SUSTAINABILITY REPORT 2019

VALMET AUTOMOTIVE

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WELCOME TO READ THE FIRST SUSTAINABILITY REPORT OF VALMET AUTOMOTIVE

Dear Reader,

welcome to read a brand-new publication by Valmet Automotive Group – our first Sustainability Report. With this annual report, we want to give you a deep insight view of sustainability management in our company and how we continuously improve the economic, environmental and social impact of our activities.

We are extending our reporting so you may participate in what we have accomplished, what we are pursuing and what is our future in sustainability. We explain our operations in detail to give you a clear idea of the internal and external factors affecting our business, the challenges we face and the solutions we implement.

With this report, we want to establish a basis for constant, trust-based dialogue with all our interest groups. We recognize the importance of a sustainable approach in all of our operations, and as a service provider for automotive industry, we have always complied to the strict requirements of our customers. The same applies to sustainability, whether it concerns our personnel, shareholders, customers or the environment.

Sustainability is deeply rooted in the Valmet Automotive culture. The key topics of our sustainability concept – Sustainability, Governance, Environment, Health and Safety, and People – are aligned with the 5 commitments of our corporate culture – Respect, Always Learn, Lead at all Levels, Show Entrepreneurial Spirit, and Deliver.

The Valmet Automotive Sustainability Report is a result of comprehensive internal company work. Previously, this work has produced accomplishments and documents related to our commitments and corporate culture for our personnel and our partners. Now we take the next step and present the Sustainability Report to the public.

Enjoy reading

Olaf Bongwald
CEO, Valmet Automotive

HIGHLIGHTS OF 2019

Governance

We opened
FINLAND'S FIRST
high volume
production capacity
BATTERY PLANT
in Salo in October 2019.

We released a
SUPPLIER CODE OF CONDUCT,
which defines the conditions
for the responsibility
of our partners.

Environmental

We set a
CO_2 NEUTRALITY TARGET
for the Uusikaupunki car
plant by the end of 2021.

The environmental
management system
of the Zary plant, which
manufactures roof and
kinematic systems, was
ISO 14000 CERTIFIED.

Social

The relative number of
ACCIDENTS AT WORK*
at the Uusikaupunki plant
DECREASED BY 30%
compared to 2018.

*** The number of accidents at work per million working hours.**

We introduced
THE 5 COMMITMENTS
to build one uniform
corporate culture for
Valmet Automotive Group.

KEY SUSTAINABILITY TOPICS – IDENTIFICATION AND SELECTION

The focus areas of this report are based on material assessment conducted on group-level with the emphasis on Finland operations. With the assessment and the related stakeholder survey, we identified and prioritized the most relevant economic, social, and environmental sustainability topics.

Ensuring well-being of the personnel and economic continuity are essential to stakeholders. Active mitigation of Valmet Automotive's environmental impact is also considered very important.

The stakeholders shared their views about the most significant sustainability themes, and the high response percentage and several feedback comments indicate that stakeholders want to contribute to developing Valmet Automotive in sustainability issues.

FROM INTERVIEWS TO E-SURVEY

Before defining the themes for the survey, we first identified and selected the internal and external key stakeholders. The sustainability themes for the survey were then identified from relevant documents and interviews of the key stakeholders.

The two-part e-survey included questions related to both automotive industry in general and Valmet Automotive's operations. The survey was then conducted in December 2019. The interviews, survey and analysis were carried out by a third-party partner.

The vast majority of the 360 answers came from the Valmet Automotive personnel and the rest of them mainly from external stakeholders, such as service providers and public authorities in Finland. Most respondents were from Uusikaupunki, where the majority of the Valmet Automotive personnel work.

Finland was chosen as the starting point for this assessment because of its central importance to the company's business operations. For the next year's report, the survey will be expanded to give a group-wide perspective.

ESSENTIAL SUSTAINABILITY TOPICS FOR KEY STAKEHOLDERS

GOVERNANCE

- Ensuring business profitability
- Identifying 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, supporting 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

VALMET AUTOMOTIVE – THE FAST LANE TO FUTURE VEHICLES

The Valmet Automotive story began in 1968, when Finland had more horses than cars. At the time, a government-owned automotive company represented an investment into future technology. The plant started with the car assembly but expanded into engineering services.

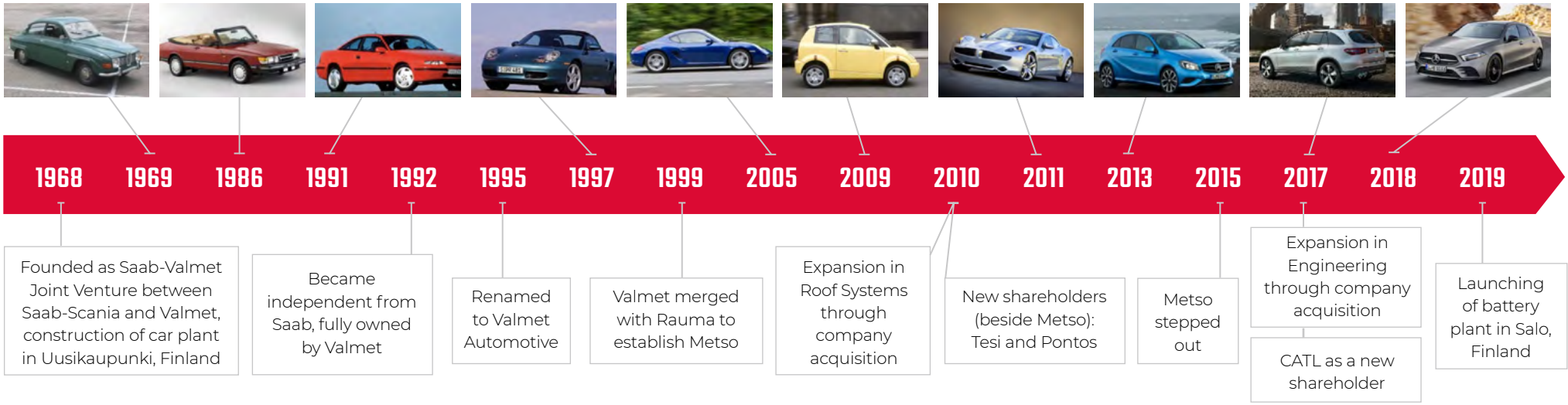
During the company history of over 50 years, practically everything – except for the head office location and the view to the future – has changed.

ELECTRIFICATION TRANSFORMS BUSINESS

Valmet Automotive Group services rest today on four pillars: Vehicle Manufacturing, Engineering Services, Roof & Kinematic Systems and EV Systems. Electrification of mobility is the strategic view all Valmet Automotive business lines share, and actively promote. The most tangible sign of this took place in November 2019, when Valmet Automotive launched its first large-scale automotive battery production plant in Salo.

Valmet Automotive's around 5,000 employees work to make the future of vehicles reality. Around 4,000 of them work in Finland – most of them at the car plant in Uusikaupunki and battery plant in Salo. Valmet Automotive's locations and personnel in Germany, Poland and Spain complete the company portfolio. Around 1,000 of the employees work in research and development.

OUR HISTORIC LANDMARKS



2019

VALMET AUTOMOTIVE GROUP

- Established in 1968
- Head office in Uusikaupunki, Finland
- Parent company Valmet Automotive Inc. (Finland)
- The main operational companies Valmet Automotive Engineering GmbH (Germany), Valmet Automotive Sp zoo (Poland) and Valmet Automotive EV Power Oy (Finland)
- Around 5,000 employees
- Has delivered annually over 100,000 cars in recent years to world-wide markets
- Net sales 651.5 (2018: 662.6) MEUR, operating profit 18.1 (2018: 17.8) MEUR

SHAREHOLDERS

- Pontos (38.46%)
- Tesi (38.46%)
- CATL (23.08%)

MANAGEMENT TEAM

- Olaf Bongwald, CEO
- Charlotte Caswell, Remigiusz Grzeskowiak, Robert Hentschel, Minna Huhtaniska, Christian Kleinhans, René Kohl, Jyrki Nurmi, Pasi Rannus, Juha Torniainen, Hans-Joachim Vogt

LOCATIONS

FINLAND

Uusikaupunki – Vehicle Manufacturing, Engineering Services, EV Systems manufacturing
Turku – Engineering Services
Vantaa – Group Corporate functions
Salo – EV Systems manufacturing

GERMANY

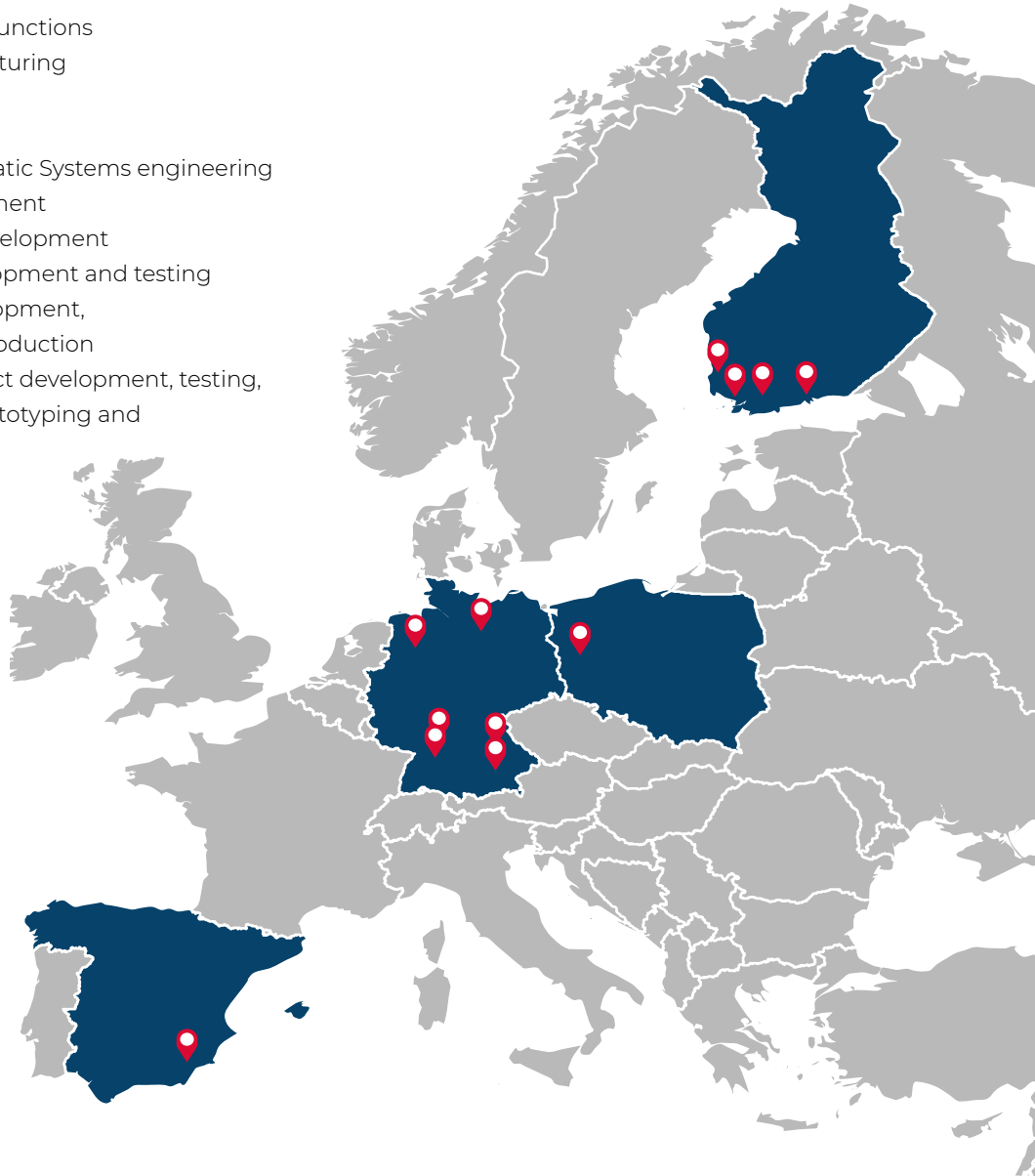
Osnabrück – Roof & Kinematic Systems engineering
Munich – Product development
Sindelfingen – Product development
Ingolstadt – Product development and testing
Wolfsburg – Product development, testing and wire harness production
Bad Friedrichshall – Product development, testing, small series production, prototyping and group corporate functions

POLAND

Zary – Roof & Kinematic Systems manufacturing

SPAIN

Antas – Testing



FROM RESOURCES TO PRODUCTS, SERVICES AND OTHER OUTPUTS

Valmet Automotive provides services for automotive industry in four business areas. Our extensive history in car production, combined with world-class expertise in engineering and manufacturing of electric vehicles, battery and kinematic systems makes us a preferred strategic partner for OEMs.

We strive to maximize outputs for our customers, employees and society while minimizing our impacts on the environment.

4 BUSINESS AREAS

ENGINEERING

• Engineering for new kinds of mobility, prototype building

ROOF AND KINEMATIC SYSTEMS

• Developing and delivering convertible roofs, active spoilers and other kinematic systems

CAR MANUFACTURING

• Over 50 years of world-class contract manufacturing

ELECTRIC VEHICLE SYSTEMS

• EV Systems engineering and testing
• Battery and other EV Systems manufacturing

CREATING VALUE FOR SOCIETY

RESOURCES

PERSONNEL

4 664 employees*
4 398 permanent*
266 temporary*

FACILITIES

3 production plants
9 product development & testing locations

INNOVATION AND INVESTMENTS

EUR 0,8 million R&D expenses

EUR 1 million investments in personnel development

~100 student trainees & thesis students
Battery Ecosystem collaboration (EU)
National Battery Strategy Working Group (FI)
Batteries from Finland program (FI)

FINANCIAL

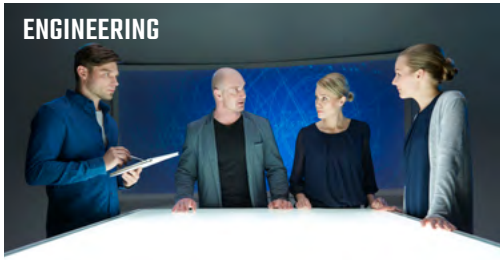
EUR 20 million total equity

PARTNERS

Network of almost 4 000 suppliers globally

NATURAL RESOURCES

Water 159 541 m^3
Electricity 71 020 Mwh
Energy 408 708 MWh



*Status December 31, 2019

OUTPUTS

TO PERSONNEL

EUR 197 million total wages
EUR 39 million employee social security and pension

PRODUCTS & SALES

EUR 651,5 million net sales
114 000 cars
Thousands of batteries
~50 000 roofs and kinematic systems
~1 000 prototypes
IPR portfolio of 200 patent families

NEW BUSINESS

Battery test center (GER)
Establishment of high-volume automotive Battery manufacturing operation (FI)

TO OWNERS AND FINANCIERS

EUR 18,1 million operating profit

TO SOCIETY

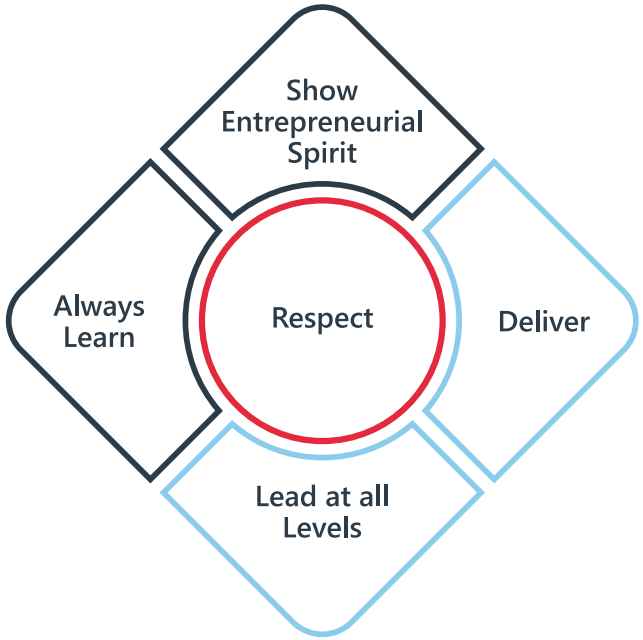
EUR 2,9 billion export value (from Finland)
EUR 9,6 million income taxes

ENVIRONMENT

CO_2-emissions 43 526 tCO_2
Waste 7028 tn

5 COMMITMENTS AND 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

Respect is the core of all our operations. 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.

5 COMMITMENTS PUT INTO PRACTICE

In 2019, Valmet Automotive started a training program for all employees on how the 5 commitments can be applied to everyday work life.

Meanwhile most people have been trained and know about the fundamental norms and values linked with our commitments. However, the development of our corporate culture is an ongoing process.

The 5 commitments were defined by the top management team, but it was important to involve the employees in the discussions as early as possible. In March 2019 we started a series of Diagonal Slices Meetings across all our locations to elaborate on our commitments in small groups. This was very exciting for all of us.

– In these meetings we developed a common understanding of the commitments. Now the Management Team has a clearer picture of the gaps on our way to ONE Valmet Automotive, says Charlotte Caswell, SVP, Group HR.

PART OF PERFORMANCE REVIEW

Caswell points out that majority of the feedback on the workshops was positive. However, she was surprised at how two of the commitments were sometimes interpreted.

– Leading at all levels and showing entrepreneurial spirit were sometimes understood as being able to lead a team. Instead, they mean leading your own work and having initiative, Caswell explains.

In 2019, we conducted a “Pulse Check” survey to ask all our employees to what extent Valmet Automotive already meets and supports the achievement of the commitments. The results were encouraging, and now the Commitment training will be continued.

– To continuously develop the commitments, we have launched a Commitment Ambassador campaign to honor the employees who live the commitments in a particularly convincing way. We also develop objectively measurable criteria to review what we have achieved. At the end of the day, you can’t command a corporate culture. Commitments must be lived by everyone at all levels, says Charlotte Caswell.

ETHICAL PRINCIPLES AND AN ANONYMOUS REPORTING CHANNEL

In 2019, along with the 5 commitments, we renewed Valmet Automotive's common ethical operating principles, which are binding for all employees. Our employees have completed an online training on the principles and their application.

As part of our compliance program, we also built a reporting channel where anyone can report anonymously if they suspect a violation of our Code of Conduct. In addition, we updated our guidelines on data protection and security.

ETHICAL PRINCIPLES GUIDE EVERYONE

In our principles, we undertake to comply with national and international laws, regulations and generally accepted practices, and we also require this from our business partners.

We are committed to international standards on human rights, working conditions, the fight against corruption and the environment. Our activities are guided by the UN Global Compact initiative and the fundamental rights of the worker as defined by the International Labour Organization (ILO), which include freedom of association, the right to organize, the right to collective bargaining, the prohibition of forced labour and equal opportunities and treatment. We do not use child labour or deal with subcontractors or suppliers who use it.

In our principles, we are committed to monitoring our working conditions and taking care of the occupational safety and health of our employees. It is also important to us that all our employees are developed within a clear code of conduct.

We support fair competition and a free market and refuse to discuss or agree with competitors on pricing, market shares or suchlike activities. We do not accept any form of corruption, such as bribery or embezzlement. We refrain from business relationships that may result in conflicts of interest.

Valmet Automotive is committed to the principles of sustainable development of the International Chamber of Commerce (ICC). We strive to streamline our business and prevent our environmental impact, and we actively train our employees in environmental protection.

SUSPECTED VIOLATIONS MAY BE REPORTED ANONYMOUSLY

Each of our employees attends an online training on ethical principles, in which the application of the Valmet Automotive principles to everyday life is highlighted through practical examples.

We encourage our employees to report any suspected violations of the Code of Conduct primarily to their own supervisor. In 2019, we introduced the Whistle B reporting channel, where anyone can also report, any abuse they notice, anonymously. The online training also teaches about this channel.

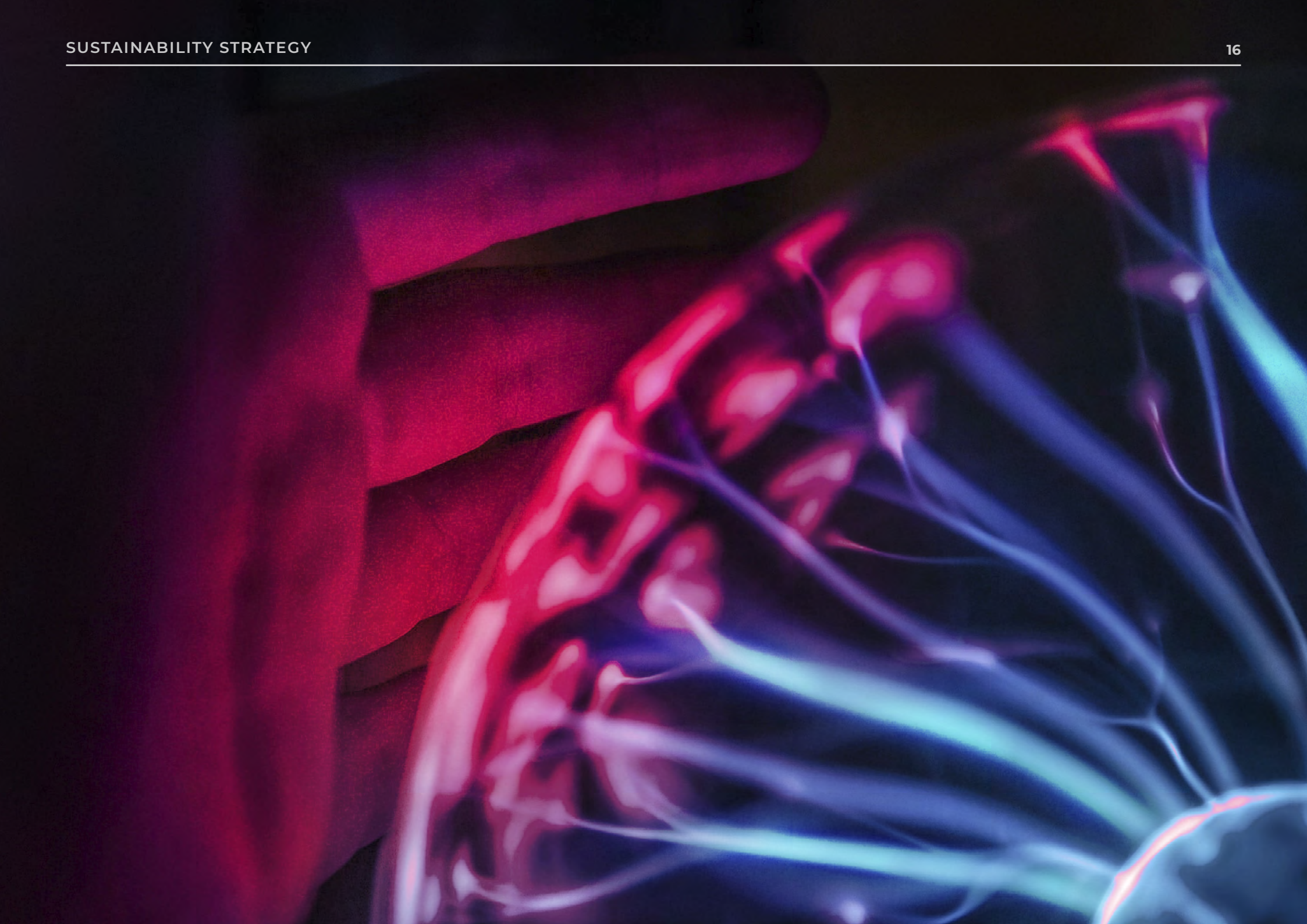
An outsourced whistleblowing system ensures the anonymity of the whistleblower and protects the sensitive infor-

mation of both the organization and the individual. The WhistleB 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.

For each notification received through the notification channel, a notification is received by the team responsible for the notification channel. In each case, a contact person from the corresponding business line is invited to participate in the processing, in order to form an overall picture. The aim is to respond to the notifier within 10 calendar days.

In 2019, we received 15 notifications through WhistleB, the majority of which came from employees at the Uusikaupunki plant and were related to, for example, to unequal treatment of employees in the workplace.

SUSTAINABILITY STRATEGY



KEY SUSTAINABILITY TARGETS

The core of Valmet Automotive's sustainability work consists of building a systematic sustainability strategy and management, reducing environmental impact and improving work safety.

We started building a group-wide sustainability strategy and targets for 2020–27 in 2019. Until then, each business line had their own targets for work safety, energy consumption, and reuse rate of waste.

DEFINING SUSTAINABILITY PROGRAM FOR 2020–27

Defining detailed sustainability and social responsibility programs and targets is the goal for the group sustainability work for 2020. The group-wide sustainability program has five strategic themes that correlate with the megatrends shaping the automotive industry, the expectations of our stakeholders, and the themes that are relevant for improving the business.

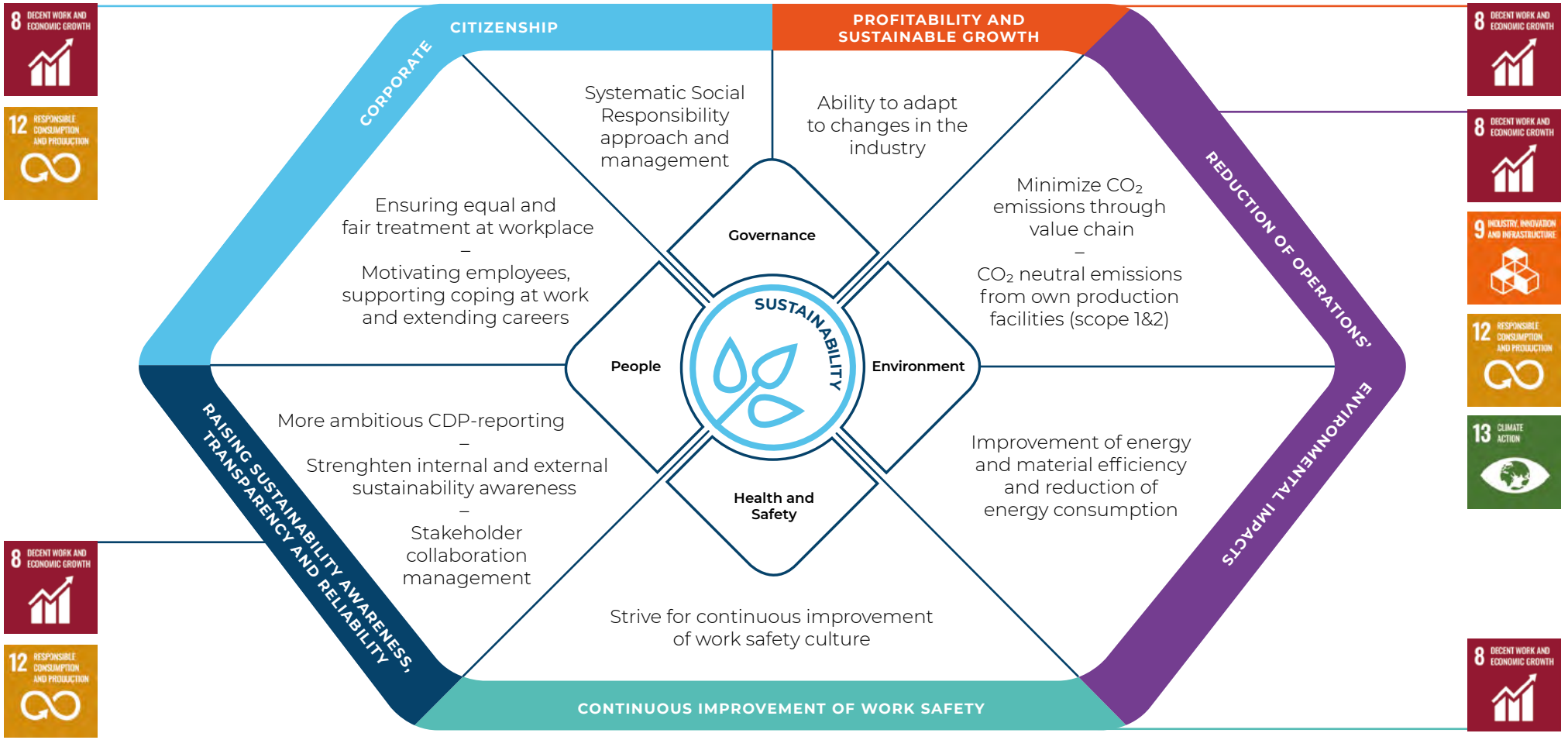
The first strategic theme is reduction of operations' environmental impacts. This means reaching CO_2 neutrality in our production facilities and minimizing CO_2 emissions through the value chain. The second core theme is corporate citizenship, which includes targets for equal and fair treatment at the workplace, motivating employees and supporting coping at work. For example, we have already started measuring the rate of positive feedback given by employees.

The third theme is raising sustainability awareness, transparency and reliability by ambitious reporting of climate impacts for CDP, strengthening stakeholder collaboration and its management, and increasing sustainability awareness by communication and training. In 2019, we started negotiating a strategic cooperation with Turku University of Applied Sciences in Finland. The cooperation will start in 2020.

Continuous improvement of work safety, profitability and sustainable growth are in the core of the sustainability program. We are already following and measuring the number of employees' safety notes as well as the rate of workplace accidents. In recent years, consistent development work in work safety has significantly lowered the accident rate. The target in Finland and Poland, with our main manufacturing operations, is to receive at least one safety note from each employee annually, and thereby to encourage employees to pay attention to their surroundings.

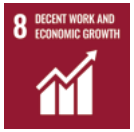
Concrete actions and key performance indicators for social responsibility and sustainability will be defined in 2020.

SUSTAINABILITY PROGRAM FOR 2020–2027



HOW VALMET AUTOMOTIVE CONTRIBUTES TO THE SUSTAINABLE DEVELOPMENT GOALS

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 4 are centrally linked to Valmet Automotive's strategy and operations.



DECENT WORK AND ECONOMIC GROWTH

The 5 Commitments of Valmet Automotive are closely connected to the sustainable development goal 8, achieving higher levels of economic productivity through innovation and creating decent work for all in a safe and secure environment.

We are committed to this goal by continuously improving our business and creating jobs, also for people in a vulnerable situation. We focus on protecting labor rights and promoting safe working environments.

INDUSTRY, INNOVATION AND INFRASTRUCTURE

Goal 9 concerns building resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation by 2030. The future of Valmet Automotive will be increasingly based on utilizing new technologies, improving our plants' energy-efficiency and implementing environmentally sound technologies and processes. Around 1,000 of our employees work in engineering services for products and manufacturing.

In addition to promoting sustainable industrialization and upgrading our infrastructure and technologies, we contribute to this goal by promoting research and education.

RESPONSIBLE CONSUMPTION AND PRODUCTION

Sustainable development goal 12 strives for mitigating the impacts of global consumption and production on the planet. Both the global population and the material footprint per capita are growing, so it is increasingly important for companies to produce their goods in a sustainable way.

We contribute to this goal by using natural resources efficiently. Responsible management of chemicals and waste, as well as substantially reducing waste, are in our focus. Furthermore, we want to provide people with relevant information to make environmentally sound decisions.

CLIMATE ACTION

Goal 13, taking climate action, encourages us to see our position in the big picture. This means expanding environmental responsibility throughout our supply chain, but also understanding our positive contribution to the vehicle carbon footprint throughout the lifecycle.

We have issued a Supplier Code of Conduct, which we are implementing in our partnerships. We are part of an industry facing especially high demands to combat climate change. CO_2 neutrality and reduction of greenhouse gases are included in our sustainable development goals.

KEY STRENGTHS, WEAKNESSES, RISKS AND OPPORTUNITIES RELATED TO SUSTAINABILITY

Key risks and opportunities related to sustainability are closely linked to Valmet Automotive's strategic direction toward electrification.

From the sustainability point of view, Valmet Automotive features several strengths. We are developing a holistic sustainability strategy and management system and focus on measuring the employee well-being regularly. Furthermore, we have set a clear strategic target on CO_2 neutrality, considering this an asset in company competitiveness. On the other hand, largely due to the nature of business, we often have difficulties in predicting the need of labor force, and the employee turnover is perceived high.

The global automotive industry is in an historical change. For Valmet Automotive, the rapid transition toward e-mobility opens remarkable new business opportunities, and the international company footprint enables exploiting these to the full. Lean and skillful personnel is our asset, with leadership practices developed both on location and group level. Furthermore, Valmet Automotive is a key player in the national project to create and foster a Finnish battery ecosystem. Yet, the change may also contain risks. The future of private motoring is uncertain, and the competition in automotive industry is becoming harder with low-cost countries developing expertise in new technologies. With the change, will automotive industry and Valmet Automotive remain an attractive employment alternative for skilled labor force in the future?

OUR STRATEGY TOWARDS CLEAN MOBILITY

Sustainability plays a key role in the strategy of Valmet Automotive. We intend to deliver a substantial contribution to a new, clean mobility and to ensure that the products are manufactured complying with the principles of sustainability at all levels. This is important for us, our customers, and the consumers. Sustainability is a fundamental issue for the future of our company.

Valmet Automotive's brand promise is "The Fast Lane to Future Vehicles". For us, future vehicles mean electromobility, and we position ourselves for electric vehicles in all our business lines. Strategically, e-mobility offers us huge potential, making sales of more than 1 billion Euros possible in a few years. Although all business lines will contribute, the growth will focus on our new products – battery and kinematic systems.

Valmet Automotive is a service provider, both in terms of engineering and as a contract manufacturer for vehicles and battery systems. Battery systems are our growth drivers. We are expanding our expertise to become a Tier-1 system supplier – we not only produce, but also carry out the development. In roof and kinematic systems we are already growing as Tier-1 supplier, especially in the kinematic systems.

> "For us, future vehicles mean e-mobility."

Achieving all this requires aligning with the industry trends. Automotive industry is a forerunner in environmental issues, as is evident from the current e-mobility trend. Valmet Automotive has focused on e-mobility since 2008. The new cars are more sustainable than ever before, and so is manufacturing them. We are systematically developing solutions to make car production more energy efficient with less environmental impact. A primary example is our project to make the Uusikaupunki plant CO_2 neutral already by 2022 and the Valmet Automotive Group by 2024.

The employees are the greatest asset a service provider like Valmet Automotive can have. This is the core of our 5 Commitments and company policies. We are and we will be doing our utmost for the safety and well-being of our employees.

All in all, sustainability is a ubiquitous part of Valmet Automotive's strategy, plans and implementations. It affects our company image, competitiveness, recruitments – everything. For this reason, we are taking sustainability very seriously. It is ultimately our way to become "The Fast Lane to Future Vehicles"!

Olaf Bongwald
CEO
Valmet Automotive

LEADING SUSTAINABILITY THROUGHOUT THE ORGANIZATION

In late 2019, we began systematically to build a common sustainability vision and governance structure into our business. With a common group-wide vision, the sustainability goals are implemented into all four business lines.

It is important that our business and sustainability move in the same direction. Valmet Automotive's sustainability strategy is based on the 5 Commitments our business leans on. In the process, we mirrored our business strategy with the key sustainability topics and stakeholder expectations to make sure we prioritize the right issues.

GROUP MANAGEMENT TEAM MAKES THE FINAL DECISIONS

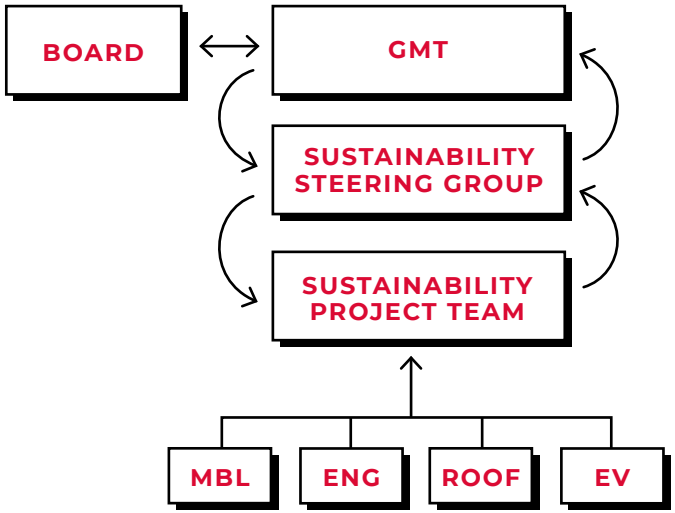
Our business and sustainability policies and goals are defined by the Group Management Team. Led by the CEO, the team is ultimately in charge of the sustainability strategy.

The sustainability strategy is developed in the Sustainability Steering Group, which is led by the the Director of Sustainablity & Environment. With their expertise, the group develops sustainability programs, goals and actions, and ensures the whole group shares the same vision.

Valmet Automotive has four business lines: Vehicle Manufacturing, Engineering Services, Roof & Kinematic Systems and EV Systems. The Sustainability Project Team consists of members from each of these. The project team ensures that the goals are implemented locally and keeps track of the progress. The project team is led by the Sustainability Manager.

The business lines define the timeframes and measures needed to meet the goals. The process of an internal auditing system for sustainability and its governance is being developed.

GOVERNANCE STRUCTURE FOR SUSTAINABILITY



BOARD AND GROUP MANAGEMENT TEAM define group-level sustainability policies, goals and programs, and approve the annual Sustainability Report.

THE SUSTAINABILITY STEERING GROUP ensures corporate common vision, formulates and develops strategy, policy, guidance and goals. It is responsible for development and follow-up of defined programs, goals and actions. Also, it follows trends and stakeholder expectations.

SUSTAINABILITY PROJECT TEAM contains representatives from all business lines and ensures the implementation of Valmet Automotive's common strategy and goals at local level and is responsible for development and follow-up of local programs, goals and actions.

GMT = Group Management Team
MBL = Manufacturing
ENG = Engineering
ROOF = Roof & Kinematic Systems
EV = EV Systems

CASE – HOW CARBON NEUTRALITY BECAME THE COMPANY'S STRATEGIC GOAL

In 2019, Valmet Automotive set a goal of carbon neutrality at the Uusikaupunki car plant by the end of 2021. Jaana Hänninen, Director of Sustainability & Environment, explains where the goal originated and how it will be achieved.

HOW WAS THIS GOAL BORN?

Carbon neutrality is currently on the agenda of every major vehicle manufacturer and is shaping the entire automotive industry. Our customers see the importance of involving the entire supply chain and partners to bring about the change. Commitment to common sustainability goals creates added value for our customer relationships and at the same time an opportunity for us as a contractual partner to develop our own operations.

HOW DID IT PROGRESS AS A STRATEGIC GOAL AND HOW WILL IT BE ACHIEVED?

In 2019, the Group Management Team decided that we will start promoting carbon neutrality in our own operations

We started the work by organizing a workshop with the client, where we clarified what CO_2 neutrality means, through which stages our work will progress and what kind of common accounting principles will we have. During the process, we will regularly monitor the progress of the measures and share information on good practices with each other, as our challenges are very similar. Cooperation will also increase our reliability and transparency of operations.

To achieve our goal, we strengthened our company's sustainability and environmental expertise and created a broader organization that guides sustainability work for all of Valmet Automotive's operations. Its task is to systematically develop and promote corporate sustainability work throughout the Valmet Automotive Group. The goal of carbon neutrality has thus accelerated progress in other areas of sustainability as well.

At this stage, the CO_2 neutrality target [1] covers our plant's direct CO_2 emissions as well as indirect emissions from the consumption of the electricity and energy we purchase. Our primary goal is to influence emissions by reducing and improving energy and electricity consumption. In addition, we have examined which fossil-free electricity and energy production methods we could utilize. The emissions that we cannot avoid in this way will be offset in order to achieve our goal.

[1] The baseline level of CO_2 emissions (scope 1 & 2) has been calculated according to the 2018 emissions.

HOW IS THIS GOAL COMING ALONG IN THE VARIOUS DEPARTMENTS AND HOW IS THE PROGRESS MONITORED?

The goal is promoted in all our business lines through sustainability project teams. However, we will initially focus on vehicle manufacturing, as it is our largest unit and has the greatest impact on our company's emissions.

The carbon neutrality target for 2022 has been set to apply to our vehicle production in Uusikaupunki, which also has the greatest impact on our company's emissions. The goal will also apply to our other business lines in the coming years. The achievement of the goal is monitored monthly at the management team level. Practical work and measures are monitored in the energy group, which includes representatives from the manufacturing organization.

An energy audit was carried out at the vehicle plant in Uusikaupunki in early 2020 as part of the mapping of energy saving measures. It resulted in a list of proposals that we can use to reduce the plant's energy consumption and lower CO_2 emissions. A significant, concrete step towards the vehicle plant's carbon neutrality is the new electricity contract, thanks to which the plant has only used fossil-free electricity generated by wind and hydropower since March 2020. With this measure alone, we reduced our CO_2 emissions by almost 50%.

WHAT KIND OF RECEPTION HAS THE GOAL RECEIVED?

Carbon neutrality is a strategic goal for the entire automotive industry and is shaping the industry-wide value chains. By promoting this goal for our part, we are demonstrating our ability to respond to changes and challenges in the industry, and our desire to advance the goals of sustainable development at the forefront of the automotive industry.

PEOPLE

OUR SKILLED AND DEVELOPING PERSONNEL

In 2019, the people of Valmet Automotive consisted of nearly 5000 employees and over 70 nationalities located in 4 countries.

Our people have skills that are needed to produce a vehicle from scratch – from engineering all the way to manufacturing. The majority of our employees are in Finland, and most of them work in manufacturing of cars and batteries.

Typically to the industry, around 75% of the group's employees are men, and almost 60% of the personnel is 20–39 years old.

IDENTIFYING THE GAPS

Wellbeing of our employees is the core of our business as our people are our greatest asset. Therefore, it is essential to get and evaluate the feedback from our people on how to improve our performance. Reliability, diversity, flexibility, teamwork and dynamic working environment were recognized as our key strengths. In the big picture, our people like working with one another.

On the other hand, lack of communication, processes, leadership and departmental silo mentality were identified as challenges. Many of these gaps are likely to derive from recruiting a lot of new people in a short period of time. We also paid attention to a high employee turnover rate in Finland, and started looking into the reasons. In addition to exceptionally high employment rate in the Uusikaupunki area, leadership was not always up to the expectations, for example, the employees feel a lack of positive feedback.

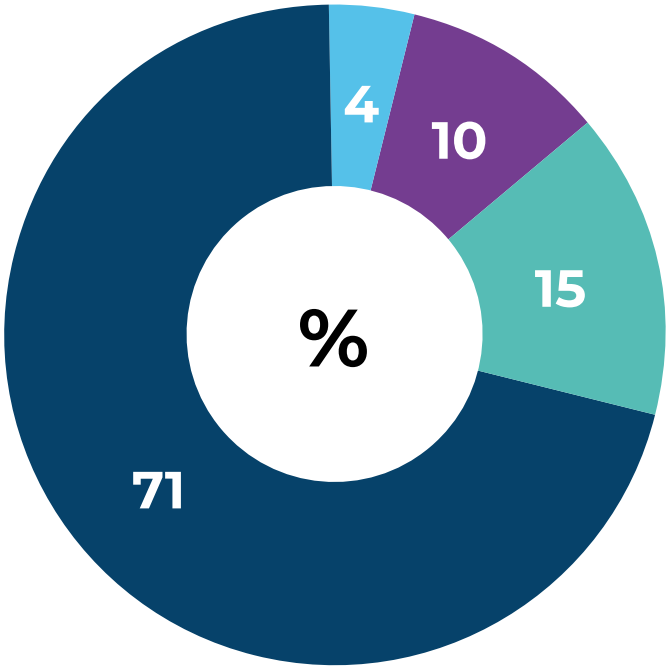
To some extent, the lack of positive feedback may be a culture-related issue, as it was not found in other countries. In Germany, for example, the employee turnover rate was around 10%, which is significantly lower than in the previous years. However, giving positive feedback is one of the points that we will develop in our corporate culture. For 2020, the target is to increase the share of positive employee feedback to 70%.

ANSWERING OUR PEOPLE'S NEEDS

The honest feedback has helped us both in identifying the challenges we are facing today and in finding solutions for them. Introducing the 5 commitments is one of our answers: the commitments support us in building one uniform corporate culture with consistent leadership and processes.

In addition to developing leadership practices, we aim to increase the balance

71% OF OUR 4 664 EMPLOYEES WORK IN MANUFACTURING IN FINLAND*



* Status December 31, 2019

between home and work by providing opportunities to do sports and other recreational activities, especially at the Uusikaupunki plant, where almost 3,000 of our people work.

PLENTY OF OPPORTUNITIES TO DEVELOP

We respect everyone's contribution and give opportunities for our employees to progress in their career and find use of either their social skills in managing positions or technical skills in expert positions. We encourage our employees to get creative and educate themselves on a daily basis. Depending on the job description and individual development plan, our employees are provided with opportunities to take training courses from languages to management or expert programs.

To bring variation to the work, our assembly workers are encouraged to be trained to master diverse work stages. As part of a wider development program "From car builder to engineer" at the Uusikaupunki plant we offer opportunities for assembly workers to apply for more challenging positions. Annually over 20 persons join this program. In our locations in Germany and Poland, talented employees are offered project and technical training, for example.

As electrification is the direction of the company, key people in the future will be the ones with knowledge in electric vehicles, batteries etc. The challenge will be to update the skills and knowledge of our current personnel with expertise in electric vehicle systems.

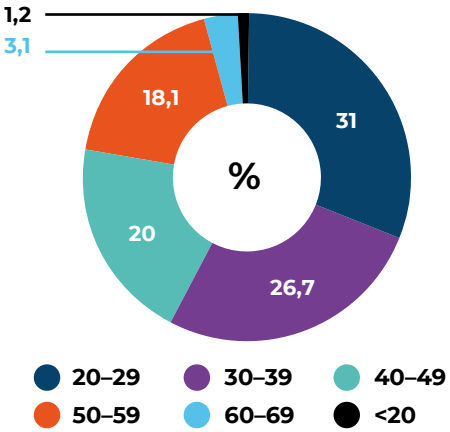
COLLECTIVE AGREEMENTS

The automotive industry is sensitive to economic fluctuations, and such changes are often deeply felt by contract manufacturers of original equipment manufacturers. Possible consequences of fluctuations are primarily handled by contract negotiations with clients. The effects reach our employees only in ultimate situations, as temporary layoffs can be necessary.

In Finland our employees are covered by the Technology Industries of Finland's collective agreement. The collective agreement binds companies to have at least one health and safety representative appointed by the personnel. Valmet Automotive has five HSE representatives just in Finland.

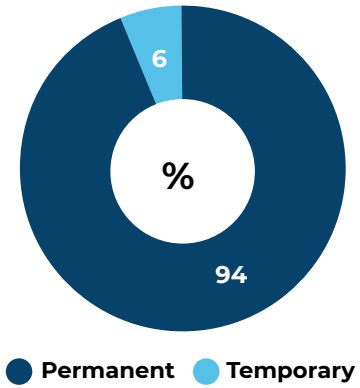
In Germany, the four engineering sites are covered by the trade union IG Metall's company wage structure (Haustarif). For our locations in Poland, there is no specific collective agreement.

58% OF PERSONNEL 20–39 YEARS OLD *



* Status December 31, 2019

94% PERMANENT EMPLOYEES



STAFF TURNOVER RATE 2017–2019

Office personnel	2017	2018	2019
Engineering	14,7%	10,8%	11,1%
Manufacturing	15,3%	11,4%	13,1%
EV Systems	-	-	0%
Roof & Kinematic	4,5%	6,7%	2,6%
Employees			
Engineering	-	-	-
Manufacturing	23,7%	23,0%	20,3%
EV Systems	-	-	0,8%
Roof & Kinematic	2,3%	0,4%	1,5%

FROM CAR PAINTER TO ENGINEER

Marko Aulin, who has progressed from a car painter to a project engineer in 15 years, feels that Valmet Automotive offers many opportunities for career advancement. Now Aulin talks about what has helped him on his career path.

1. BEING OPEN

"Whenever I have been given a chance, I have taken it and wanted to show that I can. I came to work at the plant in 2005 under a permanent contract as a car painter. Even at Christmas break, my colleague asked me to work in the equipment maintenance department I showed that I was doing my job well and when the paint shop work was robotized, I was asked to work in maintenance. In the same style, I left for Norway for a month in 2010 to dismantle a plant that was being moved to Finland. After that, I got to make tools in Valmet Automotive's own engineering workshop."

2. HAVING PERSEVERANCE

My own guideline is that whatever I do, I strive to be the best at it. We have so many skilled employees that no-one will be the best in a year or two. I had worked in the engineering workshop for seven years when I heard that engineering positions had become vacant in the production technology department. The department was familiar to me, as those who worked there assisted us in designing the tools to be crafted in the workshop. Even though I only have a vocational school degree as my education, I applied for a place and got in. And I have not regretted it."

3. FOLLOWING MY INTEREST

"You should apply for the jobs you are interested in. That way you can learn something new. My current work is challenging, and I am constantly facing new situations, but I like it when my palms sweat a little. I have learned 3D modelling of clamps from the start and studied it both at work and at home. My job includes giving directions on how to procure and use the clamps needed for each new project. It has a big responsibility, because as a contract manufacturer, we are, for example, responsible for the firmness of seat belts and steering wheel bolts for 20 years.

4. HAVING INITIATIVE

"Here you are given challenges when you do not wait for someone to pick you up from the production line. The employer constantly encourages and offers opportunities for self-education starting from language courses. If I had not been selected for my current position, I would probably have applied for the program "From a mechanic to an engineer", which gives the employees without basic training an opportunity for a job as an engineer via practical training."

5. BEING SOCIAL

"It's important to get in touch with different people. Be humble, but don't humble yourself rather make yourself visible. As I still worked in the engineering workshop, I also worked as a visitor train driver. I transported guests along the workshop and got a lot of contacts that have definitely been helpful in my career. Never forget to hold on to your contacts!"

HEALTH AND SAFETY OF OUR PERSONNEL

Taking care of the health and safety of our employees belongs to our most important tasks of social responsibility and our continuous development.

At Valmet Automotive, improving occupational health and safety means continuous monitoring and systematic development.

Occupational safety began to be systematically developed at the Group level at the beginning of 2019. Among other things, reporting and safety practices were harmonized, for example, regarding plant routes, areas and rescue safety marking standards.

OCCUPATIONAL SAFETY IS IMPROVING RAPIDLY

In 2019, Valmet Automotive Group had 17.2 accidents at work per million hours worked. All accidents resulting in an absence of at least one day have been reported in the accident frequency rate. The goal is to reduce the accident rate during 2020 to 12.1. Absences of more than 4 days due to an accident were reported at 6.5 per million hours worked, and the relative number of serious accidents in particular has decreased significantly.

Safety risks and accidents occur most at the Uusikaupunki car plant, which is explained by the plant's large size and diverse operating environment. In 2019, the accident rate for absences of at least one day at the factory was 23.4, i.e. about 20 per cent below the average for the Finnish industrial sector. In 2018, the accident frequency rate was still 34.6, so the relative number of accidents has decreased by about 30 percent during the year. At the plant in Poland, the corresponding figure was 9.5 in 2019.

The Uusikaupunki plant is the largest in the group and has the most employees and busy internal traffic. Accidents happen most commonly when moving either on trucks or on foot. An employee may stumble in the stairs or a forklift and an employee may collide. In some tasks, the handling of metal parts can cause scratches or cuts, despite the protective equipment, if the grip slips.

EMPLOYEES OBSERVE SAFETY ISSUES

To avoid collisions at the Uusikaupunki plant, the routes have been clarified and new safety fences and mirrors have been installed. New electric trucks use a blue spot safety light, which reflects an indicator light to the floor up, so that an approaching truck is easier to spot, for example at junctions. Among other things, these improvements' strategic goal is to reduce accidents at the Uusikaupunki plant by 30 percent annually.

Occupational safety is also improved, for example, by encouraging employees to actively observe safety issues and to report their findings to the common system at the factories. At the plants both in Finland and Poland, the goal is to obtain from personnel at least one observation per employee per year. In 2019, observations were made at the Uusikaupunki plant 0.7 per employee, i.e. a total of 2,700. At other sites, clearly fewer safety observations were recorded, a total of 473.

> "We encourage employees to observe safety issues."

Safety findings are handled by the managers of that function, and they are assisted by HSE experts of the production departments. An average of two safety observations per month are processed per manager. The development target is to

update the reporting system used for registration to be suitable for group-level use and mobile reporting methods.

The Valmet Automotive plants are moving from OHSAS 18001 certification to the new ISO 45001 occupational health and safety standard, which emphasizes stakeholder and personnel cooperation. In Poland, the transition was made in 2019, and in Finland at the Uusikaupunki and Salo plants the certification is planned to take place in spring 2021 at the latest.

THE PLANT HAS ITS OWN HEALTH STATION

The most frequent causes for Valmet Automotive employees' and white-collar workers' sickness absence is musculoskeletal disorders and seasonal influenzas in spring and autumn. Production workers' sickness absence hours in relation to working hours was 6.2% in 2019, while the absence rate of white-collar workers was 1.9%. The physicality and shift work of production work pose more challenges than office work. Every year, among Valmet Automotive's employees a few occupational diseases are found, and they are usually some kind of allergies

In order to improve occupational health, the company is preparing an ergonomics guide suitable for production. Ergonomics are also improved with a job rotation, which means that working positions and movements are variable

The Uusikaupunki plant has its own health station on duty during office hours, where occupational health nurses, a physiotherapist and a doctor work. The health station not only conducts pre-employment, employment and periodic medical examinations, but also assists with health concerns and minor accidents. At Uusikaupunki plant with 4,000 employees, the health of the employees is also taken care of proactively by organizing leisure activities in the plant's own club-house and gym.

Other locations do not have as comprehensive occupational health care contracts or their own health centres. Medical services are purchased mainly for recruitment and periodic inspections, for example for job surveys and consulting for other special needs.

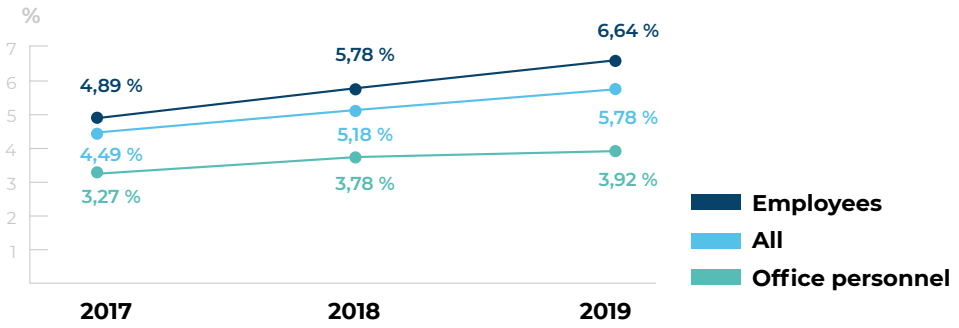
The Valmet Automotive plants in Finland, Poland and Spain have their own occupational health and safety committees, which meet regularly. The committees monitor the development of occupational safety and health and their key figures, and discuss development measures. In Uusikaupunki, each department has its own HSE officer, whose job is to act as an occupational safety expert in the department.

In Finland, employees are covered by the Technology Industry's collective agreements. In other countries, national agreements are followed.

INJURY RATE DECREASING

	2017	2018	2019	TARGET 2020
Injury rate, Manufacturing (>1 days) LTIF	26,1	34,6	23,4	
Injury rate, Engineering (>1 days)	n/a	n/a	3,9	
Injury rate, EV Systems (>1 days)	-	-	0	
Injury rate, Roof & Kinematic Systems (>1 days)	n/a	n/a	9,5	
Injury rate, group (>1 days absences /1 000 000 hours worked)	n/a	n/a	17,2	12,1
Injury rate, group (>4 days absences /1 000 000 hours worked)	n/a	n/a	6,5	
Total Recordable Incident Rate (TRIR)	n/a	n/a	32,5	22
Amount of injuries (group)	n/a	n/a	152	
Occupational diseases	1	0	2	0
Work-related fatalities	0	0	0	0
Safety observations	341	818	3 187	
Safety observations (/employee)	-	-	0,62	1

SLIGHT RISE IN ABSENCE RATES



A NEAR MISS SITUATION IN THE LOADING AREA – AND WHAT WE LEARNT FROM IT

In May 2019, a near miss situation occurred in the Uusikaupunki car plant's loading area. As a result, instructions, lighting and cameras were updated.

On the first night of May, there was a routine loading going on, in which the loader was about to have a serious accident at the Uusikaupunki plant.

The driver of the freight trailer was moving the load lashing straps away from the upcoming load, when the truck that came to unload the goods set off and hit the loader in the back, pushing him against the trailer. The driver had time to stop the truck by shouting just before any serious consequences.

> "The truck hit the loader."

An ambulance and police were called out to the scene and the injured was examined. He survived with minor injuries and continued to work the very next day.

IN-DEPTH AFTERCARE

Accidents rarely occur in the loading area, but when they do occur, they are often extremely dangerous. The incident occurred because the truck driver and the person tying the load did not see each other. The driver's field of vision was covered by the load, and the person handling the lashing straps was working with his/her back to the truck.

The shift supervisor reported the incident to the system. In similar serious cases, the Occupational Safety and Health Manager takes responsibility for investigating the incident, and the matter is reported even all the way to the CEO.

After the accident, each truck driver was instructed to keep the helpers constantly in sight and the trailer drivers to keep a safety distance of five meters from the loading site. In addition, the situation was simulated and recorded as a video, and after careful assessment, additional lightning was mounted in the loading area and additional security cameras were installed at critical points.

DIFFERENT BUT EQUAL

At Valmet Automotive equality means that every employee can feel he or she is treated fairly and valued as an individual, regardless of age, gender, organizational level, department, education, job title, ethnic origin, religion, opinions, or individual characteristics.

EMPLOYEES FROM MORE THAN 70 NATIONS

Diversity and heterogeneity are one of Valmet Automotive's characteristics and at the same time a major asset. Our employees represent more than 70 different nationalities.

We are committed to valuing each other. Everyone is treated equally, regardless of language or origin.

Equality also applies to recruitment. Age, citizenship or gender do not matter in recruitment. The official language at Valmet Automotive is English. There are positions where knowledge of the local language, e.g. Finnish of German, is also required. For each task, it is considered whether the proficiency in English alone is sufficient to perform it. In this way, English-speaking employees are given more opportunities for advancement and career development. In addition, there are health-related conditions for production workers, as their work is physically strenuous shift work: for example, diabetics cannot work shifts.

We actively cooperate with various stakeholders, so that the combination of work and everyday life is as uncomplicated as possible for all. For example, the tax authorities regularly visit the Uusikaupunki car plant to provide help and advice. This helps the everyday life of our employees, as the services are provided for them in the workplace.

CONTINUOUS IMPROVEMENT

The multicultural work community requires development of communication and leadership Instructions and communication is also given in English, and in the factory environment also partly visually.

In 2019, Valmet Automotive launched a large-scale development program related to the management of the production environment in Finland, in which supervisors discuss management-related challenges in small groups. The task of one group is to discuss how to manage multiculturalism in the work community, where half speak Finnish and half speak English. Similar training will be provided to all supervisors.

We encourage our employees to highlight potential grievances in equality and non-discrimination, primarily through their nearest supervisor or staff group representative. Since 2019, the company has also had WhistleB, a reporting tool, that allows grievances to be reported anonymously.

MORE WOMEN IN THE INDUSTRY

Promoting diversity is important from the perspective of equality, capacity and leadership. In the last years' recruitments Valmet Automotive has paid special attention to attracting women to positions in the automotive industry.

In Finland, campaigns aimed at women have been utilized in the recruitment.

The goal is to change the general perception that work in a car plant would only be suitable for men.

In 2019, the marketing campaign prompted the Finnish Parliament's Ombudsman for Equality to investigate whether Valmet Automotive's recruitment discriminated against men. The survey provided showed that the distribution of applicants (75% men, 25% women) was the same as that of those recruited. The final statement of the Equality Ombudsman praised the implementation of recruitment "exceptionally on an equal footing".

THE EQUALITY AND NON-DISCRIMINATION PLAN IN FINLAND

The Finnish legislation requires each company that regularly employs more than 30 people to have an equality and non-discrimination plan. The background to the plan is a comparison of gender and nationality differences in pay.

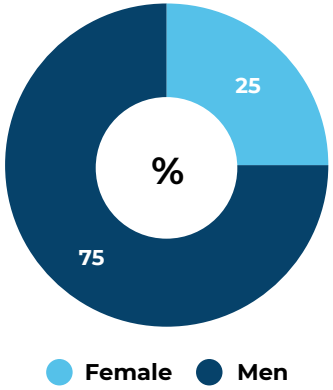
According to statistics, the wages of Finnish production employees are about 11 per cent higher than of other nationalities. The difference is explained by the fact that most workers with an immigrant background have started in 2017 or since, when wage developments based on experience and skills have not yet had time to rise to the level of those who worked at the plant for decades.

For about 170 senior office employees, women's salaries are about 10 percent lower. The difference is probably explained at least by the history of the industry. Production management, which has been part of the industry for a long time, is still male-dominated, as reflected in wage statistics.

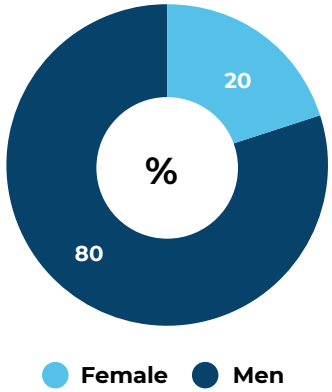
In Finland, the implementation of equality and non-discrimination and the content of the plan, as well as possible updating needs, are assessed at least once a year in a joint meeting of shop stewards, production director, human resources director and manager.

The promotion of equality and non-discrimination is part of the Group's policy, and their promotion will be developed as part of our sustainability program in 2020.

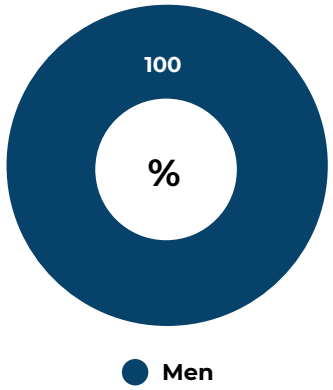
75% OF PERSONNEL MEN



TWO WOMEN IN THE MANAGEMENT TEAM



ALL 6 BOARD MEMBERS MEN



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NATION-ALITIES

CLIMATE

TOWARDS CARBON NEUTRAL VEHICLE MANUFACTURING

Valmet Automotive's car plant in Uusikaupunki aims to achieve carbon neutrality by the end of 2021. The target will be extended to all Valmet Automotive Group operations by 2024.

Valmet Automotive aims to reduce CO_2 emissions from vehicle manufacturing so that the car plant in Uusikaupunki will be carbon neutral by 2022. The Uusikaupunki car plant is the company's largest unit and has the largest impact on the company's emissions.

Emissions from our operations are mainly generated by the energy used, i.e. heating and electricity, so we promote the carbon neutrality target primarily by reducing and improving energy consumption. In addition, we are checking up on which sources of electricity and heat energy can be replaced by fossil-free alternatives. We compensate for emissions that we cannot avoid.

According to the international calculation method of the GHG Protocol, CO_2 emissions are divided into three categories according to where they are generated in the company's value chain. Scope 1 includes emissions that result directly from the company's own activities, such as energy production and vehicles owned by the company. The Scope 2 includes emissions from purchased energy, such as emissions from the production of electricity and heat purchased from another company. Scope 3 includes value chain emissions, which cover all other emissions in the company's value chain, such as emissions from the use of purchased services and products, employee travel, investments, and products.

EMISSIONS FROM OWN OPERATIONS AND PURCHASED ENERGY

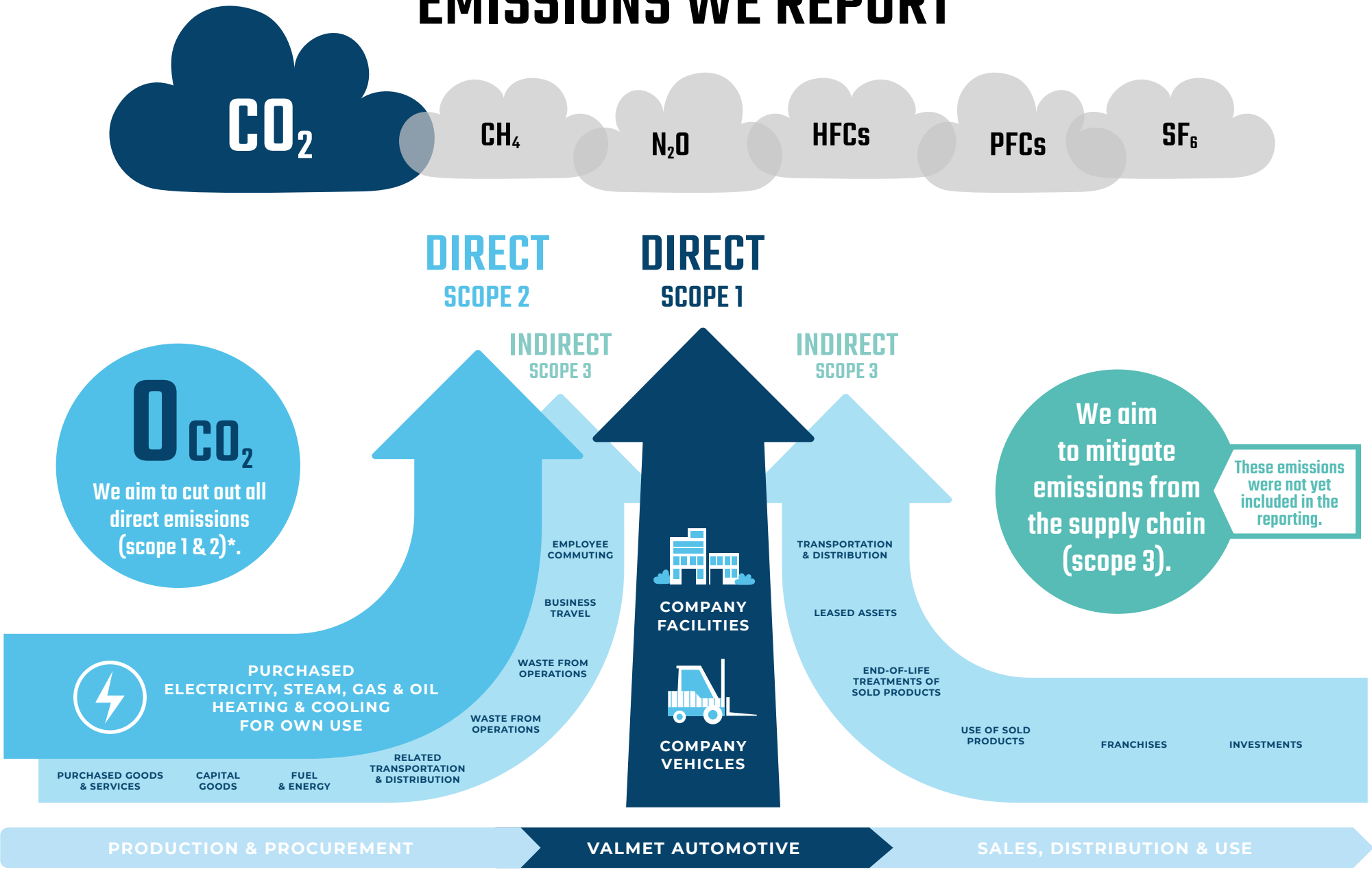
Valmet Automotive's carbon neutrality target covers emissions from own operations and purchased energy (scope 1 and 2). We also aim to reduce other emissions in our supply chain, and we will also require our suppliers to commit to reducing CO_2 emissions in the Supplier Code of Conduct.

In 2019, Valmet Automotive's total emissions were approximately 40,000 tonnes, of which our largest production unit, the Uusikaupunki car plant, accounted for more than 37,000 tonnes. The carbon-neutral car plant significantly reduces our emissions – the amount of emissions to be reduced corresponds to the emissions generated during the entire life cycle of almost a thousand new petrol-powered passenger cars.

Emissions from Scope 1 include emissions from Valmet Automotive's own heat production in the Uusikaupunki and Zary plants. Scope 2 includes emissions from energy consumption at all sites.

A comprehensive inventory of Valmet Automotive's emissions began in 2019. The emission calculation was performed in accordance with the international GHG Protocol, and the calculation also includes emissions in 2018, which were almost at the 2019 level.

EMISSIONS WE REPORT



*The emissions that cannot be eliminated, will be compensated.

STRONG MOMENTUM TOWARDS THE GOAL

Both the roof and kinematic solutions and the manufacturing business lines set production records in 2019. Despite this, both reduced their energy consumption somewhat, driven by the divestment of the production hall in Osnabrück and the reduction in production days in Uusikaupunki.

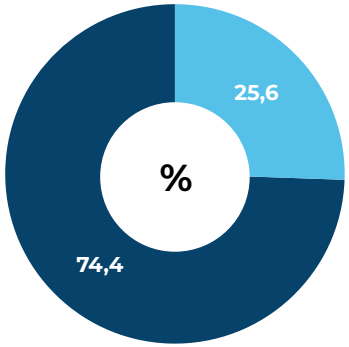
In order to find out more about the emission reduction targets, we commissioned an energy audit in 2019 at both the Uusikaupunki car plant and our engineering offices in Germany, on the basis of which the emission reduction targets will be looked for. In Poland, a similar review of the production of roof and kinematic solutions will be carried out in 2020.

At the Uusikaupunki car plant, we switched to fossil-free, hydropower-generated electricity from March 2020, which will reduce our CO_2 emissions in 2020 by almost 50 percent.

Emission reductions were also achieved when, in 2018, it was decided to replace diesel trucks at the Uusikaupunki car plant with electric ones. Most of the more than 100 electric trucks were commissioned in early 2019. The change means a reduction in CO_2 emissions of more than 1,000 tonnes per year.

VALMET AUTOMOTIVE'S EMISSIONS IN 2019 43 526 TONS OF CO_2 = LIFETIME EMISSIONS OF AROUND 1 000 CARS DURING THEIR USE

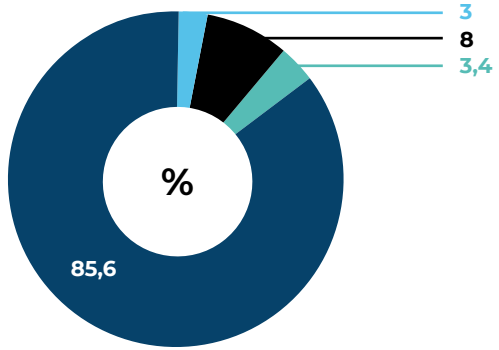
MAJORITY OF CO_2 EMISSIONS FROM ENERGY CONSUMPTION IN 2019



- **Scope 1** 11 162 tCO_2**
- **Scope 2** 32 365 tCO_2**

*By the end of 2021 in manufacturing business line
**Scope 1 includes emissions from own energy production. Scope 2 includes emissions from purchased energy.

Over 85% OF CO_2 EMISSIONS FROM MANUFACTURING IN 2019



- **Manufacturing (Uusikaupunki, Finland) 37 262 tCO_2**
- **EV Systems*** (Salo, Finland) 1 301 tCO_2**
- **Engineering (Germany) 3 481 tCO_2**
- **Roof & Kinematic Systems (Poland & Germany) 1 482 tCO_2**

***Production started in October 2019.

WE BOOST THE USE OF ENERGY AND RESOURCES

In particular, we strive to reduce and improve our energy use and minimize the amount of waste.

In our operations, electricity is especially needed in the paint shop, body shop and assembly processes, as well as in ventilation in our largest unit at the Uusikaupunki plant. A significant part of the heating energy is consumed in the car factory's paint shop and pre-treatment plant, especially in ventilation for supply air heating and heating drying ovens.

The specific consumption of both electricity and heat energy per car has decreased over the last three years. In 2019, the car plant set a production record, but with long-term energy efficient measures, we managed to reduce our total energy consumption by about one percent from 2018. This was also affected by the reduction in production days. In addition, the roof and kinematic solutions business line reduced energy consumption by approximately 13 percent from 2018, as part of the hall used as production technology premises was decommissioned.

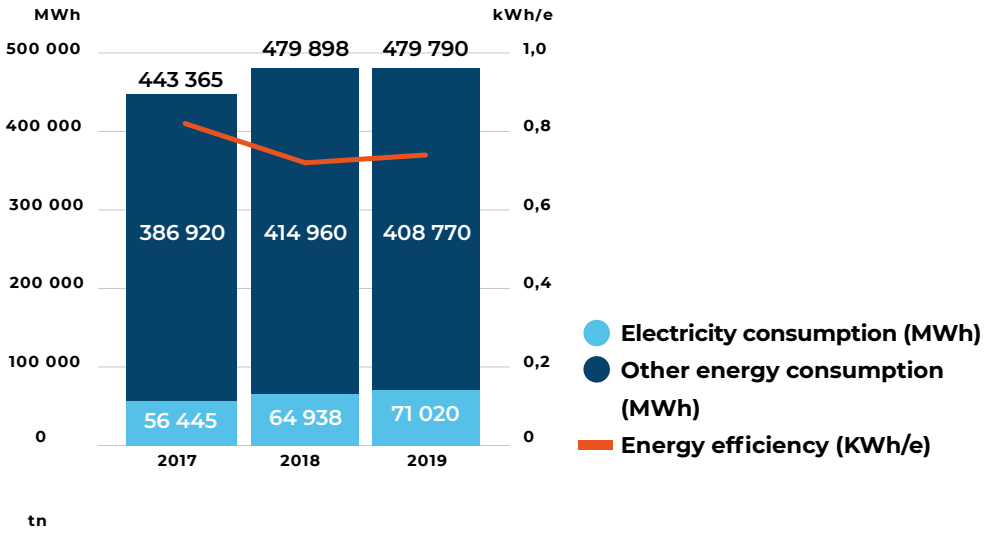
In the future, energy consumption can be made more efficient, for example, by utilizing the heat generated by the production process and switching to LED lighting. As we move towards carbon-neutral vehicle manufacturing, we are exploring fossil-free alternatives to current forms of energy, and in March 2020, the Uusikaupunki plant switched to renewable wind and hydropower.

THE AMOUNT OF WASTE WAS REDUCED BY 30%

The amount of non-hazardous waste generated by our operations has decreased significantly from 2017–2018 – by more than 30 percent compared to 2018 – although production volumes have increased. Non-hazardous waste includes all other waste components except hazardous waste.

Our car plant in Uusikaupunki is our largest unit, and thus the majority of the company's waste is also generated there. The amount of waste has been reduced, for example, by changes in unit packaging and by switching to recyclable packaging options. More than half of the conventional waste

CONSUMPTION OF ENERGY ON SLIGHT DECREASE



tn

was recycled or reused. The rest was utilized for energy, and a small portion was composted. No waste is delivered to the landfill.

Our operations generate paint and chemical surpluses that are classified as hazardous waste, especially in the paint shop and pre-treatment plant at the Uusikaupunki plant. The amount of hazardous waste in the entire company was increased in 2019 by the maintenance of acid tanks at the Uusikaupunki plant, which recurs every 2–3 years. In 2019, the amount of hazardous waste was also increased by the waste generated from the washing of the wastewater pool of the ED plant, emptied at the end of 2018, which was delivered for treatment in 2019. The ED plant is part of a surface treatment plant where car bodies are treated before delivery to the paint shop.

Hazardous waste is delivered to Fortum's treatment plant, where the waste is incinerated and utilized as district heating. Some of the paint shop's solvents are regenerated and re-supplied for use.

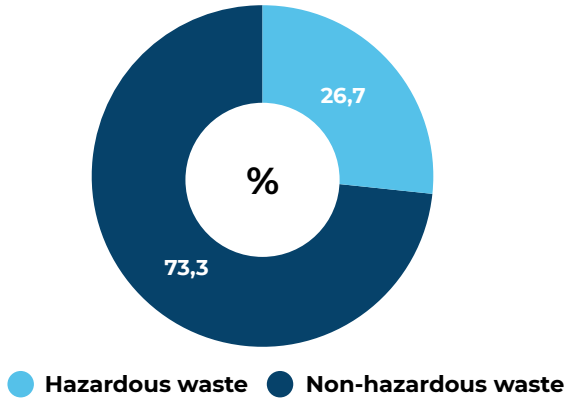
In Poland, more than 80% of the waste generated at the Zary plant is recycled. Only textile waste is delivered to the landfill, for which there are currently no other treatment options.

WATER USE IS MEASURED ACCURATELY

Valmet Automotive's water consumption decreased by approximately 5 percent from 2017–2018. This is explained by the fact that the total water consumption of the car plant decreased by about 6%, as there were fewer production days than in previous years. At the Uusikaupunki plant, water consumption in the production averages 550–565 cubic meters per a full production day.

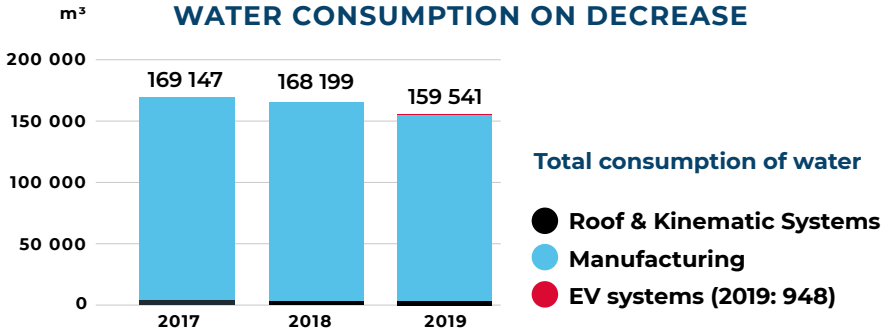
In the Polish operations, water consumption has remained at approximately the same level in 2017–2018. In addition to sanitary facilities, water is needed at the Zary plant in component cutting processes.

MOST OF THE WASTE NON-HAZADOUS IN 2019

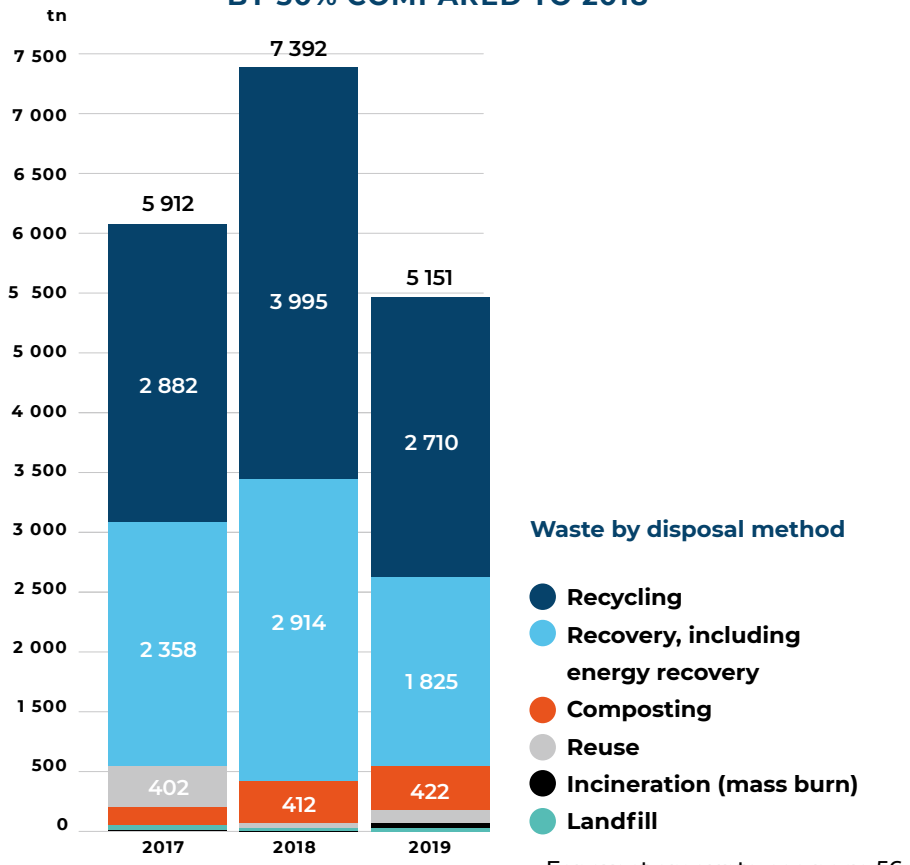


WASTE BY TYPE (TN)	2017	2018	2019
Hazardous waste	1 383	1 519	1 877
Non-hazardous waste	5 912	7 392	5 151

WATER CONSUMPTION ON DECREASE



THE AMOUNT OF NON-HAZARDOUS WASTE DECREASED BY 30% COMPARED TO 2018



For exact amounts, see page 56.

NEW SUPPLIER REQUIREMENTS FOR PROTECTING ENVIRONMENT & HUMAN RIGHTS

Along with the new commitments and internal Code of Conduct, we introduced a novel Supplier Code of Conduct at the end of 2019.

Suppliers play an important role in Valmet Automotive's value chain. Our most significant procurements are services, energy, investments in production infrastructure such as assembly lines. As a Tier-1 supplier for OEMs, we also make direct procurements of vehicle components and logistical services, for example. In other projects, vehicle components are procured according to client's requirements and Code of Conduct.

The Supplier Code of Conduct introduced in 2019 covers all Valmet Automotive's direct procurements.

RESPECTING HUMAN RIGHTS AND REDUCING EMISSIONS

Valmet Automotive's Supplier Code of Conduct requires suppliers to commit to not allowing or using child or forced labor, creating an environment free from discrimination and harassment, respecting employees' rights to associate and bargain collectively, and anti-corruption, for example. The supplier shall comply with all applicable laws and regulations.

There are specific requirements also for environmental protection, resource efficiency and responsible purchasing of raw materials. The Supplier is obliged to follow OECD Due Diligence guidelines with respect to sourcing, extraction and handling of tantalum, tin, tungsten, gold and cobalt. Striving to reduce CO_2 emissions by increasing the use of renewable energies, reducing water and energy consumption, more efficient use of raw and packaging materials and minimizing waste, is also expected from the supplier.

The Supplier is obliged to ensure that the Code is complied with throughout its own and also its suppliers' organization.

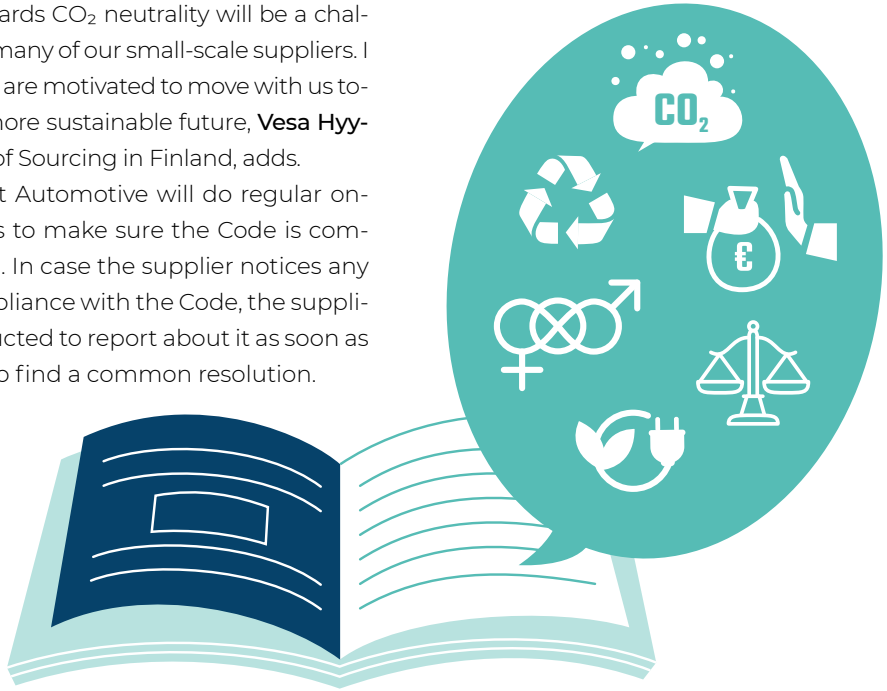
IMPLEMENTING THE CODE

The Supplier Code of Conduct was published in late 2019, and it will cover all suppliers of Valmet Automotive Group. The code is an ethical guideline that will be an integral part of our procurement practices, and all our approximately 4000 suppliers are expected to comply with it.

Compliance with the Code will be monitored by supplier's self-assessment and targeted audits. In addition, we will increase cooperation and provide training on implementing the Code for both our personnel and suppliers.

– The Code is and will be a significant change for us. Especially the requirement to move towards CO_2 neutrality will be a challenge for many of our small-scale suppliers. I hope they are motivated to move with us towards a more sustainable future, **Vesa Hyytiä**, Head of Sourcing in Finland, adds.

Valmet Automotive will do regular on-site audits to make sure the Code is complied with. In case the supplier notices any non-compliance with the Code, the supplier is instructed to report about it as soon as possible to find a common resolution.



TOGETHER

ENGAGING WITH STAKEHOLDERS

We engage and communicate with our most important stakeholders on a regular basis: clients, employees, owners, suppliers, local societies, authorities, educational and local institutions.

For us as an international service provider for automotive industry, collaboration with our stakeholders is a key issue.

According to the stakeholder survey conducted in Finland, our internal and external stakeholders have almost identical concerns related to sustainability. The most important stakeholder sustainability themes are adaptation of our business to change, ensuring of business profitability, and motivating and treating employees equally.

MEMBERSHIPS IN ASSOCIATIONS AND EXTERNAL INITIATIVES

Valmet Automotive is a member of major industrial associations and most relevant international automotive and professional associations. We are a member of the Battery Ecosystem Collaboration in Finland, which aims to gather all important players within the battery and related fields to build up battery and circular economy expertise in Finland.

We also participate in various associations and sustainability initiatives. Global automotive industry is strongly committed to decrease its climate impact. As a partner of the global automotive industry supply chain, we will be participating in the CDP climate reporting on an annual basis from 2020 to increase transparency of our climate-related activities.

Furthermore, partnerships with educational institutions are one of our strategic focuses. You can read more about it on the next page.

CLOSER COOPERATION WITH EDUCATIONAL INSTITUTIONS – FUTURE EXPERTS FROM LOCAL UNIVERSITIES

Future vehicles will be manufactured by the experts of the future, and therefore Valmet Automotive will intensify its cooperation with local universities.

Already for several years, educational cooperation has meant theses, university trainees, course papers and expert lectures for Valmet Automotive. Since the beginning of 2019, co-operation has been systematically built and measured in Finland. An example of this is the agreement on strategic co-operation with Turku University of Applied Sciences, the aim of which is to commit both parties in the long term.

From Valmet Automotive's point of view, the main goal of educational cooperation is to increase students' awareness of Valmet Automotive as a workplace, to provide students with pathways to working life and to find the right kind of experts for the company. Last year, Valmet Automotive employed 40 summer trainees, more than a third of whom still work for the company, either in addition to their studies, as an expert or doing their diploma work.

– We are receiving more and more applications for summer internships, and the level of applicants has risen. This says that the awareness of us has already grown and we are perceived as an interesting employer, says **Ira Silvendoin** from Valmet Automotive's HR department.

Valmet Automotive is also one of three companies that participate in the advisory board of the Faculty of Technology to be established at the University of Turku on 1 January 2021. In addition, Valmet Automotive is involved in supporting, for example, Finland's first professorship specializing in battery technology for the University of Turku's Master of Science in engineering education.

TRAINING NEW SPECIALISTS

One of the goals of educational cooperation is to increase research cooperation. During 2019, Valmet Automotive supervised and supported the completion of 13 theses. The topics of the theses were related to process or product development, the utilization of new technology or the development of logistics. Last year, theses were also written on the development of waste management and equality.

– If we know that we need more expertise on a topic, a thesis is a good way to train new specialists as experts in that topic, says **Mika Kinnunen,** Manager, Business Development EV.

Kinnunen has launched several theses in recent years and has seen their authors be employed by Valmet Automotive almost without exception.

Thesis workers are applied for regularly, and students' own proposals for thesis' themes are equally accepted. Most commonly, students specialize in mechanical engineering, logistics, production economics or engineering.

– Usually they want to come to us to develop future vehicle technology or their manufacturing process, Kinnunen sums up.

In addition to Finnish theses, last year five German students from the University of Bochum also did their theses at the Uusikaupunki plant. International cooperation with educational institutions is also being built in the field of deeper research with the Fraunhofer Institute.

FINLAND'S FIRST HIGH VOLUME BATTERY PLANT WAS OPENED IN SALO

Valmet Automotive launched the Salo battery plant with the mass production of 48-volt batteries in October 2019. By the end of the year, the plant had already produced thousands of batteries used in internal combustion engines to reduce emissions.

Located between the capital Helsinki and the former capital Turku, Salo was a natural choice for the location of the battery plant.

With more than 50,000 inhabitants, Salo has a long history of technological know-how: the city became known as the centre of mobile phone manufacturing for a couple of decades. After Nokia and its successor Microsoft left, the mobile phone plant was left empty and experts in the field missed the employers.

– In terms of a skilled workforce, Salo was a reasonable location. In addition, Nokia's old facilities were optimal for the battery plant. The lines needed to assemble the batteries are well suited for a lengthy plant building, explains **Jyrki Nurmi**, SVP EV Systems.

PRODUCTION STARTED IN HALF A YEAR

The strategic decision to move into the battery business had already been made well in advance, and production was launched on a fast schedule. The lines had already been ordered in early 2019, when suitable premises were still being sought in both Finland and Central Europe. The choice was strongly influenced by the fact that dealing with the City of Salo and the IOT campus, which rents out the plant premises, proved to be very flexible.

> "The facilities were optimal."

– The space was partially leased, but other suitable premises were arranged for the tenant. Discussions about the possible need for additional space were also taken seriously immediately, if the current 18,000 m² become cramped in the future, Nurmi says.

Besides Valmet Automotive received support from Business Finland for the development of the factory's production systems and investment support for new production technology from the Ministry of Economic Affairs and Employment of Finland.

By the end of 2019, the plant had about 100 hard-working employees, and by the beginning of 2020, the number had doubled. Half of the plant's employees work on the lines of the battery assembly, a quarter in quality and logistics positions, and the rest in the office. Future plans include expanding production to hybrid and electric vehicle batteries, increasing product development and developing automation.

– We also see market potential in industrial and work machine batteries. Batteries can replace internal combustion engines either in whole or in part and thus reduce emissions, says **Esa Saarinen**, Vice President, Operations Salo.

Jyrki Nurmi

Esa Saarinen


IN

GRI & DATA

ABOUT COLLECTING ENVIRONMENTAL DATA

The CO_2 emission calculations presented in this report are based on the Greenhouse Gas Protocol company standard and guidance. Emission calculations are divided into two main categories, scope 1 and 2.

Scope 1 includes direct emissions from the company's own operations. Direct GHG emissions occur from sources that are owned or controlled by the company, for example, emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.; emissions from chemical production in owned or controlled process equipment. Direct CO_2 emissions from the combustion of biomass shall not be included in scope 1 but reported separately.

Scope 2 accounts for GHG emissions from the generation of purchased electricity consumed by the company. Purchased electricity is defined as electricity that is purchased or otherwise brought into the organizational boundary of the company. Scope 2 emissions physically occur at the facility where electricity is generated.

In the Manufacturing Business Line (Uusikaupunki plant, Finland), greenhouse gas sources are use of vehicles, mainly leased (scope 1), use of fossil fuels at site (scope 1) and use of purchased energy (scope 2). Fossil fuels at site are light fuel oil and LPG (propane). Energy is purchased for electricity and district heat (2018 & 2019). Other emission factors are mainly based on information provided annually by Statistics of Finland. For purchased electricity the emission factor is 291 gCO_2/kWh (2020), LPG (propane) 3.005 $kgCO_2$/kg, and 2.634 $kgCO_2$/l. The emission factor for district heat is calculated on the basis of the share of fuels and boiler efficiency (90%). The office sites in Turku and Vantaa are not included in the emission calculation.

In the Roof & Kinematic Systems Business Line (manufacturing and office sites in Poland), GHG sources are use of vehicles, mainly leased (scope 1) and use of purchased energy (scope 2). Energy is purchased for electricity and district heat. Other emission factors are based on information from Polish energy and environmental authorities. For purchased energy the factor is 765 gCO_2/kWh and district heat 180 gCO_2/kWh.

In the Engineering Business Line (all office sites in Germany), GHG calculations are based on an energy survey conducted by local authorities. The emissions for 2019 were calculated on the basis of the year's energy consumption and using the emission factors of 2018. Energy is purchased for electricity and district heat.

In the EV Systems Business Line (Finland), the emissions were calculated from March 2019 on, as the battery plant was launched in Salo.

The testing center in Spain is not included in the calculations because of the comparatively small scale of the site's operations.

The data on waste amounts and processing methods was compiled by Valmet Automotive's service provider of waste management.

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DIVERSITY OF PERSONNEL & GOVERNANCE STRUCTURES

GENDER	2017	2018	2019
Office personnel (OP)			
Female	351	368	379
Male	1 051	1 066	1 094
Employees (EMP.)			
Female	732	785	792
Male	2 443	2 585	2 399
Management			
Female	2	1	2
Male	7	8	8
Board			
Female	0	0	0
Male	6	6	6

AVERAGE AGE	2017	2018	2019
OP	41,42	40,77	41,41
EMP.	35,32	35,64	35,69
All	37,19	37,17	37,5

AGE STRUCTURE	2017	2018	2019
OP	**1 402**	**1 434**	**1 473**
<20	0	3	1
20–29	205	234	213
30–39	486	485	477
40–49	335	337	364
50–59	306	311	351
60–69	71	64	67
EMP.	**3 175**	**3 370**	**3 191**
<20	61	61	56
20–29	1 261	1 328	1 231
30–39	753	818	769
40–49	551	579	567
50–59	474	503	493
60–69	75	81	75
All	**4 577**	**4 804**	**4 664**
<20	61	64	57
20–29	1 466	1 562	1 444
30–39	1 239	1 303	1 246
40–49	886	916	931
50–59	780	814	844
60–69	146	145	142

NATIONALITIES PCS.	2017	2018	2019
OP	32	32	29
EMP.	49	68	72

EMPLOYMENT	2017	2018	2019
Permanent	3 907	4 581	4 398
Temporary	670	403	266

ENERGY & WASTE

302-1	ENERGY CONSUMPTION WITHIN THE ORGANIZATION	2017	2018	2019
a.	Total fuel consumption within the organization from **non-renewable** sources/**liters**	3 106 630	3 271 830	3 214 737
	Fuel types used	light fuel oil	light fuel oil	light fuel oil
	Produced Energy (GWh)	310	327	321
a.	Total fuel consumption within the organization from non-renewable sources, (in tonnes)			118
	Produced Energy (MWh)			1 516
	Fuel type used			LPG (liquid petroleum gas)
b.	Total fuel consumption within the organization from **renewable** sources/**Liters**	0	0	0
i.	Electricity consumption/**MWh**	56 445	64 938	71 020
ii.	Heating consumption/**MWh**	76 877	88 430	86 427
iiii.	Steam consumption/**m³**		211	170
e.	**Total energy consumption within the organization GWh**	443	480	480

306-2	WASTE BY TYPE AND DISPOSAL METHOD	2017	2018	2019
a.	Total weight of hazardous waste, with a breakdown by the following disposal methods where applicable: IN TONS (tn)	1 383	1 519	1 877
b.	Total weight of non-hazardous waste, with a breakdown by the following disposal methods where applicable: IN TONS	5 912	7 392	5 151
i.	Reuse	402	45	135
ii.	Recycling	2 882	3 995	2 710
iii.	Composting	223	412	422
iv.	Recovery, including energy recovery	2 358	2 914	1 825
v.	Incineration (mass burn)	9	10	45
vii.	Landfill	48	30	31

ABOUT THIS REPORT

This is the first sustainability report of Valmet Automotive Group. The report covers all operations in the group's four business lines and locations in Finland, Poland and Germany. Testing operations in Spain are excluded due to the small scale of the operation.

The report has been compiled in accordance with the GRI Standards' core option.

The selected topics are based on material assessment conducted on group-level with the emphasis on Finland operations. With the assessment and the related stakeholder survey, we identified and prioritized the most relevant economic, social, and environmental sustainability topics. For the next year's report, the survey will be expanded to cover all Valmet Automotive locations.

We will publish a sustainability report annually. The information in this report has not been assured externally.

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