new employees internally.

“We have a lot of experience, so why not share it with motivated talents who might not have the experience yet,” Sommer sees.

## THOROUGH TESTING ENSURES A LONG BATTERY LIFE

The upcoming battery regulations will require a longer, safer, and more sustainable life cycle for batteries worldwide. The requirements will increase the need for testing, and Valmet Automotive intends to be one step ahead. Valmet Automotive is already evaluating new second-life options for vehicle batteries, i.e. in industrial energy storage systems.

“We need to ensure that the complete life cycle of a battery can be extended after its usage in the first product. And such applications require new ways of testing,” Sommer concludes.

Valmet Automotive has a unique safety concept to ensure that hazardous tests can be conducted safely. Tests are carried out in separate testing boxes, and the events in the boxes can be monitored on screen in a separate room.





# CASE: DEVELOPING CARBON NEUTRAL OFF-HIGHWAY VEHICLES WITH A CONSORTIUM

Valmet Automotive is part of the SIX Mobile Machines consortium, which aims to be a pioneer in the green and digital transition in the field of off-highway vehicles.

The SIX Mobile Machines consortium, which is made up of manufacturers, technology companies, and research institutes, has drawn up a road map aimed at promoting the development of future off-highway vehicle with green and digital solutions, ensuring the availability of skilled labor and increasing the visibility and efficiency of decision-making in the sector.

In Finland, off-highway vehicle produces four percent of the country's carbon dioxide emissions\*. There is a desire to reduce the emissions from vehicle used in logistics, mines, agriculture, and forestry, while increasing process efficiency.

Valmet Automotive participates by contributing its expertise in electrification and battery technology.

"Electrification and the use of different battery technologies play a key role in the digital-green transition Valmet Automotive is an active developer of key technolo-

gies, its vision, and experience are needed to achieve the goal", says **Harri Nieminen** from the Technical Research Centre of Finland (VTT), the leader of the SIX initiative.

## THE CONSORTIUM WILL IMPLEMENT THE NATIONAL BATTERY STRATEGY

Valmet Automotive has been involved in the development of a national battery strategy for Finland, which aims to promote the battery industry through cooperation, innovation, and investment across the country. THE SIX Mobile Machines consortium implements the developed battery strategy in concrete terms.

The consortium aims to achieve the digital green transition of the off-highway vehicle through various projects. Valmet Automotive is involved in four projects of the consortium. **The Future Electric Mobile Machines** project develops

life-span and electronic technologies for off-highway vehicle, and the **Strategic insight** project develops a foresight toolkit to support the transition to sustainable growth.

**The competitiveness of data** project is looking at how to create new business from data collected on batteries in the future. In addition, a fourth project will be launched in early 2023 to explore options for reducing emissions from off-highway vehicle.

## COOPERATION IS A PREREQUISITE FOR PIONEERING

The mission of the SIX Mobile Machines consortium is to lay the foundations for future innovation. When companies open up their needs to researchers, research institutions can focus their research on future needs. At the same

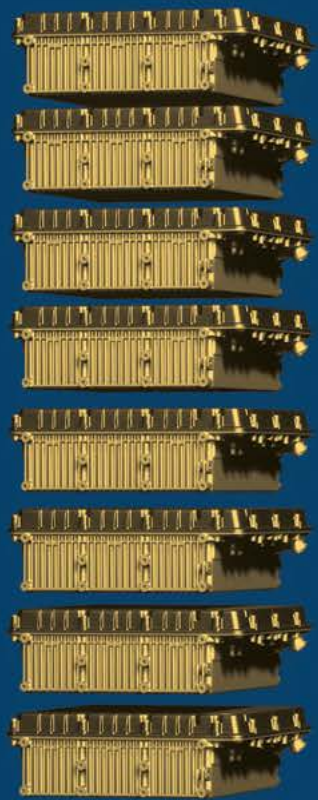
time, research has provided new ideas for companies.

Through the consortium, Valmet Automotive has also been able to identify the needs of the off-highway vehicle manufacturers in relation to electronic solutions. One of the objectives of Valmet Automotive is to create standard products that could serve as many types of land vehicles as possible.

"Finnish off-highway vehicle manufacturers are already leading the way on many fronts and the purpose of the consortium is to strengthen Finland's position internationally in the industry. The current cooperation ensures that the solutions benefit as many people as possible", says **Mika Kinnunen**, representing Valmet Automotive in the consortium.

\* Government: Cost-effective means to reduce emissions from off-highway vehicle, 2022 (in Finnish)







# PLANETARY BOUNDARIES

Respecting planetary boundaries is at the heart of everything we do. We work towards reaching a low-carbon value chain and adding environmental values into decision-making processes. Digitalization is the key to driving green transformation, and partnerships for developing circular opportunities.

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**- 80%**

CO<sub>2</sub> emissions from own operations (scope 1 & 2) from 2019 (base year)

**64%**

Recycling rate of waste

Commitment to set  
**SCIENCE-BASED**  
targets

# CARBON NEUTRAL OPERATIONS SINCE THE BEGINNING OF 2022

We achieved externally validated carbon neutrality for our own operations (scope 1 & 2) from the beginning of 2022. The next step in our climate work is to examine opportunities to decrease CO<sub>2</sub> emissions in our supply chain (scope 3).

Reducing climate impacts has become an absolute must in the automotive industry, and it is what our customers are expecting from all their suppliers. At Valmet Automotive, we have done persistent work to achieve carbon neutrality and reduce our CO<sub>2</sub> emissions by 80% in our own operations (scope 1 & 2) from the level of 2019.

Emissions from our own operations are mainly generated by the used energy, especially heating, so we promote the CO<sub>2</sub> neutrality target primarily by reducing energy consumption and by replacing existing sources of energy with renewable alternatives. The remaining emissions have been compensated, and we aim at reducing CO<sub>2</sub> emissions from our own operations by 2027 by replacing all energy sources with renewable options.

There has been a slight increase in our scope 1 emissions in 2022 which is due to adding refrigerant gases into the emission calculations. However, our scope 2 emis-

sions have maintained on the level of 2021 or below, even though the Electric Vehicle Systems (EVS) business has grown notably.

## ENERGY CRISIS POSTPONING PLANS

Most of our own operations' (scope 1 & 2) emissions originate from Vehicle Contract Manufacturing (VCM), 80 percent. In 2022, the only remaining sources of CO<sub>2</sub> emissions originated from using fuel oil in the paint shop and body shop furnaces. We planned to replace fossil fuel with renewables in 2022. However, the process is still ongoing due to the uncertainties in the energy market. In 2022 we managed to reduce the consumption of liquefied petroleum gas (LPG) by shutting down the body shop furnaces for the time being. We are also running a pilot study on how to replace LPG in the long run.

Our aim was also to open a terminal for renewable energy in 2023. Due to risk

management and the current situation in the energy market, the project has been postponed. However, Valmet Automotive is seeking options to replace fossil fuels with renewables by 2027.

## CIRCULATED ELECTRICITY FROM BATTERIES

In the EVS business line locations, the only remaining sources of CO<sub>2</sub> emissions were the heating energy in the Salo plant and German locations where we are negotiating to switch to renewable energy. In the battery plants, we have utilized discharged electricity from scrapped batteries for electricity of the battery testing system to support circularity. In addition, we are planning to install photovoltaic panels on the new battery plant in Kirchartd.

In battery manufacturing, the main parts of the batteries, such as aluminum and copper, cause significant CO<sub>2</sub> emissions. We are looking for solutions to provide lower



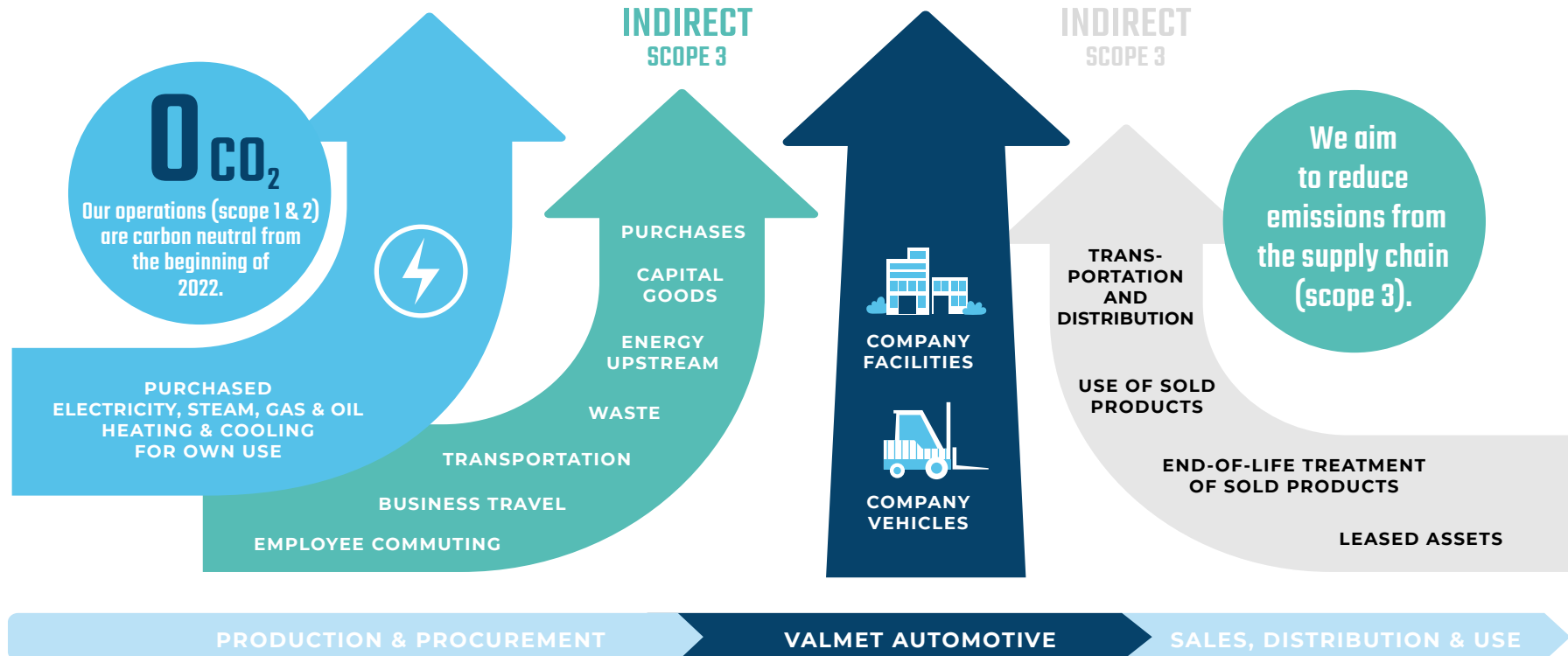


# CO<sub>2</sub>e\* EMISSIONS WE REPORT



## INDIRECT SCOPE 2

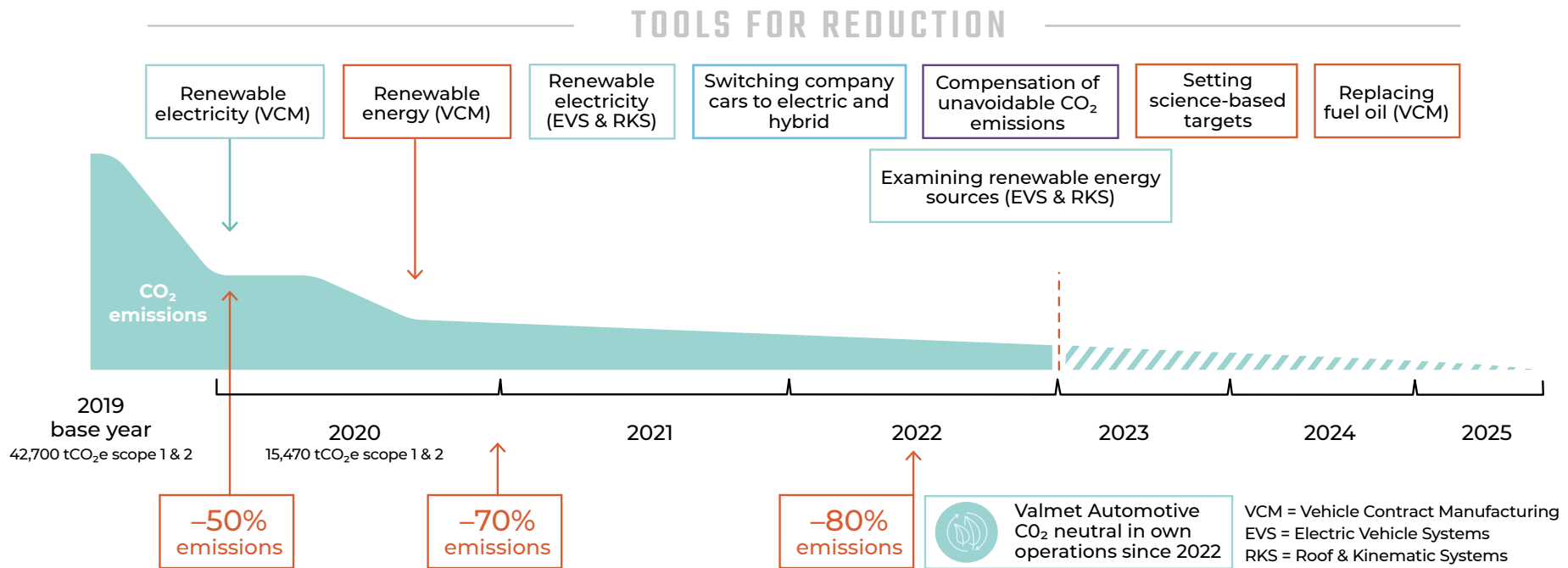
## DIRECT SCOPE 1



\* CO<sub>2</sub>e, carbon dioxide equivalent, describes the global warming potential of all greenhouse gases. The impact of different greenhouse gases is expressed in terms of the amount of CO<sub>2</sub> that would result in the same amount of warming.



### TIMELINE FOR CO<sub>2</sub> NEUTRAL VALMET AUTOMOTIVE GROUP



levels of CO<sub>2</sub> emissions for the main metals as demand from customers increases.

#### **EFFORTS FOR REDUCING SUPPLY CHAIN EMISSIONS**

The impact of achieving carbon neutrality in our own production is remarkable. However, over 95% of all our CO<sub>2</sub> emissions are generated in the supply chain, and hence, we will

be focusing on reducing supply chain emissions (scope 3) in the upcoming years.

Most of the supply chain emissions stem from either purchased goods and services, especially from materials, machinery, and logistics. During 2022, we collaborated with our logistics partners with the aim to reduce CO<sub>2</sub> emissions. The level of CO<sub>2</sub> emissions was one of the criteria

in the logistics partner selection process. In addition, we arrange regular collaboration meetings to find solutions to optimize logistics and thereby reduce CO<sub>2</sub> emissions.

All our suppliers commit to reducing CO<sub>2</sub> emissions by signing our Supplier Code of Conduct. We follow up on the progress of our main suppliers by col-



lecting and evaluating data through a supplier questionnaire.

### REGULAR EVALUATION OF OUR PROGRESS

The effectiveness of the actions we take is regularly reviewed. The Sustainability Committee checks the progress quarterly and makes sure that we are following the CO<sub>2</sub> neutrality roadmap. In addition, another party (external consultant) reviews our progress regularly. We have also established CO<sub>2</sub> footprint calculation for our own product.

All three business lines report to the corporate management the relevant environmental key performance indicators (energy and electricity consumption, CO<sub>2</sub> emissions, recycling rate) quarterly. Corrective actions are taken if the targets are not met. Best practices and pilots are also shared between corporate functions and business lines. Stakeholders are engaged in the process by e.g. maintaining a constant dialogue with customers and industry and research associations on both national and industry levels on low carbon roadmaps and their practical application.

In 2022, we also signed a public commitment letter to set science-based climate targets. The targets will be in line with the Science Based Targets Initiative,

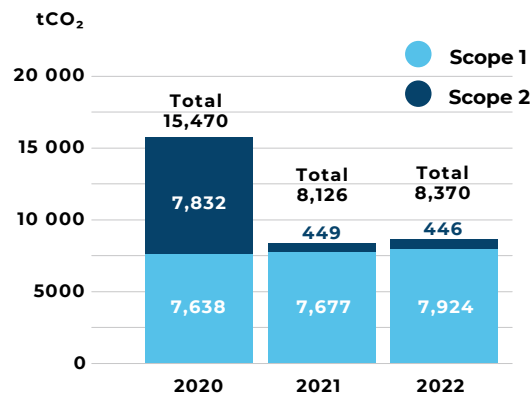
indicating how much and how quickly the company needs to reduce its greenhouse gas emissions to limit global warming from exceeding 1.5 °C aligned with the Paris Agreement.

### VERIFIED CARBON NEUTRALITY

Our carbon neutrality has been verified according to PAS 20260, a global standard

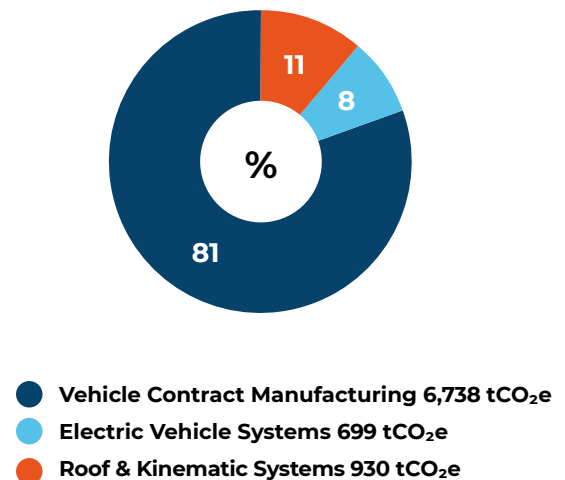
for carbon neutrality. The remaining CO<sub>2</sub> emissions in scope 1 & 2 (8377 CO<sub>2</sub>e) were compensated by funding a wind power project in Thailand. The compensation program was selected against certain criteria: the project is verified by a recognized third party (Gold Standard) and it supports Valmet Automotive's targets for renewable energy and selected UN Sustainable Development Goals.

### CO<sub>2</sub> EMISSIONS FROM OWN OPERATIONS



Scope 1 includes emissions from own and leased premises' fuel consumption and company-leased vehicle fuel consumption. Refrigerant gases have been added to the calculations for 2022. Scope 2 includes emissions from purchased energy (market-based).

### 81% OF CO<sub>2</sub> EMISSIONS\* FROM MANUFACTURING IN 2022



\* Emissions from own operations, scope 1 and 2 (market-based).





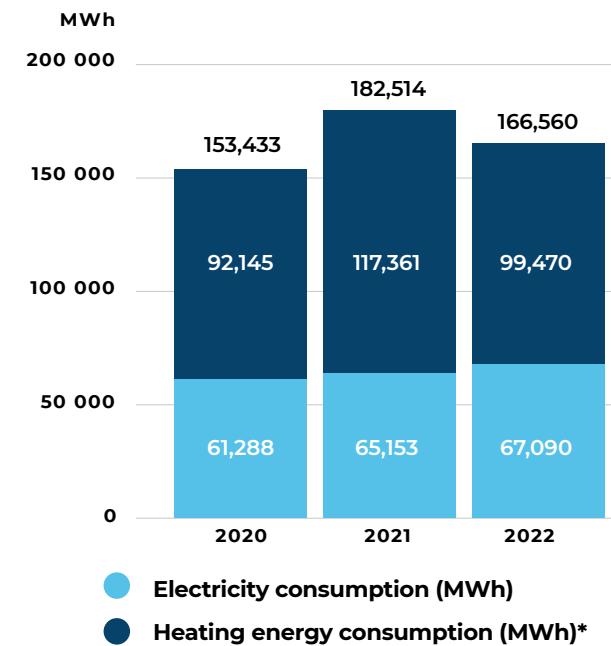
SCOPE 2 EMISSIONS		2020	2021	2022
Scope 2, market-based	tCO <sub>2</sub> e	7,832.1	448.7	446
Scope 2, location-based	tCO <sub>2</sub> e	16,236.6	20,009	17,177

### SCOPE 3 CO<sub>2</sub>e EMISSIONS (SUPPLY CHAIN), 2021

SCOPE 3		2020	2021
Total		122,047*	137,800
Purchases (cat. 1)	tCO <sub>2</sub> e	53,101	64,437
Capital goods (cat. 2)	tCO <sub>2</sub> e	11,098	21,980
Fuel and energy-related activities (cat. 3)	tCO <sub>2</sub> e	6,205	8,851
Transportation and distribution (cat. 4)	tCO <sub>2</sub> e	45,742*	33,804
Waste generated in operations (cat. 5)	tCO <sub>2</sub> e	1,178*	2,267
Business travel (cat. 6)	tCO <sub>2</sub> e	119	293
Employee commuting (cat. 7)	tCO <sub>2</sub> e	4,603	5,596
Upstream leased assets (cat. 8)	tCO <sub>2</sub> e		363
Downstream transportation and distribution (cat. 9)	tCO <sub>2</sub> e		56
Use of sold products (cat. 11)	tCO <sub>2</sub> e		119
End-of-life treatment of sold products (cat. 12)	tCO <sub>2</sub> e		35

\*Numbers from 2020 have been revised.  
Spend-based calculations.

### ENERGY CONSUMPTION



\* District heating, natural gas, light fuel oil and LNG









# | EFFICIENT USE OF RESOURCES

With Circular Economy, we can create sustainable growth and reduce our CO<sub>2</sub> emissions.

We aim to improve the efficient use of materials and resources, e.g. packaging material, waste, water, and energy, as well as develop procurement practices that support circularity. Developing circularity is included in our sustainability strategy and the True Green Initiative. In particular, the Green manufacturing workstream has identified activities that are closely related to circular economy:

- Identifying operating methods that support circular economy
- Increasing internal communication and training to raise awareness of sorting
- Implementation of material flow analysis to reduce waste flows

We have set targets for the recycling rate of waste (65%) and the reduction of water withdrawal. These indicators (KPIs) are part of our environmental program and are monitored regularly in each business line. The development is reviewed quarterly by the Group Management Team. Other targets related to the circular economy are in progress.

## ENGAGING WITH STAKEHOLDERS

EU has launched an action plan for the Circular Economy, and Circular Economy is also included in the upcoming EU Taxonomy regulation. Our owners, clients, and investors have also expressed their interest in the topic.

We have created an ethical guideline for suppliers, the Supplier Code of Conduct, which among other things, obliges suppliers to improve their resource efficiency and reduce the environmental impact of their operations, products, and services. In the future, the creation of common practices would help to systematically guide procurement toward a more sustainable direction.

The concept of circular economy has already landed in the automotive industry and can be seen in many car manufacturers' operations. In battery production, the importance of transparent data from the product's life cycle and its recycling possibilities are important topics that we are also addressing.

## CIRCULAR ECONOMY ROADMAP IN PROGRESS

In 2022, we launched circular economy projects at our Uusikaupunki plant and partnered up with our waste management service provider to build a circular economy roadmap for our operations. In the initial phase of the project, we collected more than 60 development ideas from different functions. The next step is to define the actual roadmap.

In addition, we updated our instructions, produced an animated video about circular economy for internal distribution, and are creating a Circular Economy Handbook for our personnel to raise awareness on how to boost circular economy in our daily work routines. The handbook will be also utilized in our other locations and translated to local languages.

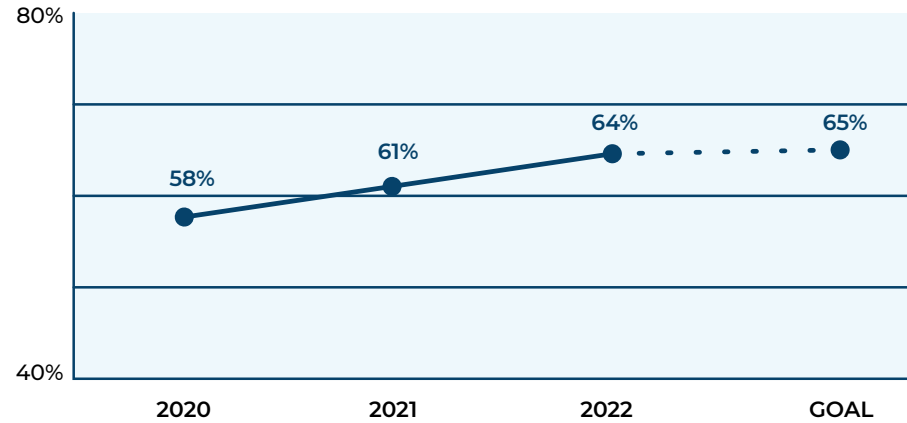
## PARTNERSHIPS TO BOOST CIRCULAR ECONOMY

Partnerships play a crucial role in our sustainability strategy. Partnerships will have a notable impact in developing and reaching our targets in circular economy,

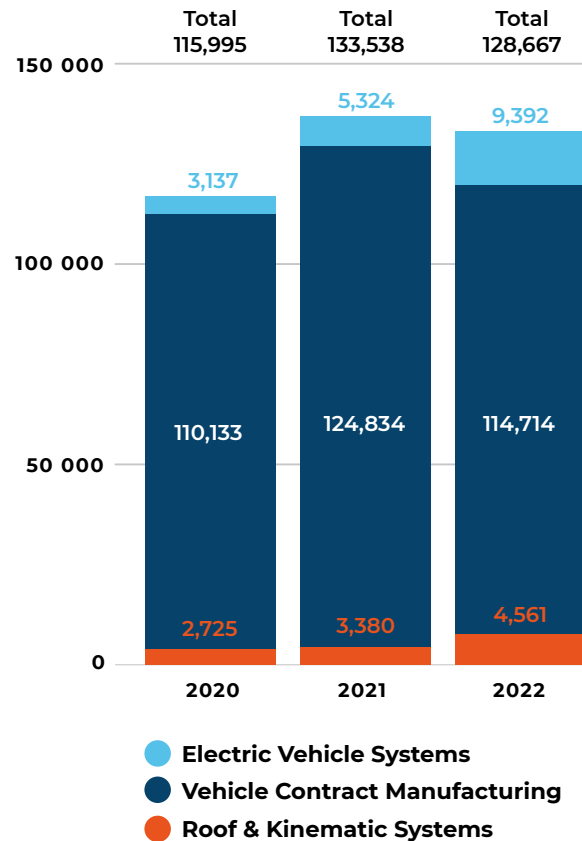




### RECYCLING RATE OF WASTE



### WATER WITHDRAWAL, m<sup>3</sup>



WASTE GENERATED, T		2022
Total weight of waste generated in metric tons, and a breakdown of this total by the composition of the waste		11,104 (2021: 6,539)
Other waste		3,434
Metals		2,653
Paper, carton & cardboard		1,942
Energy waste		1,191
Hazardous waste & WEEE <sup>1</sup>		744
Plastic		644
Batteries		275
Reusable pallets and wooden pallets		220

<sup>1</sup>Waste electrical and electronic equipment



as the material volumes flowing through our production are significant.

At the Uusikaupunki car plant, the packages for vehicle components are circulated back to the suppliers and reused several times. Reusable packages are also extensively utilized in our battery plants. Most of the other packaging materials are recycled as material. At the Roof & Kinematics Systems (RKS) plant in Zary, we partner with one of the suppliers to repair scrapped wooden pallets for reuse or for recycling the material for furniture.

We collaborate with Lindström Group at Uusikaupunki and Salo plants to recycle worn-out working clothing. At the Salo battery plant, working clothes are rented. We have also initiated a partnership for recycling used ICT equipment. Office furniture that is no longer needed is donated to charity.

These measures are aligned with our True Green Initiative and 2027 sustainability goals, and we are constantly looking for opportunities to improve circulation of material flows at all our production sites.

We partner with Fortum for efficient recycling of scrapped batteries from production at the battery plants in Salo and Uusikaupunki, and we are planning to apply the same process in Kirchartt, as well. We

are also preparing our products to be aligned with the EU Battery Passport. The regulation will provide reliable and transparent data throughout the battery accumulators' life cycle and improve the opportunities for battery recycling.

### WASTE MANAGEMENT

Valmet Automotive's target for recycling rate is 65 percent. The total amount of waste in 2022 increased to 11 000 tons, and

**“Customer demand is shifting towards climate friendly vehicles.”**

the recycling rate was 64 percent. Targets will be updated in 2023.

Most of Valmet Automotive's waste is produced in the Vehicle Contract Manufacturing business line (VCM), where packaging materials, such as cardboard, metal, and plastic, create most of the waste. The majority of those are recycled,

and the rest, e.g. contaminated cardboard, hard plastic, and gloves, are incinerated and utilized as heat.

The recycling rate increased to 69 percent in VCM in 2022. The increase was mainly due to diverting the reusable metal and plastic packaging materials to recycling. The calculation of the recycling rate was refined in 2022, so the result is not fully comparable with previous years. After the end of one of our manufacturing contracts, we were unable to utilize all the remaining materials in ongoing customer projects.

We also reached the recycling target in the Electric Vehicle Systems business line. The average recycling rate reached 81 percent. The ramp-up of the plant in Kirchartt generated a mass of construction waste which is still challenging or impossible to recycle. In Kirchartt, we are building a recycling system for the plant with a new service provider. In addition, a thesis writer started to research the opportunities for improving recycling at the Salo plant. The goal of the project is to create a communication plan and a plan to improve recycling in collaboration with our service provider in 2023.

Most of the hazardous waste is generated in the paint shop at the Uusikaupunki









plant. At the battery plants, most of the hazardous waste is generated from scrapped batteries. Some parts of the batteries can be salvaged and reused in production, while scrapped battery parts are transported to our service provider Fortum for further processing and recycling.

At the RKS plant in Zary, the main challenge for 2022 was to find a partner for recycling textile waste. As the textiles are impregnated for vehicle usage and contain significant amounts of chemical substances, finding a solution for their recycling in Poland has turned out to be challenging. However, finding a partner for textile recycling is crucial for reaching the target for the recycling rate. In 2022, the rate resulted in 42 percent.

At Valmet Automotive, we evaluate the effectiveness of the actions based on data on the progress of the KPIs collected monthly from each business line. The top management reviews the progress quarterly. Corrective actions will be taken if significant challenges occur. We continue to annually improve our data quality on

waste based on identified challenges and updated standards.

### **WATER MANAGEMENT**

Water circulation is also part of circular economy. In 2022, water withdrawal decreased in each business line mainly because of less production that directly affects water usage. We mostly use raw water in our production processes in the VCM business line.

Water usage is only minor in the production processes of the RKS business line, and at the battery plants, water is only used as sanitary water.

The targets for water management are defined by the energy group and approved by the management. Water withdrawal is one of the KPIs of our environmental program. Aligned with our sustainability agenda, we are looking into water management programs. We also report our efforts for water security to CDP (Climate Disclosure Project). CDP reviews, for example, the company's disclosure of water-related risk management and withdrawal.

In 2022, we received the score C, awareness level, and strive to constantly leverage the score.

We are also about to implement a Water Efficiency Plan in which we assess the water flows in our processes. Our goal is to develop methods to reduce water withdrawal based on the analysis.

### **VOC EMISSIONS**

We strictly measure VOC (Volatile Organic Compounds) in VCM. The limit value in the Uusikaupunki plant's environmental permit is 45 g/m<sup>2</sup>, but the internal target is more ambitiously set at 19 g/m<sup>2</sup>. The target was reached in 2022, resulting in 17.2 g/m<sup>2</sup>. We managed to lower the emissions by working in close cooperation with material suppliers and actively looking for tools for reduction. From time to time, we conduct tests with new materials and test their suitability for our use. For example, in 2022 we conducted an experiment on the use of a new clear coat.

# 1. WHY CIRCULAR ECONOMY

In this chapter, we dive in to the root causes for Circular Economy. Is the current way of producing and using material sustainable? How would Circular Economy benefit us and the planet?

# OUR PEOPLE

We want to foster and develop employee well-being, support continuous learning, and provide our employees with opportunities for career development.

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**~4,000**

employees

**93**

Nationalities

**9.4**

group-level rate of accidents (LTIF)



# MANAGING HR TOPICS

The human resources strategy of Valmet Automotive Group leans on six pillars: transforming HR to proactive and predictive services, agile practices, learning organization, integrated employee well-being, employee branding, and enhancing diversity in the organization.

HR strategy and targets (excl. health and safety topics) are prepared by Group HR. Group HR formulates the strategy, policies, and goals in collaboration with the Business Line HR Leads. The HR strategy, including targets and actions, is discussed and approved in our Group Management Meeting.

The role of Group HR is to facilitate and set the standard, include business lines' views into the big picture, and be responsible for monitoring and implementing the strategy in the business lines.

## TRACKING THE EFFECTIVENESS OF OUR ACTIONS

To track how committed our people are, we regularly monitor the turnover rate of our employees and ask our people how we are doing through the Pulse Check Survey. Other key performance indicators (KPIs) of HR are absence rate and diversity, includ-

ing the number of nationalities and gender ratio on different levels of the organization. Targets are set for turnover and absence rates. Also, an action plan is in progress, including a systematic structure for exit interviews to identify the root causes for leaving the company.

As for diversity, we are committed to offering equal opportunities in employment and education, and respecting the diverse backgrounds of our employees in our Code of Conduct. No separate diversity strategy or action plan has been created. However, we evaluate each candidate and salary based on a structured job architecture framework.

The KPIs are reported to the Board twice a year. The development is also discussed regularly in the People and Culture Committee of the company, where the Senior Vice President Group HR, owners, the Chair of the Board, and in 2023 also the CEO, are represented.

## KEY STRATEGIC LEVERS OF THE HR STRATEGY 2021–2027

### 1 THE 5 COMMITMENTS

- Developing culture through leadership development and training

### 2 EMPLOYER BRANDING & VALUE PROPOSITION

- Being an employer of choice by elevating employee experience

### 3 LEARNING ORGANIZATION

- Cultivating a learning mindset at all levels through formalized structures, change leadership and psychological safety
- Establishing a learning environment through a mix of stretching on-the-job experience and formal training, e.g., digital learning

### 4 TRANSFORMATION OF HR

- Transforming HR into a data driven HR with a consultative role

### 5 AGILE PRACTICES

- Enabling people and leadership to apply agile methods and processes
- Implementing organizational change by adjusting functions, hiring new positions

### 6 INTEGRATED WELL-BEING

- Supporting our employees' work/life balance and personal growth



# | OUR PEOPLE AT THE CORE

Our employees are our most important source of competitive strength. We are focused on creating conditions, where our people can be at their best, both professionally and personally.

We have a significant impact on people's well-being by employing thousands of people. From the company's perspective, the market of competencies in electrification is challenging. The availability of talented workforce is limited, and we are competing with many other companies.

The year 2022 was challenging from both recruitment and well-being points of view. The external circumstances have caused insecurity. These challenges are something we will not overlook but will actively search for ways to support our people. For example, in 2023 supervisors will receive training on how to pay attention to early signs of mental health issues.

## FEEDBACK FROM OUR PEOPLE

In 2022, we changed the platform for our Pulse Check Survey that not only measures how we live our Commitments but also other important areas such as reward, strategy, organizational fit, meaningful work, environment and autonomy. The target was to benchmark our results

against the industry averages (employee Net Promoter Score, eNPS) and to collect and analyze data more dynamically. Even more importantly, the new platform is providing us the possibility to continuously listen to our employees through real-time insight. This allows us to take the necessary actions and respond very quickly. In 2022, the engagement score was slightly negative (eNPS: -5). Our target is to reach net zero in 2023.

Our employees appreciate especially the collaboration between teams, the sustainability of the battery business, and the high quality of our roof and kinematic products. In Vehicle Contract Manufacturing (VCM), we were strong in goal setting, freedom of opinion, and providing peer relationships. Our strengths are at giving our people responsibility and trusting their skills. Despite the sudden changes in VCM production, people have felt that they are psychologically safe and that they have opportunities to develop.

However, we need to improve in supporting mental health, workload, rewards,

and providing spaces for employees to socialize with others. Action plans will be created in the business lines to respond to our employees' concerns.

The global situation and the corresponding changes in production have caused uncertainty and exhaustion among our employees in Electric Vehicle Systems (EVS). People are motivated, but the workload has sometimes grown heavy. In 2023, we intend to curb burdensome changes in production and work shifts at the Salo plant and develop our processes and interfaces in cross-functions departments.

In VCM, we will be focusing on three main areas to increase our people's satisfaction. First, we will focus on educating supervisors on mental well-being and providing additional services in occupational health care. In addition, we will concentrate on clarifying what the meaningfulness of work means to our production workers and increase transparency of our salary structure.

In Roof & Kinematic Systems (RKS), we will update old IT equipment and provide a





counseling phone service for our employees with a third party. One challenge in RKS has been the low response rate to the Pulse Check Survey. In 2023, we will promote the survey better and raise awareness of the anonymous data collection of the survey.

### REASONS FOR LEAVING THE COMPANY

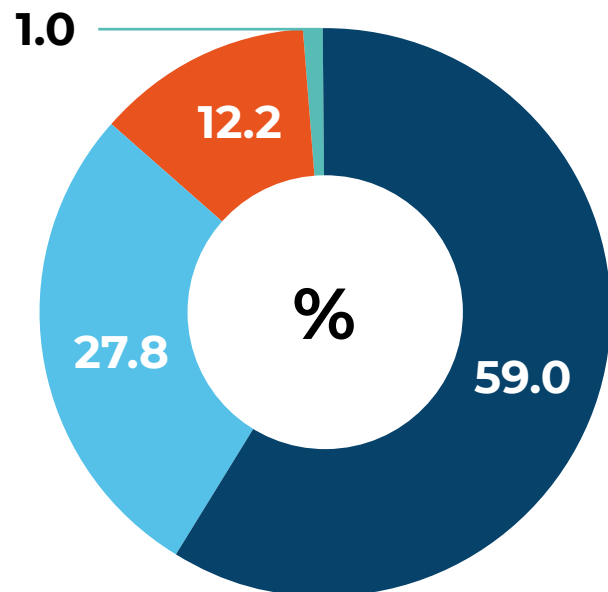
The turnover rate is one indicator of the commitment of our people. This was

reasonably high in EVS (17.5%) where processes are still in progress. Due to this, some people have felt lost and tired. To find out the root causes behind the issue, we decided to form a transformation team dedicated to the topic.

Among the production workers in EVS, reasons for leaving were for instance, laborious shift work and distance to plants. The cost of living has increased notably in 2022, and the development of wages

has not held parity. We have budgeted some salary increases for 2023, and in addition, will pay attention to communicating the salary structure and benefits better. The reasons for office employees' resignations were most commonly slow career development, lack of established processes, and lack of proper communications on the change of the company structure.

In RKS, the turnover rate grew among office employees from 7.1% to 12.4%. The



### THE MAJORITY OF OUR EMPLOYEES WORK IN VEHICLE CONTRACT MANUFACTURING

- Vehicle Contract Manufacturing (2,421)
- Electric Vehicle Systems (1,141)
- Roof & Kinematic Systems (501)
- Group corporate functions (40)

In all 4,103

Status 31.12.2022. External contracts on page 75.



reasons were similar to the other business lines. In addition, the local job market has managed to provide new interesting opportunities. In 2023, we will focus on improving our communication, leadership, and salaries.

In VCM, the sudden changes in production caused employee reductions in 2022. However, the turnover rate has stayed at a decent level: 11.3% among production employees and 6.6% among office personnel.

### DEVELOPMENT OPPORTUNITIES

Continuous learning is one of our 5 Commitments. In order to promote learning, growth, and exchange among our employees, we make every effort to provide learning opportunities on our platforms, such as our LMS (Learning Management System). We continue to build our own eLearning opportunities for specific needs such as we did with our Finance experts when creating "Finance for Non-Finance People". In addition to a countless number of off-the-shelf formats, we encourage our people to attend and engage in our online training platform VAcademy. The idea is that anyone can take a course with their supervisor's approval whenever it fits their schedule.

These learning opportunities are not utilized to their full potential, mainly because

of a lack of time. A big challenge is having training available when it is needed to make sure learning is connected and relevant to work. We are looking for ways to support our people to find room for learning. In the meantime, we are training our managers on leadership (read more p. 62). We have also increased coaching sessions and mentoring opportunities not only as part of our leadership development program. Additionally, we offer voluntary education support for degree-oriented education.

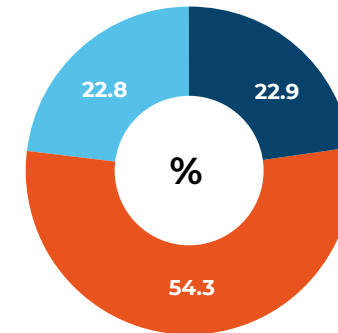
In 2022, we started a new career path training program for non-Finnish employees in VCM. The need for development opportunities for non-Finnish-speaking employees came up in the 2021 Pulse Check Survey. In 2022, we arranged three training programs in English: from car builder to team leader, from car builder to ICT specialist, and from team leader to supervisor. During the year, 36 employees were promoted to supervisor or team leader, most of them participants in these programs.

### EMPLOYEE BENEFITS

In Finland locations, we offer our employees different benefits, e.g. for culture and sports activities and a wider occupational health service than required by law.

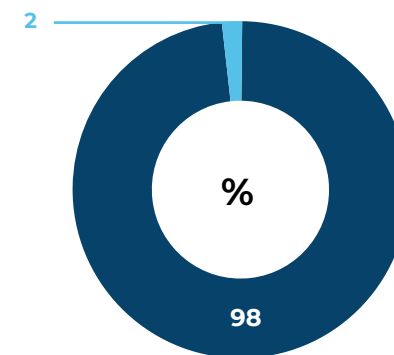
In the EVS locations in Germany, we have an employee referral program in

### AVERAGE AGE 40 YEARS



- <30 years old (940)
- 30-50 years old (2,228)
- >50 years old (935)

### 98% PERMANENT EMPLOYEES



- Permanent
- Temporary

Status 31.12.2022.



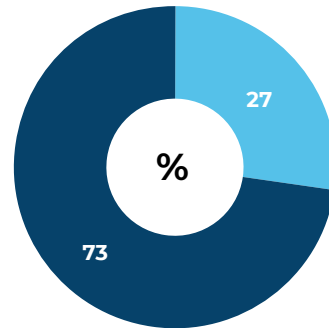
place, through which our employees can receive a bonus when a person they have referred is recruited to work with us. In RKS, we offer bonuses twice a year to employees who have been on sick leave for less than five days during the year and commuting support for employees who travel a distance of over 12 km.

To encourage employees in sustainable behavior, Valmet Automotive introduced a bicycle benefit program in Germany last year. This program will be expanded to other locations in 2023.

### REMUNERATION POLICIES

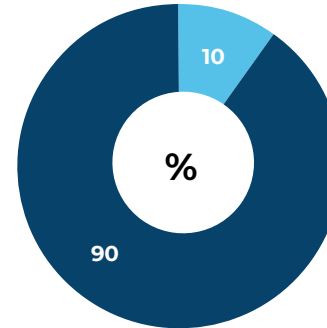
In 2022, we created a policy for the CEO's and board members' remuneration. The policy was prepared by the Group HR and approved by the Board. The policy was also discussed in the Board's People and Culture Committee. An external consultant was involved in benchmarking the remuneration.

73% OF ALL EMPLOYEES MEN



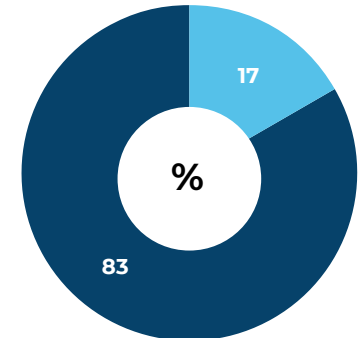
● Women ● Men

ONE WOMAN IN THE MANAGEMENT TEAM



● Women ● Men

ONE WOMAN IN THE BOARD



● Women ● Men

Status 31.12.2022

### TURNOVER RATES 2020-2022

Office personnel	2020	2021	2022
VCM	5.9%	6.7%	6.6%
EVS	5.6%	6.4%	14.6%
RKS	1.3%	7.1%	12.4%
Production employees			
VCM	15.8%	17.7%	11.3%
EVS	10.4%	19.9%	20.5%
RKS	0.8%	2.2%	0.4%

Cumulative staff turnover: the amount of employees that have resigned within the year in focus divided by the average number of employees of the year.

# 93 NATION-ALITIES







# HEALTH AND SAFETY AT WORK

Taking care of our employees' health and safety is a priority focus for us, and it is constantly developed. During 2022, the group-level rate of accidents (LTIF) improved from 14.1 to 9.4 per million hours worked.

Health and safety issues are managed at Valmet Automotive Group by each business line and reported regularly to the Group Management Team. "Health and safety" is one of the six pillars in the Group's operating system. The policies, targets, and follow-ups are prepared and defined by the business lines, as each of them have individual needs and scopes. The key performance indicators (KPIs) in health and safety are injury rates (TRI, LTI, LTIF, TRIF)\*, Safety Observations, Safety Moments, and Management Safety Walks.

The Valmet Automotive locations in Finland have their own occupational health and safety committees, as legally required. The committees meet regularly and monitor the development of occupational safety, potential risks, as well as key figures. The committee consists of employees elected every other year, including HR managers and directors of operations. The next elections will be held in 2023. Furthermore, health and safety are on the agenda at every regular management level meeting, separately organized meetings in pro-

duction areas, and collaboration meetings between business lines where incidents, best practices, and development measures are discussed.

The Roof & Kinematic Systems (RKS) plant in Zary and the Vehicle Contract Manufacturing (VCM) plant in Uusikaupunki have ISO 45001 certification for occupational health and safety. The Electric Vehicle Systems (EVS) plants in Salo and Uusikaupunki will be certified in 2023.

In April 2022, we fully deployed a Group level reporting system for health and safety in all of our locations. This means that each location is reporting into the same system with a systematic protocol. In addition, we harmonized risk assessment processes and general personal protective equipment at group level.

## HAZARD IDENTIFICATION AND RISK ASSESSMENT

At Valmet Automotive, risks for high-consequence accidents are identified by means of occupational risk analysis and assessment, considering the frequency and

severity of occurred accidents and safety notes reported by employees. At least once a year and in case of significant changes in the working area, devices, or methods, we conduct a risk assessment where we assess risks pre-emptively, as well as severe near-miss cases. The risk assessment process itself is checked regularly, as well.

Regular safety meetings organized by managers for their teams also play a significant role in risk identification and in encouraging employees to report potential safety risks. All production locations organize their own safety walks, in which all managers from all areas are encouraged to participate. This means that once a day, safety walks are organized somewhere around the group's domains.

We ensure the quality of health and safety processes through specialized employees and supervisors and provide internal training to ensure that all employees possess basic knowledge of health and safety. We evaluate and continually improve the processes through internal and external audits, and planned programs.

\*TRI(F) = Total Recordable Incident (Frequency), LTI(F) = Lost Time Injury (Frequency)





When high-risk accidents occur, the investigation process starts with a hearing of the injured person and their supervisor with the help of a Health, Safety & Environment officer. In the hearing, corrective measures are agreed upon, and the supervisors are responsible for their execution. If necessary, the risk assessment is updated.

Employees are encouraged to report work-related hazards to their supervisors. If they fear reprisals or have been victims of inappropriate behavior, they can report to the next-level supervisors or to the whistleblowing system. Employees also have the right to stop working if they believe the work could cause injury or health hazards. In these kinds of very rare situations, the process will be stopped until it has been ensured that the work can be continued safely.

### SIGNIFICANT IMPROVEMENTS IN VCM

During 2022, we managed to improve the injury rate significantly in the VCM business line. The frequency of lost time injury per million work hours (LTIF) improved from 19.4 to 11.1. Most of the accidents were minor, with less than three days lost time injuries, such as cases where there have been minor hand and finger injuries or stumbling on objects.

In 2022, we put a lot of effort into improv-

ing health and safety. First, we have taken actions to eliminate hazards and minimize risks using the hierarchy of controls. In the VCM plant in Uusikaupunki, the focus for 2022 was to improve communications. We increased proactive procedures, like safety walks and moments, and launched an internal safety TV with almost 70 screens throughout the plant. Various slides and animations regarding safety are shown on the screens. VApp, a mobile app used in VCM, also offers a platform for sending activating messages and animated safety videos straight to the majority of the personnel. The app will be deployed in other business lines, too.

We also managed to reduce high-consequence accidents in the loading and unloading areas of the VCM plant. Traffic has run smoother in the loading area after authorizing only one company to handle freight trucks in logistic areas. In addition, preventive actions for changing weather conditions have been more efficient, and that has reduced the number of accidents. We have identified the highest safety risks in internal traffic, where a lot of forklifts are moving. We have worked to make pedestrian traffic safer at the site including the parking area.

In 2022, we recorded altogether 1,620 safety moments between managers and their teams, which is 43 percent more than in 2021 (920 moments). One explanatory







factor may be that reporting has been made easier and supervision more effective – and safety is our number one priority. Employees reported 3,894 safety notes in 2022 which is almost double the amount in 2021 (2,156). To encourage our employees to actively report their observations on safety, we have added QR code posters around the factory premises - employees can easily submit safety notes on their personal mobile phones. The quality of the safety notes has also improved, which has made it easier for supervisors to process the notifications.

Communicating health and safety issues has improved on the management levels as well. Safety issues are a priority topic to discuss, whether it's daily meetings or production meetings. We are going to maintain communications as one of the priority topics in 2023, as well as safety training and process definitions. Ergonomic and occupational health services will also be one of the focus points next year.

### **ONBOARDING NEW PEOPLE AFFECTED THE INJURY RATE**

In the EVS business line, the injury rate (LTIF) has risen from 4.8 to 9.9 during 2022. Most of the cases, 60 percent of them, were connected to moving materials and other internal traffic. A bit less than half of the cases needed longer than four days'

sick leave. One of the main reasons for the increased injury rate is that several new people were hired, especially at the expanded battery plant in Salo.

Due to the increase in accidents, we have already started several measures. In the fourth quarter of 2022, we hired a full-time forklift trainer focusing on operating logistics and internal traffic safety. In addition, instructions were improved. Safety communication is also to be improved and increased.

In EVS, a collaboration meeting between Finnish health and safety officers is arranged weekly. Monthly meetings between plants are also arranged to share knowledge about best practices. This has already shown improvement, as no accidents occurred in December.

In the RKS business line, the LTIF rate increased from zero to 3.4 during the last year. This contains three medium accidents, which all have unfortunately led to long sick leaves. In 2022, we have increased training for employees and instructions and markings of high-risk areas and continue to improve the safety conditions in 2023. As in VCM, employees can submit safety notes on their phones via QR code posters added around the factory premises in RKS. We will also implement a TV screen in the canteen that conveys information about safety issues.

### **CONSTANT TRAINING OF OUR PEOPLE**

Caring about the safety of our employees is important to us, and that is why we have invested especially in safety training. All supervisors are trained separately on safety, and all employees receive general training on safety, which is followed by task-specific safety training.

From 2022, the training center's training program in Uusikaupunki has been expanded to all production departments. Induction training and training on the right use of assets, for example, take place at the center.

In EVS, all recruited production employees received a comprehensive orientation, including three separate safety card trainings: occupational safety, electrical work safety, and high voltage work safety training.

In addition, we have mandatory safety training for the contract partners working at our premises. If partners are working on a larger project, they are required to compose a separate safety plan.

### **OCCUPATIONAL HEALTHCARE SERVICES**

At Valmet Automotive's locations in Finland, employees are provided with occupational health care. The Uusikaupunki plant has its own medical center, which is staffed with occupational health nurses, a



physiotherapist, and a doctor during office hours. The health service provider has also several regional locations where the employees can attend.

Occupational healthcare not only conducts pre-employment, employment, and periodic medical examinations but also assists with health concerns and minor accidents. The same service provider also

provides occupational healthcare services and examinations to our employees in Salo, Turku, and Vantaa. We work closely with healthcare professionals and include them in our meetings.

We provide also other voluntary services, especially in our largest locations in Finland. We provide a substance abuse prevention program, free access to our own

gym at the Uusikaupunki plant, vouchers for Finnish employees to promote health and well-being, sleeping instructions for shift workers, and the possibility to share the mental load with our health care professionals, in the chat service or at short-term therapy. In 2022, Covid-19 vaccinations were also provided for the employees.

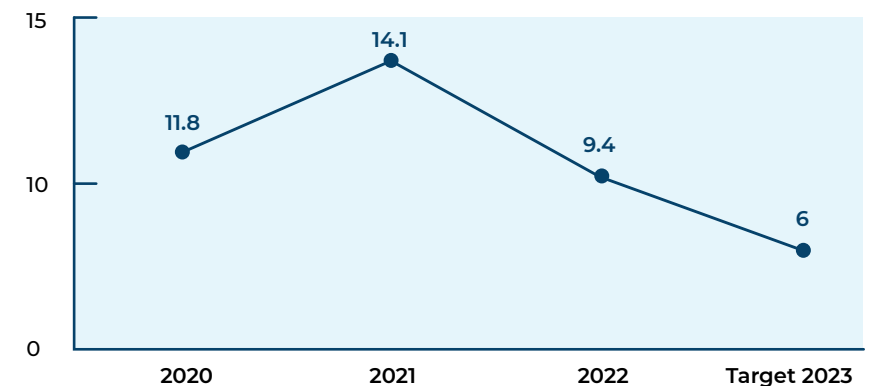
In Poland, we have signed contracts

with two external professional medical centers which provide medical examinations. Employees in Poland have access to short-term therapy with an external specialist. In Germany, we do not have comprehensive occupational health care contracts. Medical services are purchased mainly for induction and periodic examinations, and consulting for other special needs.

SAFETY INDICATORS	2020	2021	2022	TARGET 2022	TARGET 2023
Injury rate, Vehicle Contract Manufacturing (>1 days) LTIF	13.4	19.4	11.1	9	8
Injury rate, EV Systems (>1 days)	4.6	4.8	9.9	5	5
Injury rate, Roof & Kinematic Systems (>1 days)	6.1	0	3.4	5	5
Injury rate, group (>1 days)	11.8	14.1	9.4	8.5	6
Injury rate, group (>4 days)	6.2	6.7	4.6		
Total Recordable Incident Rate (TRIR), group	28.2	24.2	16.3	22.1	11
Number of injuries, group	66	95	114		
Occupational diseases	0	3	4		
Number of work-related fatalities	0	0	0		
Number of safety observations	3,566	3,535	5,591		
Safety observations (/employee)	0.96	0.81	1.19	> 1	min. 1
Number of injuries VCM	59	89	42		
Number of injuries EVS	2	6	20		
Number of injuries RKS	5	0	4		

Injury rates per 1,000,000 hours worked.

### INJURY RATE\*, GROUP



\* Work-related injuries that have led to >1 days of absences per million hours worked.

# LEADERSHIP PROGRAM HELPS MANAGERS TO GET THEIR TEAMS OFF THE GROUND

In 2022, Valmet Automotive piloted a new leadership program designed to develop managers' leadership skills. Senior Manager **Nita Hyvönen** participated in the program to develop as a manager: to identify the needs of her team members, and to be able to provide constructive feedback.

The leadership program originated from the need to align the leadership competency framework throughout the Group. Leadership had also been singled out in the Pulse Surveys as an area for improvement. The program was created as a way to promote an effective management style based on Valmet Automotive's 5 Commitments and thus also to support strategic priorities.

"There is always room for improvement. That's when you have to learn new ways of working," says Hyvönen. She was part of the *Empower for Effectiveness* training program for middle managers, together with 11 other participants. In total, there were three training groups.

## A GOOD LEADER SUPPORTS AND ENCOURAGES

The six-month program included a half-day remote workshop about once a month. The

workshops and supporting group work and training materials taught participants how to support different types of employees and how to identify and develop leadership styles.

"Learning together with colleagues from different business lines gave me a broader perspective on different practical work challenges. The program also created unity across business lines," says Hyvönen.

Hyvönen joined the training after a development discussion with her manager and out of a desire to learn new things and develop as a manager.

"Supporting the personal development of team members was the most important lesson learned during the training. People have different ways of working and are motivated by different things. A good leader makes sure that everyone can be themselves within the team and do exactly

what they are good at. A good leader picks up the slack and helps others to reach new heights."

## THE PROGRAM WILL CONTINUE AND EXPAND

Hyvönen, who has worked in many different positions at Valmet Automotive since 2006, emphasizes that opportunities to develop her own work in this way have been the spice of the job.

"At Valmet Automotive, you have the opportunity to develop and try something new if you want to. There is a good drive here and always an eye on the future."

The program is to be continued and offered to all supervisors and managers in the future. In 2023, the programs will be set up and organized as learning journeys again with the aim to continue shaping the future.





SPEED HAS ALWAYS BEEN IN OUR DNA

THE FAST LANE TO THE FUTURE

LONG LIVE THE KING

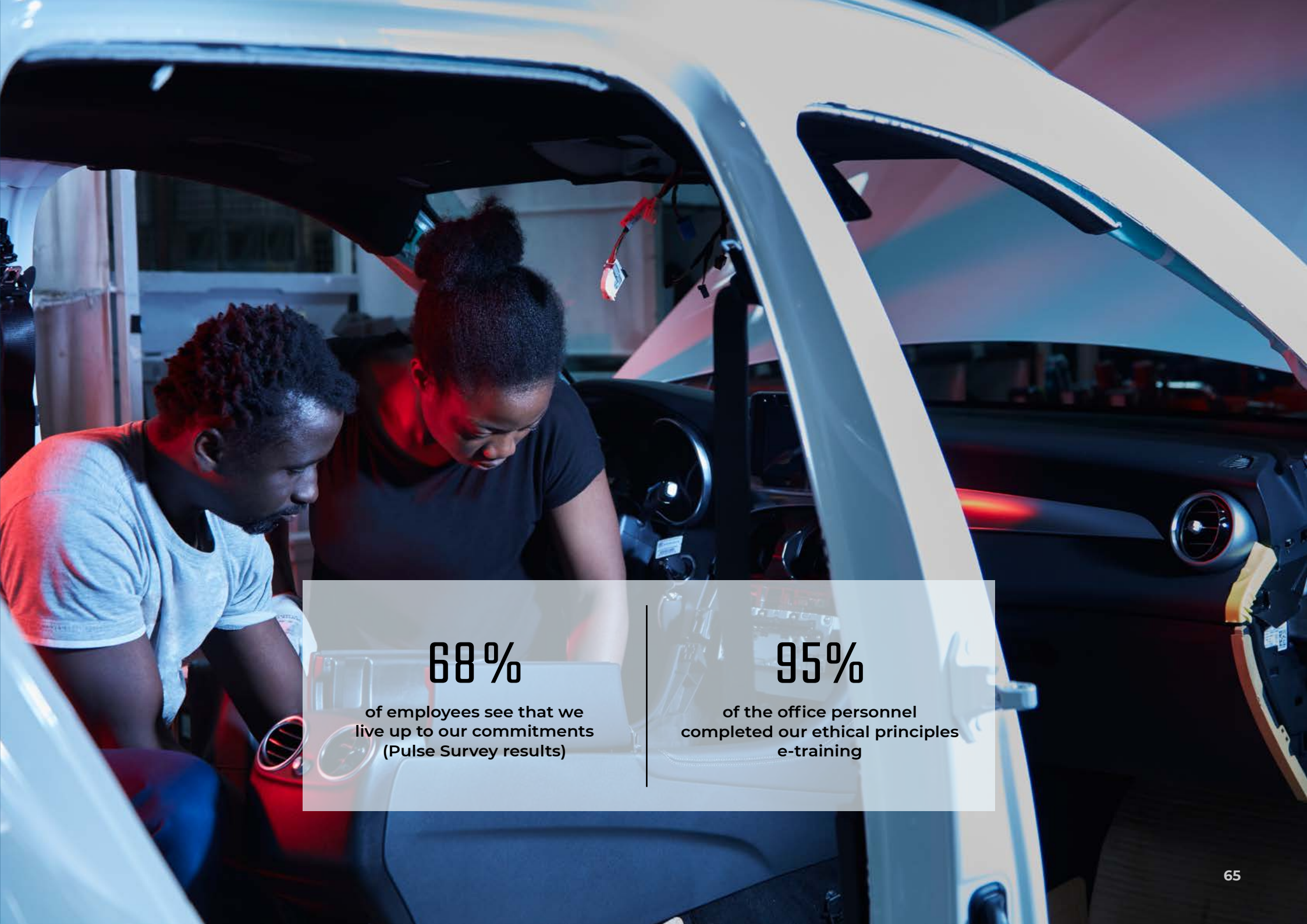
VALMET AUTOMOTIVE

# INTEGRITY AND DIGNITY

Living up to our commitments and guidelines is a matter of dignity for us. We aim to truly bring the Code of Conduct alive throughout our organization and supply chain.

<b>OUR 5 COMMITMENTS .....</b>	<b>66</b>
<b>REALIZING THE COMMITMENTS .....</b>	<b>67</b>
<b>COMPLIANCE.....</b>	<b>68</b>





**68%**

of employees see that we live up to our commitments  
(Pulse Survey results)

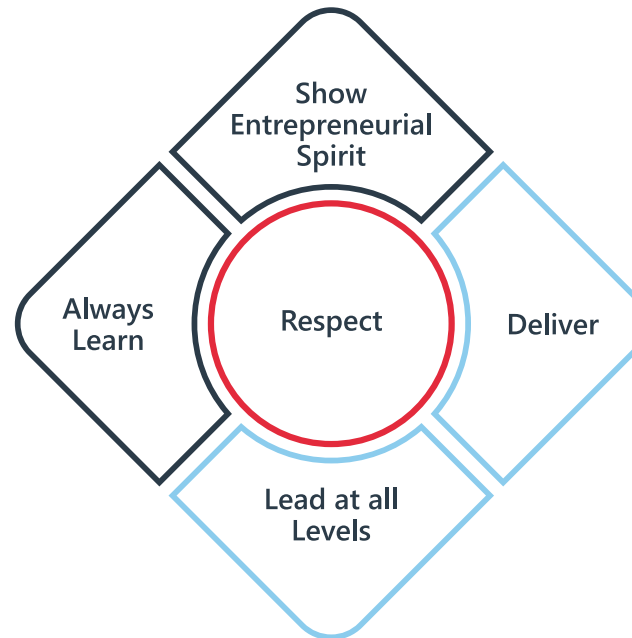
**95%**

of the office personnel completed our ethical principles e-training



# 5 COMMITMENTS – VALMET AUTOMOTIVE'S CORPORATE CULTURE

To build one uniform corporate culture for the group of companies, Valmet Automotive has defined 5 commitments – always learn, show entrepreneurial spirit, deliver, lead at all levels and respect – that serve as a benchmark for every Valmet Automotive employee across all levels. They guide and help us to live to our values.



## RESPECT

We value our own work as well as that of our colleagues', customers, partners and other stakeholders. We value and take pride in the environment where we operate. This paves the way to continuously improve sustainable economic growth and the performance level of our business.

## ALWAYS LEARN

We are never too busy or too good not to learn and improve us and the company continuously. The willingness to open up new fields, to explore and to listen, is shaping us more than ever. Continuous training and increased awareness are the keys to engage our employees to sustainability. We are actively informing and training employees on issues related to protecting the environment, conserving natural resources and occupational health and work safety.

## SHOW ENTREPRENEURIAL SPIRIT

We are innovative, curious, open. And when we have almost reached our goal, we passionately take that last step. We love what we do. We are characterized by a clear strategic discipline of the Group as a whole to be economically successful. We are committed to ambitious targets in sustainability, and the corporate rules and processes support achieving them.



## DELIVER

We want to be the best in everything we develop, manufacture, plan, test and offer our customers as a service provider. We never deliver “just like that”. Our systems and processes that are used globally are just as best-in-class as our employee and process management. We have set highly ambitious targets in a carbon neutral manufacturing process. We keep our promises and deliver results, in sustainability as in other fields of our operations.

## LEAD AT ALL LEVELS

It takes place at all levels, from the smallest unit to the Group Management Team. Only the willingness to lead enables us to make decisions and take responsibility for the big picture. Leadership is essentially personal responsibility for one’s own actions and decisions. Risk management and safety of work environment are issues, to which every employee at Valmet Automotive can and must contribute.

# I REALIZING THE COMMITMENTS

We regularly ask our employees how the 5 Commitments are lived at Valmet Automotive through the yearly Pulse Check. In 2022, altogether 2,767 employees, equaling 75% of the personnel, responded to the survey. The response rate improved significantly due to a large communication campaign and a new platform, which allows all employees to access the survey on their mobile phones as well.

Overall, 68% of the respondents see that we are living up to the 5 Commit-

ments, which is slightly less than in 2021. Some decreased results such as Deliver and Lead at all Levels can be explained by high workload, missing communication, or some missing structures in the work processes. Also, lack of time can often be the reason for not being able to Always Learn.

During 2023, we are going to focus on common priorities such as workload, well-being and common informal spaces for employees to collaborate.

## PULSE SURVEY RESULTS

Share of respondents who agree or strongly agree that we live up to the commitment.

	2020	2021	2022
In all	65%	73%	<b>68%</b>
Respect	67%	74%	<b>69%</b>
Deliver	70%	81%	<b>74%</b>
Lead at all levels	78%	84%	<b>69%</b>
Show Entre-preneurial Spirit	55%	63%	<b>64%</b>
Always Learn	56%	65%	<b>63%</b>
Respondent %	36%	52%	<b>75%</b>

# I ENSURING AN ETHICAL COMPANY CULTURE

Valmet Automotive's ethical principles in the Code of Conduct set the framework for the organization's ethical culture and compliance program.

Strengthening integrity and dignity is one of the cornerstones of Valmet Automotive's sustainability strategy. The target is to set up a plan for increasing the understanding of the Code of Conduct and ethical principles through training and improving sustainability communications. Valmet Automotive's compliance program has been set up to secure that the employees are aware of the applicable rules and regulations, and to prevent and detect misconduct.

## TRAINING FOR PERSONNEL

The compliance program is primarily implemented through training for employees. Valmet Automotive's office personnel are required to complete mandatory online training on ethical principles and their application within a month after onboarding. In the training, the application of Valmet Automotive principles to everyday life is highlighted through practical examples. In 2022, 95% of the office personnel had completed the training.

We encourage stakeholders to seek advice for raising concerns by contacting the legal department of Valmet Automotive, or

if internally, by contacting the supervisor. In case of suspecting HR-related misconduct, we advise our personnel to primarily contact their supervisor or the HR department.

## COMPLIANCE CHANNEL

As part of the compliance process, we have introduced a whistleblowing channel where anyone can report anonymously if they suspect non-compliance against the Code of Conduct. The reporting channel is presented as a part of the compliance training and in the Code of Conduct. It is accessible on our intranet and website for both internal and external stakeholders. An outsourced, third-party-owned whistleblowing system ensures that the notifier can stay anonymous.

The whistleblowing system complies with the ISO 27001 standard for data security management and the ISO 27018 standard for the protection of personal data in cloud services. We are tightly following the EU's Whistleblowing Directive and its national implementation in our operating countries, and based on them, will review our processes.

## INVESTIGATION PROCESSES

A team of three specialists, two from the legal department and one from HR, have access to the reporting system. The process is managed by the Group General Counsel who checks the encrypted reports and if needed, requests additional information. The aim is to respond to the initiator within 7 calendar days, and this target was achieved in 2022.

The legal department is responsible for designing and monitoring compliance processes. The processes are updated according to feedback from the Group Management Team and the Board of Directors. Valmet Automotive's compliance performance, including e-learning completion rate and notifications to the compliance channel, is reported to the Group Management monthly. The Board of Directors reviews the compliance process annually. In case there is a concern of misconduct by a senior executive, the legal department is required to report it immediately to the Chair of the Board.

The effectiveness of the grievance mechanisms is evaluated based on the





expertise of the legal department and the quality of the policies, completion rate of training and the number of notifications through whistleblowing channel.

### 23 NOTIFICATIONS THROUGH THE COMPLIANCE CHANNEL

In 2022, we received 23 notifications (2021: 27) through the whistleblowing channel. The majority of the reports were related to leadership practices or misbehavior at work. After an investigation process in collaboration with the HR department, a few of the reports lead to labor law consequences (e.g. warning). One case of sexual harassment was reported through the channel as well as outside of the channel through a work safety report, and corrective actions were taken. In 2022 Valmet Automotive did not take any of the reported matters to the police.

If a violation of the Code of Conduct or legislation is suspected, a contact person from the corresponding business line may be invited to participate in the processing, in order to form an overall picture. The Group General Counsel follows the processing of the case and when it is closed, the initiator will be notified.

During 2023, the whistleblowing practices will be slightly revised to address the upcoming regulatory requirements of the EU Whistleblowing Directive's national implementation in Finland, Germany, and Poland.

During 2022, we paid a compensation

of 6 500 euros as a settlement facilitated by the Non-Discrimination Ombudsman of Finland due to non-compliance of the Non-discrimination Act in a recruitment process. A candidate had been disqualified from the process because of lacking a residence permit. The HR has since corrected the process and a residence permit is no more required for employment.

### CONFLICTS OF INTERESTS

Members of the Board follow the Code of Conduct and commit to excluding themselves from the decision-making of issues with a potential conflict of interest. All members of the Board are obliged to provide information about their related parties to the company, and the finance department regularly runs checks through the financial system to ensure no conflicts of interests are detected in transactions. Cross-shareholdings with suppliers, too, are considered in the decision-making. The member of the Board in question is excluded from decision-making of the issue in concern if a concern on conflict of interest arises.

The financial information of transactions of related parties is publicly disclosed, however, the actual parties are not reported externally. In the case of cross-board membership, the candidate assesses the potential for conflict of interest, and if considered appropriate, the topic is discussed with the other party in question.

## THESE PRINCIPLES GUIDE EVERYONE AT VALMET AUTOMOTIVE

- We comply with applicable national and international laws, regulations, and generally accepted practices. We require this also from our business partners.
- We are committed to international standards on human rights, working conditions and hours, the fight against corruption, and the environment.
- We are committed to the principles of sustainable development of the International Chamber of Commerce (ICC).
- We support fair competition and a free market and refuse to discuss or agree with competitors on pricing, market shares, or suchlike activities, nor do we accept any form of corruption, such as bribery or embezzlement.
- Our activities are guided by the UN Global Compact initiative and the fundamental rights of the worker as defined by the International Labor Organization (ILO), which include freedom of association, the right to organize, the right to collective bargaining, the prohibition of forced labor and equal opportunities and treatment.
- We do not use child labor or deal with subcontractors or suppliers who use it.
- We are committed to monitoring our working conditions and taking care of the occupational safety and the health of our employees.
- We refrain from business relationships that may result in conflicts of interest.
- We strive to streamline our business and prevent our environmental impact, and actively train our employees in environmental protection.

*The Code of Conduct in its full extent is available on our website:  
<https://www.valmet-automotive.com/wp-content/uploads/2022/05/va-code-of-conduct-2021.pdf>*

# GRI & DATA

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SUSTAINABILITY VOCABULARY .....	78

## Independent Limited Assurance Report to the Management of Valmet Automotive Group

### Scope of Engagement

Valmet Automotive Group ("Valmet Automotive") commissioned DNV Business Assurance Finland Oy Ab ("DNV") to conduct a limited assurance engagement over the achievement of carbon neutrality in the Qualifying Explanatory Statement - 1<sup>st</sup> Declaration of achievement (the "Report") of Valmet Automotive dated 16.3.2023.

### Selected Information

The scope and boundary of our work is restricted to assessing that Valmet Automotive's preparation of the achievement of carbon neutrality with regards to Scopes 1 and 2, presented in the Report is in accordance with the publicly Available Specification for the PAS 2060:2014 Demonstration of Carbon Neutrality achievement (the "Criteria"). In addition, Scope 1 and 2 greenhouse gas emissions, presented in the Report (page 05) have been assured for the reporting period 1st January to 31st December 2022.

We have not performed any work, and do not express any conclusion, on any other information that may be published outside of the report and/or on Valmet Automotive's website for the current reporting period.

### Our conclusions

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Report is not fairly stated and has not been prepared, in all material respects, in accordance with the Criteria.

This conclusion relates only to the Report and is to be read in the context of this Assurance Report, in particular the inherent limitations explained below.

### Standard and level of assurance

We performed a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 revised – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (revised), issued by the International Auditing and Assurance Standards Board. This standard

requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance.

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2015 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

The procedures performed in a limited assurance engagement vary in nature and timing from and are less detailed than those undertaken during a reasonable assurance engagement, so the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. We planned and performed our work to obtain the evidence we considered sufficient to provide a basis for our opinion, so that the risk of this conclusion being in error is reduced, but not reduced completely.

### Basis of our conclusion

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information; our work included, but was not restricted to:

- Conducting interviews with Valmet Automotive's management to obtain an understanding of the data management systems and processes used to generate, aggregate and report the information;
- Two remote site audits to review the processes and systems for preparing site level data. The site reviews were conducted at:
  - Valmet Automotive PLC, Uusikaupunki production site in Finland
  - Valmet Automotive EV Power Ltd, Salo production site in Finland
- Reviewing data at source and following this through to consolidated group data;
- Assessing whether the standards and methodologies used in carbon emission calculations met the Criteria; and
- Reviewing whether the evidence, measurements, and Report is prepared in accordance with the Criteria.

### Inherent limitations

Our assurance relies on the premise that the data and information provided by Valmet Automotive to us as part of our review procedures have been provided in good faith. Because of the selective nature (sampling) and other

inherent limitations of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities may not have been detected. Energy use data utilized in greenhouse gas (GHG) emissions calculations are subject to inherent limitations, given the nature and the methods used for determining such data. Finally, the selection of different but acceptable measurement techniques may result in materially different measurements.

DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Independent Assurance Report.

### Our competence, independence and quality control

DNV established policies and procedures are designed to ensure that DNV, its personnel and – where applicable – others are subject to independence requirements (including personnel of other entities of DNV) and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals, whose members have not been involved in the development of any of the Criteria. Our team consisted of professionals with environmental and sustainability assurance experience.

### Responsibilities of the Management of Valmet Automotive and DNV

The Management of Valmet Automotive have sole responsibility for:

- Preparing and presenting the Report in accordance with the Criteria;
- Designing, implementing and maintaining effective internal controls over the information and data, resulting in the preparation of the Report that is free from material misstatements;
- Measuring and reporting the Report based on their established Criteria; and
- Contents and statements contained within the Report and the Criteria.

Our responsibility is to plan and perform our work to obtain limited assurance about whether the Report has been prepared in accordance with the Criteria and to report to Valmet Automotive in the form of an independent limited assurance conclusion, based on the work performed and the evidence obtained. We have not been responsible for the preparation of the Report.

For and on behalf of DNV Business Assurance Finland Oy/Ab Espoo, Finland

16<sup>th</sup> March, 2023

<b>Heidi Käkälä</b>	<b>Sari Siitonen</b>
Lead Auditor DNV Business Assurance Ab Oy	Principal Consultant and Reviewer DNV Business Assurance Ab Oy

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# I ABOUT ENVIRONMENTAL DATA AND ITS COLLECTION

## EMISSIONS

The CO<sub>2</sub> emission calculations presented in this report are based on the Greenhouse Gas Protocol company standard and guidance. Emission calculations are divided into three main categories: Scopes 1, 2, and 3. Scopes 1 and 2 include Valmet Automotive's emissions from both owned and leased premises of which we have operational control. This enables Valmet Automotive to have direct influence over the reduction of emissions and take necessary steps to achieve carbon neutrality without offsets.

Scope 1 emissions (i.e. direct GHG emissions) cover the on-site energy consumption of fossil fuel sources for owned facilities, as well as emissions from owned or leased fleet vehicles.

Scope 2 emissions (i.e. indirect GHG emissions) are from purchased electricity and district heating. Valmet Automotive reports both market and location-based Scope 2 electricity emissions. Corporate offices (Vantaa, Turku, and Frankfurt) are included in Vehicle Contract Manufacturing (VCM's) calculations.

GHG emissions are calculated based on the direct measurement of energy use (e.g. meter reads/invoices) where available and estimated energy consumption based on

office area or reference periods where direct measurement is not possible. The base year for calculations is 2019 (the first year calculating).

## VERIFIED CARBON NEUTRALITY

The scopes 1 and 2 carbon neutrality has also been verified by an external party (page 71). The verification process started with an assessment of CO<sub>2</sub> emissions included in the carbon neutrality program (scopes 1 and 2) and a review of the calculation framework and methodology against reporting standard criteria (e.g. GHG protocol, PAS 2060, and Valmet Automotive's instructions).

Then, the activity data, emission factors, and calculation accuracy were reviewed based on selected sampling and data assurance. The carbon neutrality management approach, claims and offset, and other relevant PAS 2060 requirements were assessed to finish off the process.

## VALUE CHAIN EMISSIONS

Scope 3 accounts for other indirect GHG emissions (upstream and downstream) relevant for Valmet Automotive in 2021:

1. Purchased goods and services
2. Capital goods
3. Fuel- and energy-related activities

4. Upstream transportation and distribution
5. Waste generated in operations
6. Business travel
7. Employee commuting
8. Upstream leased assets
9. Downstream transportation and distribution
11. Use of sold products
12. End-of-life treatment of sold products

Our Annual Sustainability Report included scope 3 data from the previous year as scope 3 data is gathered in Q2.

## WATER AND WASTE

Corporate offices are not included in water or waste calculations. The calculation of the recycling rate for VCM was refined in 2022, so the result is not fully comparable with previous years.

## RESTATEMENTS IN DATA

In last year's 2022 Annual Sustainability Report, GRI indicators 302-1 energy consumption within the organization and 306-2 waste by type and disposal method were incomplete in the GRI index but not in the main report text. Due to a clerical fault, scope 3 data has been updated for the year 2020 which has resulted in about 20% lower GHG emissions than previously reported.



# GRI CONTENT INDEX

GRI	GRI DESCRIPTION	PAGE NUMBER, COMMENTS AND EXCLUDED INFORMATION
<b>GRI 2 – GENERAL DISCLOSURES</b>		
2-1	Organizational details	8–9
2-2	Entities included in the organization's sustainability reporting	15
2-3	Reporting period, frequency and contact point	15
2-4	Restatements of information	72
2-5	External assurance	71, 72
2-6	Activities, value chain and other business relationships	8–9, 27 (supply chain)
2-7	Employees	54–56, 75
2-8	Workers who are not employees	75
2-9	Governance structure and composition	23–24, 56 and Valmet Automotive website*
2-10	Nomination and selection of the highest governance body	23–24
2-11	Chair of the highest governance body	23–24 and Valmet Automotive website*
2-12	Role of the highest governance body in overseeing the management of impacts	23–24
2-13	Delegation of responsibility for managing impacts	23–24
2-14	Role of the highest governance body in sustainability reporting	15, 23–24
2-15	Conflicts of interest	69
2-16	Communication of critical concerns	68–69
2-17	Collective knowledge of the highest governance body	23–24
2-18	Evaluation of the performance of the highest governance body	23–24
2-19	Remuneration policies	Excluded
2-20	Process to determine remuneration	56
2-21	Annual total compensation ratio	Excluded
2-22	Statement on sustainable development strategy	6
2-23	Policy commitments	67–69, Code of Conduct
2-24	Embedding policy commitments	67
2-25	Processes to remediate negative impacts	68–69
2-26	Mechanisms for seeking advice and raising concerns	68–69
2-27	Compliance with laws and regulations	69
2-28	Membership associations	30–31
2-29	Approach to stakeholder engagement	30–31
2-30	Collective bargaining agreements	76

\*[valmet-automotive.com/company/board/](https://valmet-automotive.com/company/board/)



# GRI CONTENT INDEX

GRI	GRI DESCRIPTION	PAGE NUMBER, COMMENTS AND EXCLUDED INFORMATION
<b>GRI 3 – MATERIAL TOPICS</b>		
3-1	Process to determine material topics	14
3-2	List of material topics	14, 19
3-3	Management of material topics	See topic disclosures (38, 44, 52, 53, 58)
<b>GRI 200 – ECONOMICAL IMPACTS</b>		
201-1	Direct economic value generated and distributed	9. Taxes/payments to governments have not been distinguished by country).
201-2	Financial implications and other risks and opportunities due to climate change	26–28. More details in CDP report.
<b>GRI 300 – ENVIRONMENTAL IMPACTS</b>		
302-1	Energy consumption within the organization	42, 72, 77
305-1	Direct (Scope 1) GHG emissions	41, 72
305-2	Energy indirect (Scope 2) GHG emissions	41–42, 72
305-3	Other indirect (Scope 3) GHG emissions	42, 72
306-3	Waste generated	45–46, 72
308-1	New suppliers that were screened using environmental criteria	27
<b>GRI 400 – SOCIAL IMPACTS</b>		
401-1	New employee hires and employee turnover	54, 56, 75
403-1	Occupational health and safety management system	58–59
403-2	Hazard identification, risk assessment, and incident investigation	58–59
403-3	Occupational health services	60–61
403-4	Worker participation, consultation, and communication on occupational health and safety	58–59, 61
403-5	Worker training on occupational health and safety	60
403-6	Promotion of worker health	60–61
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	58–61
403-9	Work-related injuries	61
405-1	Diversity of governance bodies and employees	76
414-1	New suppliers that were screened using social criteria	27





# DATA ON EMPLOYEES

## GRI 2-7 EMPLOYEES

## GRI 2-8 WORKERS WHO ARE NOT EMPLOYEES

EMPLOYMENT TYPE	2020		2021		2022		Extra information
	N	%	N	%	N	%	
<b>Permanent</b>	3,835	98%	4,553	97.9%	4,022	98.0%	Headcount
Female			1,115	24.5%	1,075	26.7%	
Male			3,400	74.7%	2,944	73.2%	
Unknown/undeclared			5	0.11%	3	0.1%	
<b>Temporary</b>	87	2%	98	2.1%	81	2.0%	Headcount
Female			45	45.9%	37	45.7%	
Male			53	54.1%	44	54.3%	
Unknown/undeclared					0	0	
<b>Full-time</b>			3,666	78.8%	4,011	97.8%	Headcount
Female			953	26.0%	1,066	26.6%	
Male			2,708	73.9%	2,942	73.3%	
Unknown/undeclared			5	0.1%	3	0.1%	
<b>Part-time</b>			39	0.8%	92	2.2%	Headcount
Female			24	61.5%	46	50%	
Male			15	38.5%	46	50%	
Unknown/undeclared					0	0	
Non-guaranteed hours employees					0	0	The group-wide system doesn't collect this data, not in use in Finland or Poland.
External workers			269		351		We use rented workforce mostly for production, logistics and quality or contractors to build up a production line.

## GRI 404-1 NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

NEW EMPLOYEE HIRES DURING THE YEAR	2021		2022		Additional information
	N	%	N	%	
<b>All</b>	1,709		461		Temporary contracts excluded.
<b>Gender</b>					New hire category divided by all hires multiplied by 100.
Female	367	21.5%	165	35.8%	
Male	1,336	78.2%	296	64.2%	
unknown/undeclared	11	0.6%	0	0.0%	
<b>Age structure</b>			461		Age by the end of the year. New hire category divided by all hires multiplied by 100.
<30	764	44.7%	187	40.5%	
30-50	749	43.8%	226	49%	
50<	211	12.4%	48	10.4%	



# DATA ON EMPLOYEES

## GRI 405-1 DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

AGE STRUCTURE	2020		2021		2022	
<b>OP</b>	<b>983</b>		<b>1,262</b>		<b>1,441</b>	
< 30	151	15.4%	221	17.51%	268	18.6%
30-50	573	58.3%	725	57.45%	846	58.7%
50<	259	26.4%	316	25.04%	327	22.0%
<b>PE</b>	<b>2,939</b>		<b>3,389</b>		<b>2,662</b>	
< 30	879	29.9%	1,005	29.7%	672	25.2%
30-50	1,416	48.2%	1,612	47.6%	1,382	51.9%
50<	644	21.9%	772	22.8%	608	22.8%
<b>All</b>	<b>3,922</b>		<b>4,651</b>		<b>4,103</b>	
< 30	1,030	26.3%	1,226	26.4%	940	22.9%
30-50	1,989	50.7%	2,337	50.3%	2,228	54.3%
50<	903	23.0%	1,088	23.4%	935	22.8%
<b>GMT</b>					10	
< 30					0	0%
30-50	4	40.0%	4	40.0%	3	30.0%
50<	6	60.0%	6	60.0%	7	70.0%
<b>Board</b>					6	
< 30					0	0.0%
30-50	1	20.0%	1	20.0%	1	16.7%
50<	4	80.0%	4	80.0%	5	83.3%

OP=Office personnel

PE=Production employees

GMT=Group Management team

Status 31.12.2022

## GRI 2-30 COLLECTIVE BARGAINING AGREEMENTS

COLLECTIVE BARGAINING AGREEMENTS	2021	%	2022	%	2022 GROUP, N	2022 RKS, N	2022 EV, N	2022 MBL, N	EXTRA INFORMATION
a. employees covered by collective bargaining agreements;			3,362	81.9%	17	1	931	2,413	Status 31 Dec.



# DATA ON ENERGY CONSUMPTION

302-1 ENERGY CONSUMPTION WITHIN THE ORGANIZATION		2020	2021	2022
a.	Total fuel consumption within the organization from non-renewable sources/liters	2,415,773	2,433,889	2,345,480
	Fuel type	light fuel oil	light fuel oil	light fuel oil
b.	Total fuel consumption within the organization from renewable sources/mwh			0
c.	i. electricity consumption/mwh	61,288	65,153	67,090
c.	ii. Heating consumption/mwh (district heating, natural gas, light fuel oil and LNG)	92,145	117,361	99,470
c.	iii. Cooling consumption/mwh (included in electricity consumption)			12
c.	iv. Steam consumption			0
d.	i. electricity sold			0
d.	ii. Heating sold			0
d.	iii. Cooling sold			0
d.	iv. Steam sold			0
e.	Total energy consumption within the organization GWh	153,4	182,5	166



# I SUSTAINABILITY VOCABULARY

**Carbon Footprint** – A measure of the total amount of greenhouse gas emissions that are produced directly and indirectly by an individual organization or product.

**CDP (formerly Carbon Disclosure Project)** – An independent non-profit organization that promotes the disclosure of environmental data by companies and municipalities.

**Circular Economy** – An economic system that aims to keep resources in use for as long as possible and minimize waste by reducing reusing and recycling materials.

**Compensation** – The harmful climate impact of a certain amount of GHG emissions is eliminated by reducing or removing an equivalent amount of emissions elsewhere. For compensation we use certified projects, i.e., projects that have been certified by a third party as efficient. These projects can be related, for example, to renewable energy projects, reforestation, or energy efficiency.

**CO<sub>2</sub>e (carbon dioxide equivalent)** – CO<sub>2</sub>e describes the global warming potential of all greenhouse gases. The impact of different greenhouse gases is expressed in terms of the amount of CO<sub>2</sub> that would result in the same amount of warming.

**CO<sub>2</sub>-neutral** – For us carbon neutrality means that we aim to reduce our emissions, for example by replacing fossil fuels with renewables. Unavoidable emissions we compensate so that our CO<sub>2</sub> emissions are on balance with compensations.

**Greenhouse Gas Protocol (GHG)** – An international standard for corporate GHG accounting and reporting.

**Gold Standard** – The highest quality standard for carbon-offsetting projects. Gold Standard projects not only avoid CO<sub>2</sub>, but they also contribute to the project location's sustainable environmental and social development. The Gold Standard was developed under the direction of the World Wildlife Fund (WWF) and with the assistance of the German Ministry of the Environment.

**High-voltage (HV) batteries** – HV batteries supply the electric motors of electric and hybrid vehicles with energy. They can be

recharged. They use chemical processes to store energy that can be released again as needed.

**Life Cycle Assessment (LCA)** – A systematic analysis of the environmental impact of products, processes, and services along the entire value chain – from development to the use phase and recycling.

**LTIF Lost Time Injury Frequency** – The rate of work-related injuries resulting in an absence of at least one day are reported).

**Planetary Boundaries** – Include the key earth system processes that are critical to maintaining a stable and habitable planet. These boundaries represent the environmental limits beyond which the earth system may shift to a new and potentially less hospitable state.

**Plug-in hybrid (PHEV)** – A vehicle with a hybrid drive system for which the battery can be charged either by a combustion engine or by the power grid.

**Resilience** – The resilience and adaptability of people and communities in the face of unforeseen and unexpected change and their ability to recover from it.

**Safety observation** – Safety observations mean observations or notes related to safety or imminent safety risks reported by employees.

**Scope 1 emissions** – Greenhouse gas emissions caused by a company's own activities, e.g., through the generation of energy and heat in its own power plants or the operation of its own fleet of vehicles.

**Scope 2 emissions** – Greenhouse gas emissions caused by the generation and transport of purchased energy, e.g., electricity or district heat.

**Scope 3 emissions** – Greenhouse gas emissions caused by upstream and downstream activities. These include greenhouse gases emitted in the supply chain and emissions caused by our vehicles that are operated by customers.



**Science Based Targets Initiative (SBTI)** – The science-based targets initiative (SBTI) provides a framework for companies to set targets that are consistent with the goals of the Paris agreement which aims to limit global warming to well below 2 degrees Celsius above pre-industrial levels and pursue efforts to limit it to 1.5 degrees Celsius.

**Tier 1** – Tier 1 refers to the first upstream stage of the value chain, i.e., the direct suppliers. The other stages of the value chain (all the previous suppliers) are referred to as Tier 1 suppliers.

**TRIF** – TRIF means total recordable incident frequency and refers to the amount of all accidents per million hours worked.

**Turnover rate** – Cumulative staff turnover: the amount of employees that have resigned within the year in focus divided by the average number of employees of the year.

**UN Sustainable Development Goals (SDGs)** – The United Nations have created the 17 Sustainable Development Goals to help governments, companies, and citizens to navigate into a more sustainable world by 2030.



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