

SUSTAINABILITY REPORT 2021



VALMET AUTOMOTIVE



TABLE OF CONTENTS

HIGHLIGHTS OF 2021	4
CEO'S FOREWORD	6
VALMET AUTOMOTIVE IN BRIEF	8
YEAR IN REVIEW	10
STRATEGY	12
STAKEHOLDERS' PRIORITY TOPICS	14

RESILIENT BUSINESS 16

SUSTAINABILITY STRATEGY	18
THE SUSTAINABLE DEVELOPMENT GOALS	20
KEY RISKS AND OPPORTUNITIES RELATED TO SUSTAINABILITY	21
MANAGING SUSTAINABILITY	22
A SYSTEM TO UNIFORM MANAGEMENT SYSTEM PROCESSES	23
STAKEHOLDER ENGAGEMENT	24
CO-CREATING A SOLAR ELECTRIC CAR	26

PLANETARY BOUNDARIES 28

MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES	30
CARBON NEUTRAL OPERATIONS	32
REDUCING WASTE, WATER USAGE AND VOC EMISSIONS	38
BOOSTING PARTNERSHIPS FOR CIRCULAR ECONOMY	41

OUR PEOPLE 42

MANAGING HR TOPICS	44
OUR PEOPLE AT THE CORE	45
HEALTH AND SAFETY AT WORK	50
ZERO CONTAGION CHAINS THROUGHOUT THE PANDEMIC	54

INTEGRITY & DIGNITY 56

HOW WE CREATE VALUE AROUND US	58
OUR 5 COMMITMENTS	60
REALIZING THE COMMITMENTS	61
ETHICAL CULTURE	62
BUILDING A SUSTAINABLE SUPPLY CHAIN	64

GRI & DATA 66

ABOUT COLLECTING ENVIRONMENTAL DATA	68
GRI CONTENT INDEX	69
DATA ON DIVERSITY OF PERSONNEL	72
DATA ON ENERGY & WASTE	73
ABOUT THIS REPORT	74
SUSTAINABILITY VOCABULARY	75



HIGHLIGHTS OF 2021

ACHIEVING CARBON NEUTRAL OPERATIONS

We will achieve CO₂ neutrality ahead of the planned schedule – from the beginning of 2022. Our CO₂ emissions and the commitment to carbon neutrality are certified by a third party.



SEALING THE DEAL ON A RENEWABLE ENERGY TERMINAL

As important part of the company's strategic sustainability program implementation, VA made the decision to build a terminal for renewable energy. It plays a decisive role in realizing CO₂ neutrality of the Uusikaupunki site by eliminating CO₂ emissions, reducing energy consumption, and improving energy efficiency.



73% POSITIVE FEEDBACK FROM EMPLOYEES

A growing number of our employees see that we live as we teach and live up to the 5 Commitments. We are especially strong at delivering and leading at all levels. We will be focusing on improving employee well-being and ensuring equal access to training opportunities in 2022.





HIGHLIGHTS OF 2021

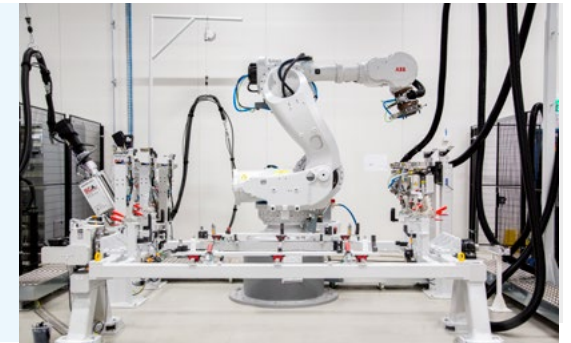
MANAGING THROUGH THE PANDEMIC WITHOUT CONTAGION CHAINS

During the two years of the pandemic, we have succeeded to avoid any covid-19 contagion chains through systematic, proactive work. By working systematically and proactively, we have managed to survive these two years of the pandemic without a single covid-19 contagion chain.



EMBARKING ON SUPPLY CHAIN SUSTAINABILITY ASSESSMENTS

We continued our efforts for developing sustainability in our supply chain and started the process of mapping potential risks in the supply chain using a self-assessment questionnaire sent to targeted suppliers.



CDP CLIMATE CHANGE SCORE B

We improved our score to Management Level in the international CDP (Climate Disclosure Project) evaluation on climate change efforts of companies.

A 3rd BATTERY PLANT IN KIRCHARDT

Valmet Automotive started the construction work for the first battery plant in Germany. The plant is scheduled to start its operations in 2022.

70 NATIONALITIES

Valmet Automotive's employees represent 70 different nationalities. Respecting each other is at the heart of everything we do.

TOWARDS THE ZERO-EMISSION SOCIETY

There is no doubt, that the world and our industry are changing at an increasing pace. At the same time, the changes are not fast enough to overcome the environmental and social challenges all of us are faced with.

Valmet Automotive has set its role in this new economic and social world very clearly:

We will take our place as the key player in this transformed business environment, innovating new solutions to contribute to the shift towards a zero-emission society.

To deliver what we promised, we have formulated a sustainable business strategy for the Group and all our business lines as a crucial part of the overall strategy.

In 2021 the Group's sustainability actions have focused on preparing the mid-term sustainability strategy and program for 2027. The sustainability strategy includes a holistic view on sustainability and focuses on the material topics of environment, social and governance.

Besides preparing the sustainability program for 2027 in an emphatic demonstration of determination, in 2021 we achieved ambitious goals in transforming Valmet Automotive into a truly sustainable company. Numerous initiatives were launched and realized:

- Reduction of CO₂ emissions by 80% from our own operations since 2019
- Committing to CO₂ neutrality in our own operations from the beginning of 2022
- Transition to fossil-free electricity at our locations in Zary, Salo, Osnabrück and Uusikaupunki
- Making the decision to build a terminal for renewable energy, reducing energy consumption and improving energy efficiency in Uusikaupunki
- Shifting company cars to full EVs

This outstanding result of our joint efforts realized in a short time span of just two years shows that sustainable and responsible action is already deeply anchored in our corporate culture. On the strong basis of our five commitments – *respect, always learn, lead at all levels, show entrepreneurial spirit and deliver* – we are consequently moving forward to contribute to the shift towards a zero-emission society, striving to minimize our own negative impacts and adding positive value to our customers.

There is no doubt we are taking action.

Olaf Bongwald

CEO, Valmet Automotive







SERVICE PROVIDER FOR THE AUTOMOTIVE INDUSTRY

Valmet Automotive provides services for the automotive industry in three business areas. Our extensive history in car production, combined with 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



MANUFACTURING

- Over 50 years of world-class vehicle contract manufacturing



ELECTRIC VEHICLE SYSTEMS

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



ROOF AND KINEMATIC SYSTEMS

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



2021

VALMET AUTOMOTIVE GROUP

- Established in 1968
- Head office in Uusikaupunki, Finland
- Parent company Valmet Automotive Inc. (Finland)
- Over 4,600 employees
- Delivered appr. 90,000 cars, appr. 400,000 battery systems, appr. 35,000 roofs and kinematic systems to markets world-wide
- Shareholders: Pontos (38.46%), Tesi (38.46%), CATL (23.08%)

ECONOMIC VALUE CREATED

- Gross sales* 2,977.5 (2020: 2,443.7) MEUR
- Net sales 570.2 (2020: 494.0) MEUR,
- Operating profit 35.6 (2020: 21.7) MEUR
- Total wages 176.1 (2020: 139.8) MEUR
- Employee social security and pension 35.4 (2020: 25.1) MEUR
- Total equity 42.3 (2020: 22.2) MEUR
- Research, development and engineering expenditure 38,0 MEUR (2020: 14,7 MEUR)
- Gross investments in fixed assets 62.1 (2020: 39.2) MEUR
- Current year income tax expense 7.2 (2020: 2.8) MEUR

MANAGEMENT TEAM

- Olaf Bongwald, CEO
- Charlotte Caswell, Remigiusz Grzeskowiak, Ralf Jacob (until 12/2021), Christian Kleinhans, René Kohl, Jaakko Liljeroos, Jyrki Nurmi, Pasi Rannus, Juha Torniainen

*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

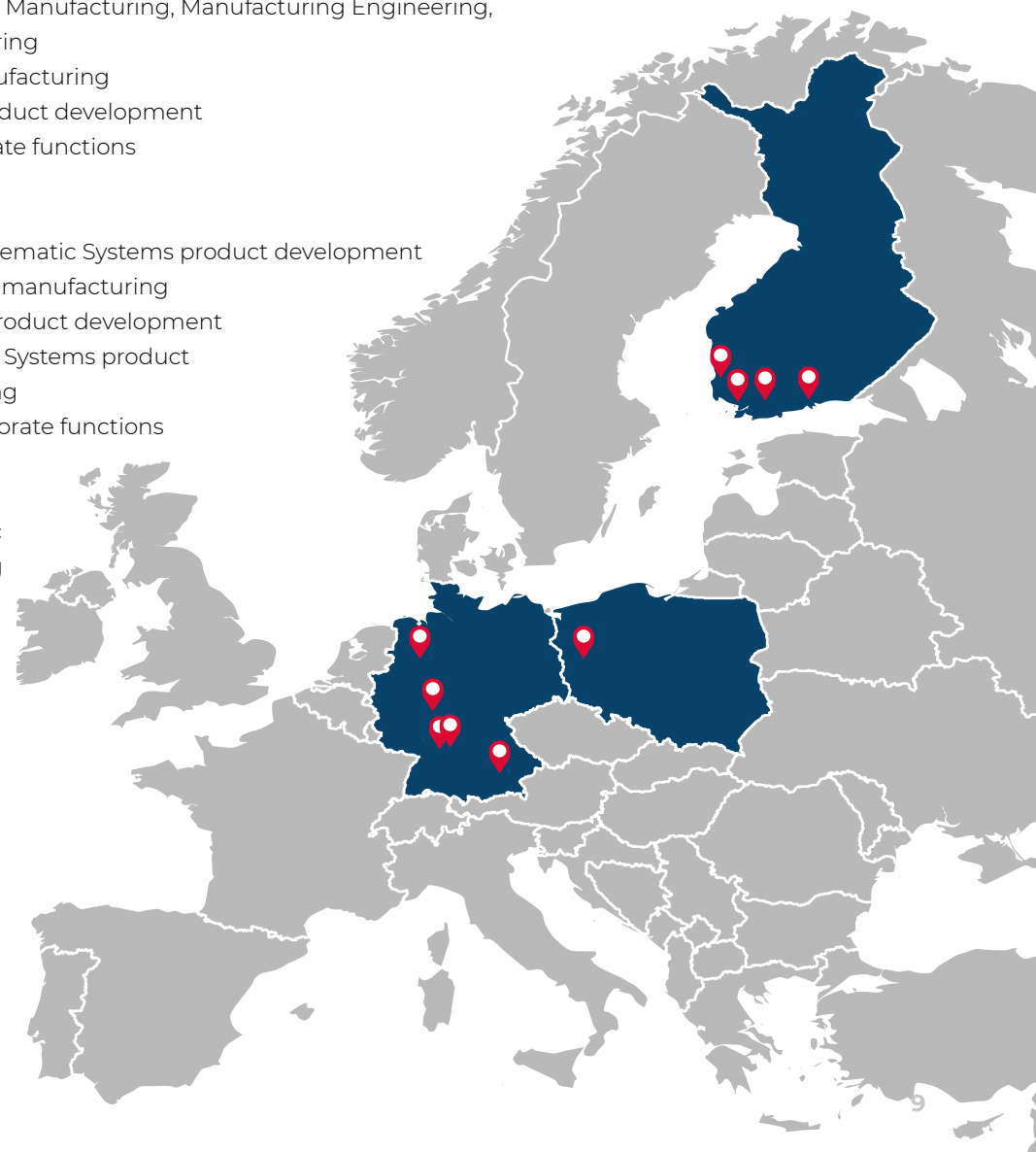
- Uusikaupunki** – Vehicle Manufacturing, Manufacturing Engineering, EV Systems manufacturing
- Salo** – EV Systems manufacturing
- Turku** – EV Systems product development
- Vantaa** – Group Corporate functions

GERMANY

- Osnabrück** – Roof & Kinematic Systems product development
- Kirchardt** – EV Systems manufacturing
- Munich** – EV Systems product development
- Bad Friedrichshall** – EV Systems product development and testing
- Frankfurt** – Group Corporate functions

POLAND

- Zary** – Roof & Kinematic Systems manufacturing



A YEAR IN THE FAST LANE TO ELECTRIFICATION

We managed to grow our business and our personnel in 2021 despite the challenging component shortage in the industry. We are also moving towards carbon neutrality across all our operations.

A YEAR OF GROWTH

The year 2021 was a period of rapid growth. We opened a battery plant in Uusikaupunki and in Salo we expanded the production to high-voltage batteries. We also started preparations for a third battery plant in Kirchardt, moved the Munich office to new premises in the fall and increased the battery systems' testing capacity of the Bad Friedrichshall test center. Our personnel grew from around 460 to over 1,200.

During the year, we became one of the largest battery system service providers in Europe. Quality and speed is woven into our work throughout the company - from contract manufacturing to sustainability.

During 2021, we developed our environmental, quality and information security management systems to achieve the IATF16949 (the international standard for automotive quality management systems) and ISO 27001 (the international standard

for information security) certificates as well as for our operations in Finland the ISO 9001 and ISO 14001 quality and environmental certificates.

The corona pandemic indirectly affected the availability of components but did not slow down our production in terms of personnel. We have been strict with the use of face masks and keeping social distance, and no contagion chain have been detected inside the plant. Safety is a prerequisite for our operations, and its continuous improvement is vital to us.

Our personnel is highly committed and motivated. Our atmosphere of continuous learning and development is an inspiration to get the work done. The downside is that some areas have had a heavy workload. That is why we have been rethinking our meeting practices, for example, in an effort to reduce at least some of the workload.

In 2022, we will start the production of

our own product, off-highway batteries. Considering the impacts of emissions and human rights throughout the battery life cycle will be even more important for us in the future.

Jyrki Nurmi,
SVP EV Systems



DISPLAYING PERSEVERANCE

The year got off to a fast start with extensive recruitments, but soon the industry was hit by a semiconductor shortage. However, we proved our flexibility once again in Manufacturing Business, delivering all planned orders despite production breaks.

Managing corona has been the key theme throughout the year, and we have managed to avoid contagion chains at the plant thanks to our personnel's outstanding commitment to following the guidelines.

At the end of the year, we started to weekly monitor the semiconductor shortage with our customer, and we reacted to it even with a couple of days' notice. As a result, our employees have had to be flexible with shifts and holidays. Despite this, we received even more satisfied responses to our regular Pulse Survey (see page 61). This is due to the fact that we have improved our management and increased transparency in our organization. In internal communications, we are open and keep everyone informed of what is happening. For example, we introduced our own mobile app, which makes it easy to read news about our work.

We also started preparing for external verification of the carbon neutrality of our operations. In addition, we have also started to look at reducing emissions in our value chain, such as in transport.

In 2021, we conducted a major strategy process, with extensive employee involvement across the organization. The focus of our manufacturing business line are self-directed people, digital work environment and green attitude. In 2022, we will set out to make it all happen.

Pasi Rannus

SVP Manufacturing



BUILDING A NEW PORTFOLIO

During 2021, we once again showed our ability to adapt to changing situations and to react quickly. The pandemic has put a strain on the automotive supply chain and caused lack and delays of components, especially with semiconductors. However, if it was up to us or our suppliers, we always managed to find a solution to deliver on time. Therefore, I can only thank our committed team in Roof & Kinematic Systems.

Our personnel have showed their ability to adapt quickly and move from a task-force to another. Towards the end of the year, our team seemed happy as we were ramping up serial production of the roof systems and hiring new people.

In 2021, we started using renewable electricity in both our locations. The next step will be finding a CO₂ neutral way for the heating at these locations. We have also started a collaboration with a supplier that will reuse the pallets scrapped from our production, as new material for furniture components.

Electrification has definitely set a new product portfolio for us. During the next

years, we strive for a leading position as a full-service supplier of active kinematic solutions for the exterior of electric vehicles. We expect growth from our newly developed products, active charging flaps and aero efficiency systems, which increase the performance of electric cars.

Remigiusz Grześkowiak

SVP Roof & Kinematic Systems



E-MOBILITY IN THE CORE OF OUR BUSINESS STRATEGY

Valmet Automotive's business is built on three strong pillars with significant synergies: vehicle contract manufacturing, EV battery systems and roof & kinematic systems. In all three business lines we focus on e-mobility and continued to take huge leaps towards it in 2021.

During 2021, we renewed our vision and mission. 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 the zero-emission society.

HARVESTING SYNERGY FROM E-MOBILITY

Our ambition is to grow EV Systems' sales to the level of Manufacturing or above, boost the sales of Roof & Kinematics, and keep Manufacturing at a constant high level. In brief, we are targeting at gross sales of more than 6 billion Euros long-term.

In 2021, key strategic successes included the launch of the Uusikaupunki battery plant, announcing the third battery plant

in Kirchardt, Germany, and developing new products in the Roof & Kinematics business line.

In the Manufacturing business line, we were nominated for the production of a fully electric car model with solar panels on the roof (read more on p. 26) and continue building plug-in hybrid cars as vehicle contract manufacturer.

We are also expanding our product portfolio related to electric vehicles in Roof & Kinematic Systems business line. Due to the strong market tailwinds for electric mobility, we expect high growth in systems for aero efficiency solutions that improve the driving range of electric vehicles. In addition, we were nominated for developing and producing charging flap systems for premium e-vehicles.

FAST EXPANSION

We are further expanding our business in EV Systems. In 2021, we launched a new

facility in Uusikaupunki, Finland and started to build up the third battery plant in Kirchardt, Germany. Geographic expansion supports our strategy of being close to our customers.

We also introduced a new product, the Modular Power Pack, to off-highway and truck & bus manufacturers. Developing and producing a modular power pack is a continuation of our competence as a Tier-1 supplier in EV Systems. With an extended role in product design and supply chain, we will take responsibility for choosing the right suppliers for our components, while maintaining control over monitoring human rights and environmental aspects in the supply chain. We have implemented our Supplier Code of Conduct to purchasing processes and have started the Scope 3 CO₂ emission calculations.



STAKEHOLDERS' PRIORITY ISSUES FOR SUSTAINABLE DEVELOPMENT

As a service provider for automotive industry, we are at the heart of green transition. Our priority is to lead the transformation throughout our organization and value chain.

We have identified our key sustainability priorities and impacts through a process that includes a stakeholder survey, thorough review of upcoming regulation and signals of future trends, and a number of factors related to our business. Based on them, we built a sustainability strategy until the end of 2027. Read more on the strategy on p. 18.

THE FOCUS OF THE REPORT

The focus of this report is based on Valmet Automotive's sustainability strategy and material assessment conducted in 2019 at group-level with the emphasis on the operations in Finland. 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 profiling globally as a forerunner in environmental issues.

STAKEHOLDER SURVEY

We first identified and selected the internal and external key stakeholders, such as service providers and public authorities. The sustainability themes for the survey were then identified from relevant documents and interviews of the key stakeholders. The e-survey was conducted in December 2019 and will be updated during 2022.

ESSENTIAL TOPICS FOR STAKEHOLDERS

GOVERNANCE

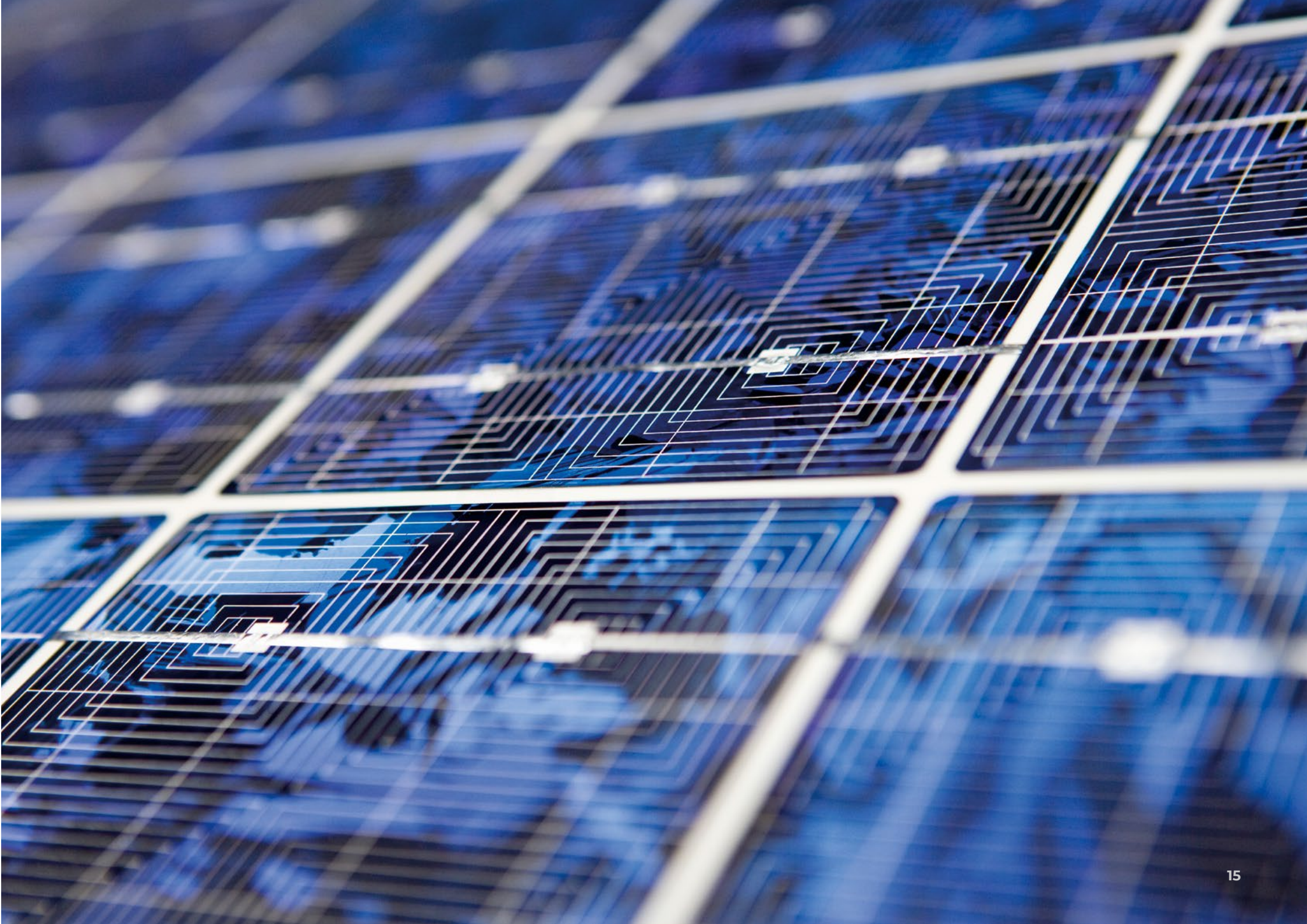
- Ensuring business profitability and continuity
- Identifying the driving forces in the industry and adapting to change
- Close cooperation with municipalities and educational institutions
- Attracting subcontractors to the area in cooperation with municipalities

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



RESILIENT BUSINESS

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

SUSTAINABILITY STRATEGY.....	18
THE SUSTAINABLE DEVELOPMENT GOALS	20
KEY RISKS AND OPPORTUNITIES RELATED TO SUSTAINABILITY	21
MANAGING SUSTAINABILITY	22
A SYSTEM TO UNIFORM MANAGEMENT SYSTEM PROCESSES	23
STAKEHOLDER ENGAGEMENT	24
CO-CREATING A SOLAR ELECTRIC CAR	26





SUSTAINABILITY STRATEGY 2021–2027

Valmet Automotive's ambition is to build a truly green world by providing systems and services in e-mobility and renewable energy storage in the most sustainable way.

STRATEGIC AREAS OF ACTIONS



STRENGTHEN INTEGRITY AND DIGNITY

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



RESPECT PLANETARY BOUNDARIES

- Introduce **True Green Initiative** to accelerate and lead the Sustainability Strategy
 - Reach **low carbon value chain** and collaborate with suppliers to reach CO₂ 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)
- SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION
SDG 13: CLIMATE ACTION

Valmet Automotive released its sustainability strategy in September 2021 to support the group's business strategy. The sustainability strategy leans on three themes: respecting planetary boundaries, strengthening integrity and dignity within the organization and ensuring profitable business. The strategy has an emphasis on climate and environmental issues, and the strategy is supported with a separate HR strategy that is led by the HR department.

The sustainability strategy is based on thorough review of stakeholders' expectations, upcoming regulation and signals of future trends, international sustainability frameworks, and a number of factors related to Valmet Automotive's business. A large group of specialists, including management, was engaged in the process groupwide.

TRUE GREEN INITIATIVE

To put the strategy into action, Valmet Automotive will set up a True Green Initiative. The initiative is a company-wide practical guide to integrating green thinking and actions into Valmet Automotive's organizational culture at all levels.

The initiative aims at enhancing green attitude within the organization, enforcing circular design and manufacturing and building sustainable value chains. The initiative will be kicked off in the first quarter of 2022.

True Green Initiative

GREEN ATTITUDE

- Cultivate rethinking and leadership and accelerate attitude change
- Increase internal communication and trainings
- Encourage employees to share ideas for improving our sustainability performance
- Provide reliable qualified data

CIRCULAR DESIGN AND MANUFACTURING

- Reducing energy in all our operations
- Renewable energy as the main source of power
- Scaling reusability of materials
- Implementation of EU battery regulation
- Minimizing compensations by reducing energy consumption and replacing fossil fuels with renewables






SUSTAINABLE VALUE CHAIN

- Supplier sustainability assurance process
- CO₂ emissions as one selection criteria for suppliers
- Common rules on data collection from transport and logistics suppliers, as well as from raw material suppliers.
- Demand that our key suppliers commit to carbon neutrality



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

VA'S STRATEGIC SUSTAINABILITY AREA	RELEVANT UN SUSTAINABLE DEVELOPMENT GOALS (SDGS)	SCOPE OF THE SDG	OUR TARGETS THAT CONTRIBUTE TO THE SDG
ENSURE RESILIENT PROFITABLE BUSINESS	 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Goal 9 concerns building resilient infrastructure, promoting inclusive and sustainable industrialization, and fostering innovation by 2030.	<ul style="list-style-type: none"> - Commit to lead the green transformation throughout the organization. - Actively develop processes and products to proactively fulfill future demands. - Operate in collaborations and partnerships and ecosystems at global and local level.
	 RESPONSIBLE CONSUMPTION AND PRODUCTION	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"> - Set requirements and implement SCoC to our suppliers. - Provide reliable and transparent data.
RESPECT PLANETARY BOUNDARIES	 RESPONSIBLE CONSUMPTION AND PRODUCTION	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"> - Develop and utilize circular economy and improving efficient use of resources (energy, water, materials). - Utilize digitalization opportunities to drive green transformation.
	 CLIMATE ACTION	Goal 13, taking climate action, means taking urgent action to combat climate change and its impacts.	<ul style="list-style-type: none"> - Introduce the True Green Initiative to accelerate and lead the Sustainability Strategy. - Reach low carbon value chain and collaborate with suppliers to reach CO₂ neutrality. - Add environmental values in decision making processes.
STRENGTHEN INTEGRITY AND DIGNITY	 DECENT WORK AND ECONOMIC GROWTH	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"> - Truly bring the Code of Conduct alive throughout our organization. - Ensure the Sustainability maturity level and strengthen ethical culture in the organization.

KEY RISKS AND OPPORTUNITIES RELATED TO SUSTAINABILITY

Valmet Automotive has identified key environmental, social and economic risks and opportunities.

Risk management in the Valmet Automotive Group is steered by the Risk Management Policy, annually reviewed by the Board of Directors. Risks are categorized into four distinctive categories: strategic risks, operational risks, hazard risks and financial risks.

Risks related to sustainable development are in the category of strategic risks together with risks related to reputation, business environment and competitive risks. Additionally, risks related to e.g., climate change have indirect impacts on all the other risk categories in the form of natural disasters, funding risks and supplier risks. Read more about how we manage climate-related risks on page 30.

ENVIRONMENTAL RISKS

We are constantly working to mitigate our negative impacts on the environment by reducing our CO₂ emissions in our own operations and in the near future also in our value chain. The European Green Deal is expected to have a significant impact on

funding requirements and funding potential for companies. Performing well creates business opportunities but also requires a constantly higher level of ambition.

As sustainability is a must and no company can ignore it, the role of reliable and transparent information and data on sustainability performance becomes highlighted. If that is not met, risks of reputational damage will be substantial.

E-mobility is a developing business where systems for supply chain management, for example, are still being developed. That is both an opportunity and a risk: Valmet Automotive has a chance to be part of the sustainable development of this supply chain while simultaneously, e.g., human rights and environmental risks are estimated to be high especially in the primary production of battery materials.

SOCIAL RISKS

For Valmet Automotive, succeeding to attract a skilled workforce in all locations is

decisive for the company's future.

In addition to keeping our salaries competitive, ensuring wellbeing and the equal treatment at work is crucial.

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

FINANCIAL RISKS

Valmet Automotive is actualizing a rapid transition towards e-mobility and this opens up exciting new business opportunities. We remain confident that with our agile organization and by keeping up with the fast-developing battery technology, we will be able to strengthen our position in the market.

Financial risks are described in more detail in the financial statement 2021.

MANAGING SUSTAINABILITY THROUGHOUT THE ORGANIZATION

With a common group-wide vision, the sustainability goals are implemented into all three business lines.

It is essential that our business and sustainability move in the same direction.

Valmet Automotive's sustainability strategy is linked to the 5 Commitments which the corporate culture is built 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.

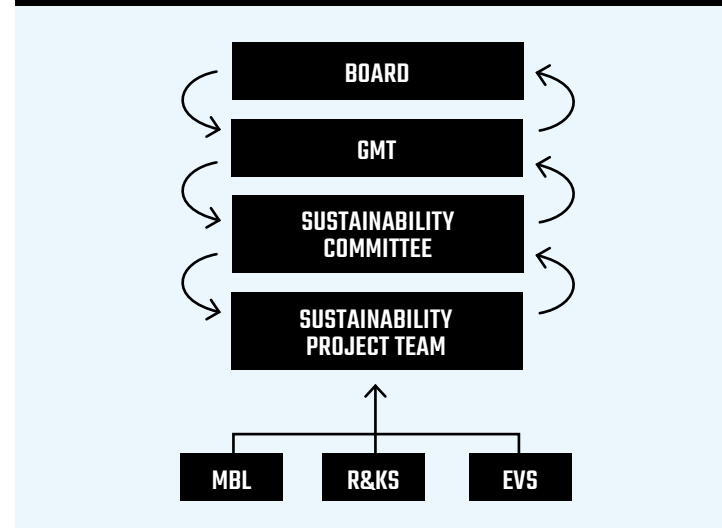
BOARD APPROVES LONG-TERM POLICIES AND GOALS

Our business and sustainability policies and long-term goals are defined by the board, based on the proposal of the Group

Management Team led by the CEO. The board regularly reviews our performance in sustainability.

The sustainability strategy is developed by experts in the Sustainability Committee, which is led by the Director of Sustainability & Environment. With their expertise, the group develops sustainability programs, goals, and actions, and ensures the whole group shares the same vision. The business lines define the timeframes and measures needed to meet the goals. An internal auditing system for sustainability and its governance is part of the VA Operating System.

GOVERNANCE STRUCTURE FOR SUSTAINABILITY



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

SUSTAINABILITY COMMITTEE 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

R&KS = Roof & Kinematic Systems
EVS = EV Systems

A SYSTEM TO UNIFORM MANAGEMENT SYSTEM PROCESSES

The role of a management system is to enhance transparency within the company and to communicate to all stakeholders on how the company is organized and operated.

During 2021, Valmet Automotive's management system was further optimized to better suit the need to document and unify company-wide processes.

The system helps the company gather the 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. That helps to stay on track with how Valmet Automotive is meeting them.

MANAGING REQUIREMENTS THROUGHOUT BUSINESS LINES

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, which is a prerequisite for the establishment of standardized processes throughout the entire VA Group.

Most of the main processes and operations of the management system were described in the management system during 2021. The next step is to standardize proven models throughout the Valmet Automotive Group, and then further define key performance indicators from different business areas with follow-ups. That will help everyone at Valmet Automotive to stay up to date on the current situation in different business lines and sectors of the group.





STAKEHOLDER ENGAGEMENT

For us as an international service provider for the automotive industry, collaboration and regular engaging with our stakeholders is a key topic. We engage and communicate with our most important stakeholders on a regular basis: customers, employees, owners, financial institutions, suppliers, local societies, authorities, educational and local institutions.

STAKEHOLDER GROUP	EXPECTATIONS	BINDING OBLIGATIONS	INTERACTION CHANNELS
CUSTOMERS	Fulfilling contractual requirements, products conforming with the requirements	Certified Management systems IATF16949, ISO9001, ISO14001, ISO 45001; operational performance; compliance with customer-specific requirements; customer audits	Customer feedback, regular meetings, workshops, audits, reports
FINANCIAL INSTITUTIONS	Sustainable growth and profit, risk management	Reporting, compliance with contracts	Reporting (sustainability, financial, project related)
SUPPLIERS	Co-operation as defined in contracts and forecasts, proper solvency, long-term agreements	Supplier Code of Conduct, contracts	Communication through contact persons, collaborative meetings and projects, supplier audits
ADVOCACY GROUPS*, LABOR MARKET/ UNIONS	Ethical and employee-focused business, Code of Conduct, reliable and interactive communication	Working according to the set common guidelines, collective agreements, Act on Co-operation within Undertakings	Employee steward and management communication, regular meetings
CERTIFICATION AUTHORITIES	Continuous development, processed way of working	Fulfilling the demands of the standards and requirements	Regular audits, meetings

*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
INSURANCE COMPANIES	Work towards a safe and secure workplace, risk management	Insurance agreements	Meetings and audits
EDUCATIONAL INSTITUTIONS	Co-operation as defined in contracts and forecasts	Actions according to contracts	Workshops, training, thesis work, collaboration forums, visits at the plants
MEDIA	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
MUNICIPALITIES, SOCIETY AND AUTHORITIES	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
OWNERS AND BOARD OF DIRECTORS	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
INTERNAL BUSINESS LINES	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
PERSONNEL, DEPARTMENTS	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

CO-CREATING AN AMBITIOUS ENERGY-EFFICIENT SOLAR ELECTRIC CAR

Lightyear selected Valmet Automotive as the manufacturing partner for the exclusive series of Lightyear One, a unique electric vehicle. One of the selection criteria was sustainability.

The Netherlands-based technology company Lightyear is on a mission to bring the world's most sustainable car model, Lightyear One, to the market.

After a thorough selection process that took over a year, Lightyear signed a contract with Valmet Automotive, with the production of the exclusive series scheduled to start in 2022 in Uusikaupunki, Finland.

Over 50 years of experience in car manufacturing and the pioneering status in electric vehicles combined with a broad set of elements in sustainability convinced Lightyear that Valmet Automotive is the one.

– Valmet Automotive has a holistic approach to sustainability, including environmental, social and governance topics. They also succeed to communicate their development transparently with metrics, targets, achievements and challenges, Henk de Bruin, VP sustainability of Lightyear states.

CO₂ NEUTRALITY PLAYED A DECISIVE ROLE

Valmet Automotive's ambitious schedule for carbon neutrality was one of the crucial topics in sustainability that matched with Lightyear's strategy.

“We see our partnership with Valmet Automotive as co-creation.”

Lightyear focuses on developing sustainability especially through product development and on conducting an analysis to evaluate the CO₂ emissions throughout a car's lifecycle. With that information, they strive to eliminate and

mitigate potential emissions all the way from the component materials to manufacturing and driving. Valmet Automotive's climate efforts are well in line with these focus points.

OPPORTUNITIES FOR CIRCULAR BUSINESS

As most of the emissions are produced while driving, improving the car's energy efficiency is at the heart of Lightyear's business. Solutions like lightweight technology and solar panels on the roof boost the driving range of the car to 725 km at best.

Lightyear is also investigating possibilities in circular business. For instance, considering the disposal phase already in product development brings along significant opportunities for refurbishment and remanufacturing of the car.


– We see our partnership with Valmet Automotive as co-creation. It is a great opportunity to learn from each other, de Bruin says.



PLANETARY BOUNDARIES

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

MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES	30
CARBON NEUTRAL OPERATIONS	32
REDUCING WASTE, WATER USAGE AND VOC EMISSIONS	38
BOOSTING PARTNERSHIPS FOR CIRCULAR ECONOMY	41



-47%

CO₂ emissions from own operations (scope 1 & 2) compared to 2020.

61%

Recycling rate of waste.

Score B

Score B (Management Level) for CDP Climate Change evaluation (D-A).

MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

Climate-related issues are part of our risk management system and have also influenced our business strategy significantly. However, we are in the process of mapping and managing specific climate-related risks and opportunities more systematically.

GOVERNANCE OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

The Board of Directors of Valmet Automotive Group approves the group-wide strategy together with the business lines' targets and actions. Each business line reports relevant climate key performance indicators quarterly to the Group Management Team. Climate-related key performance indicators include electricity consumption, heating consumption, water consumption, recycling rate and waste management as well as CO₂ emissions.

The role of the Board of Directors is to approve climate-related policies and plans prepared by the Sustainability Committee which consists of the Director of Sustainability & Environment and representatives from the Sustainability Committee. One of the Steering Group's tasks is to follow trends and stakeholder

expectations regarding sustainability issues, including risks and opportunities related to climate.

RISK MANAGEMENT

In the Valmet Automotive Group, risk management, including climate-related risks and opportunities, is steered by the Risk Management Policy. The Risk Management Policy defines the principles and objectives, as well as the responsibilities and the procedures to be followed within risk management.

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.

Sustainable development and climate risks are considered and evaluated among other strategic, operative, hazard and

financial risks. Risk assessment updates are carried out annually, and follow-up is carried out according to the management review plan.

To manage specific climate-related risks and opportunities more systematically, we started a project for their identification at the end of 2021. This specific assessment will directly cover our operations, supply chain and customers as well as the market we are operating in.

CLIMATE-RELATED RISKS AND OPPORTUNITIES AFFECTING OUR BUSINESS STRATEGY

During 2021, we renewed our vision and mission. Our vision is to contribute to climate protection and a truly green world by positioning 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 into the zero-emission society.

We have identified the need for CO₂ neutral production in automotive industry, and from the beginning of 2022 we will be in the position to provide that. The most substantial strategic decision regarding this was to invest in purchasing renewable electricity and energy and replacing fossil fuels with renewable energy. In addition, the investments for energy efficient production processes and energy saving equipment are allocated for the coming years. We have also identified the need for first calculating and then reducing CO₂ emissions in the value chain and are already actioning that.

MAPPING PHYSICAL AND TRANSITION RISKS

We are in the process of mapping and categorizing climate-related physical and transition risks and have identified the following risks and opportunities in our operations.

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 bottlenecks on availability of raw materials or components. 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.

“Customer demand is shifting towards climate friendly vehicles.”

Some of the transition risks and opportunities are tightly related to the regulation that supports the demand of electric vehicles and hence the business. Customer demand is also shifting towards climate friendly vehicles. On the other hand, emission taxation and regulation affect worldwide passenger car sales and may result in a decrease of sales volume especially if

changed abruptly.

EU regulation and keeping up with fast developing battery technology also require extra resources and investments to be allocated. New technological solutions can, however, lead to reduced energy consumption, and the investments can be boosted by a higher carbon price.

Risks and opportunities for reputation include managing to monitor and control human rights issues in raw material sourcing.

IMPROVING THE CDP SCORE

In 2021, we participated in the CDP (Climate Disclosure Project) climate change reporting for the second time to increase transparency of our climate-related management and activities. Valmet Automotive's climate management and activities received score B (Management Level), taking a huge leap forward especially in climate governance, risk, and energy consumption disclosure.

To reach the leadership level, further improvement is expected especially in the disclosure of the scope 3 emissions, value chain engagement and linkages between climate-related issues and business strategy.

CARBON NEUTRAL OPERATIONS FROM THE BEGINNING OF 2022

By persistent and systematic work, we have successfully cut our CO₂ emissions from our own operations by 80% from 2018 and will achieve carbon neutrality* from the beginning of 2022.

Valmet Automotive Group's commitment for carbon neutrality has been verified by a third party from the beginning of 2022.

EFFORTS FOR MITIGATING SUPPLY CHAIN EMISSIONS

Valmet Automotive's carbon neutrality target covers emissions from purchased energy and our own operations (scope 1 and 2*). Emissions from our own operations are mainly generated by the used energy, e.g., heating and electricity, so we promote the CO₂ neutrality target primarily by reducing energy consumption and by replacing existing sources of energy with renewable alternatives.

In addition to our own operations, we also aim to reduce emissions in our supply chain in the future. Our suppliers are obliged to commit to reducing CO₂ emissions as per the Supplier Code of Conduct. The effort is supported by expanding our emission calculation to cover the emissions from the supply chain (scope 3).

We have calculated the scope 3 emissions from 2020 and continue to work on elaborating the calculations and examine ways to cut emissions in the supply chain. The first step is to focus on logistics where almost half of the scope 3 CO₂ emissions are produced.

30% DECREASE IN CO₂ EMISSIONS IN MANUFACTURING

A clear majority of the Group's operations' (scope 1 & 2) emissions originate from vehicle manufacturing. We managed to cut these emissions from 2020 by 47 per cent during 2021.

The decrease was achieved mainly by switching to renewable heating energy. The Uusikaupunki car plant was paving the way in summer 2020, and since that the heating used at Uusikaupunki plants is produced from renewable sources: residuals from forest industry, recovery heat and biogas. The renewable energy production is verified annually by a third party.

We will also continue our efforts in energy efficiency and create an energy management system that will support us to follow, measure and improve energy consumption.

The total electricity consumption dropped off slightly during 2021, and the decrease was recorded in the consumption of process electricity which contracted due to weeks of unplanned production lay-offs. Heating consumption, on the contrary, increased quite remarkably which is mainly explained by the winter that was colder than average.

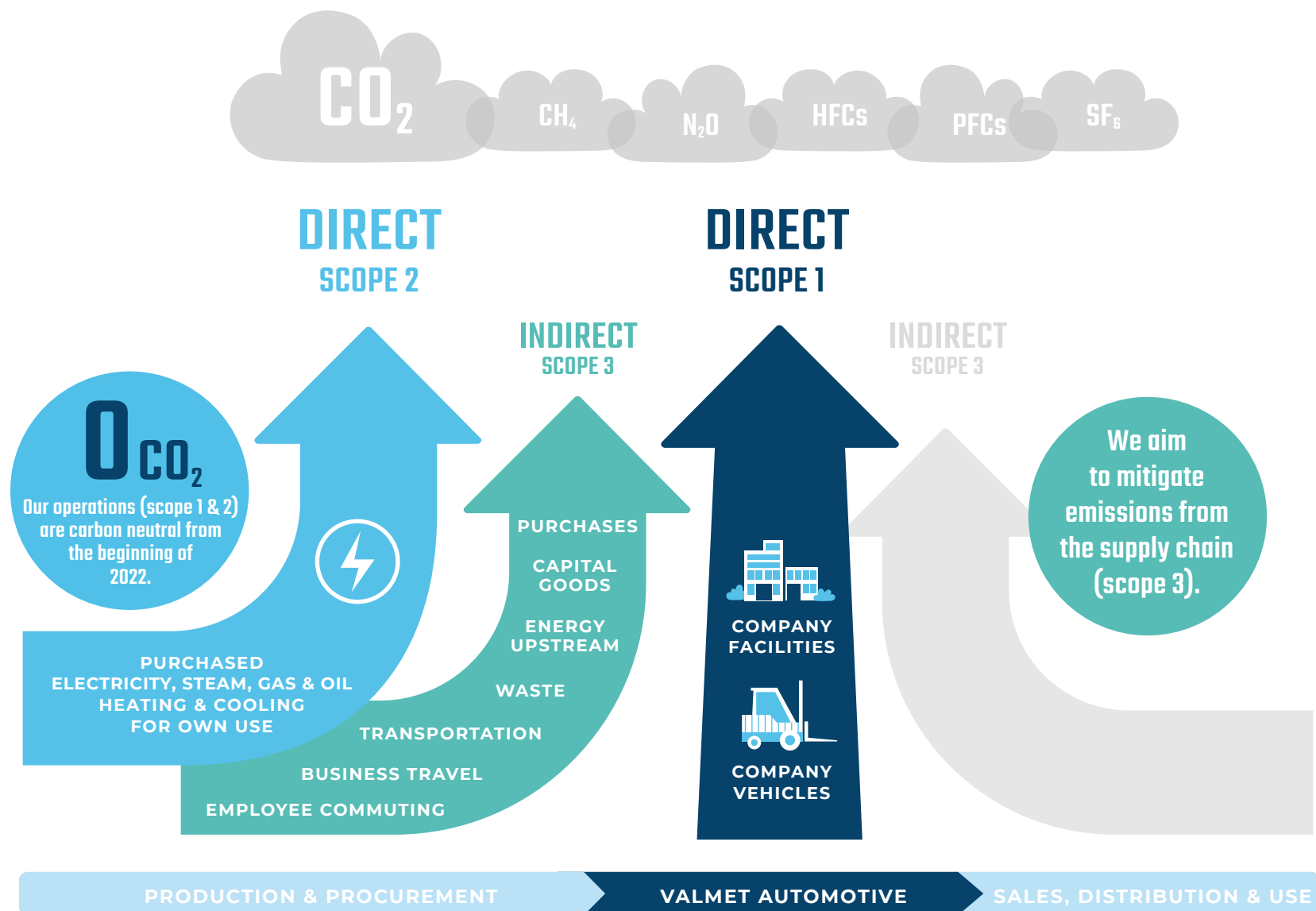
REPLACING FOSSIL FUELS WITH RENEWABLES

As an important part of the company's strategic sustainability program implementation, Valmet Automotive made the decision to build a terminal for renewable energy. It plays a decisive role in realizing CO₂ neutrality of the Uusikaupunki site by eliminating CO₂ emissions, reducing

* Scope 1 includes emissions that result directly from the company's own activities, such as energy production and vehicles owned by the company. Scope 2 includes emissions from purchased energy, such as emissions from the production of electricity and heat purchased from another company.

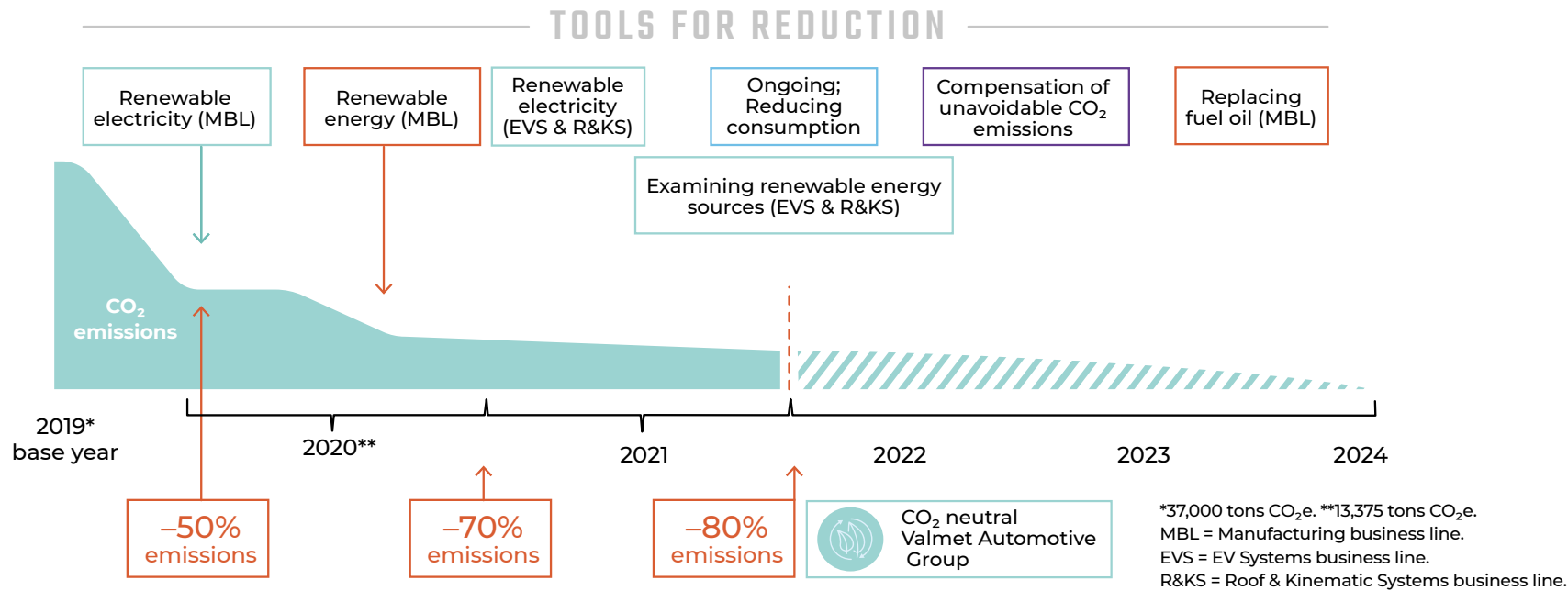


CO₂e* EMISSIONS WE REPORT



* CO₂e, 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 CO₂ that would result in the same amount of warming.

TIMELINE FOR CO₂ NEUTRAL VALMET AUTOMOTIVE GROUP



energy consumption, and improving energy efficiency. The deployment of the terminal is scheduled for the second half of 2023.

In addition, the heating system of the paint shop's furnaces will be renewed, which will further contribute to improving the energy efficiency of the operations at the car plant.

SWITCHING TO RENEWABLE ENERGY

The year 2021 marked growth for the EV Systems business, tripling the personnel and building up new production lines and facilities. That correlates directly with the rise in electricity and heating energy consumption.

However, the CO₂ emissions of the EV Systems business line decreased as the source of electricity was changed to

renewable electricity, including hydro and wind energy.

In July, we also switched the source of the heating energy of the Salo battery plant to a renewable source, i.e., waste burning, which will lower the CO₂ emissions from heating even further.

We are also looking into opportunities to further improve with local service providers.



In the Roof & Kinematic Systems business line's locations in Zary and Osnabrück, we changed the source of electricity to a renewable alternative at the beginning of 2021.

Electricity consumption rose slightly in the Zary plant as a result of boosting the production rates with a new product.

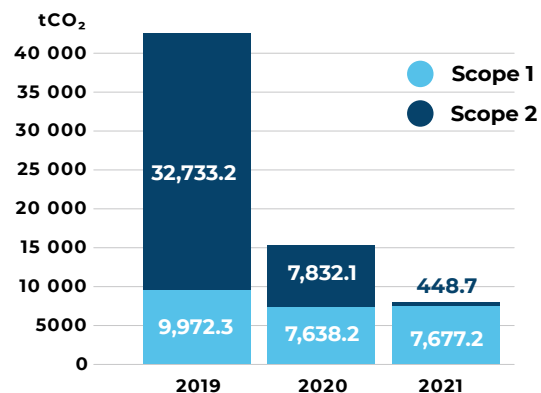
Heating energy is used only to heat the property. We are looking for solutions to improve the efficiency of the building through changes in the heat distribution system in the building and potential modernization of the building.

REMAINING EMISSIONS WILL BE COMPENSATED

The emissions that cannot be avoided will be annually compensated from the year 2022 onwards. We accept only compensation programs that are verified by a third party and support our targets for renewable energy (e.g., solar or wind energy) and the Sustainable Development Goals aligned with our sustainability strategy.

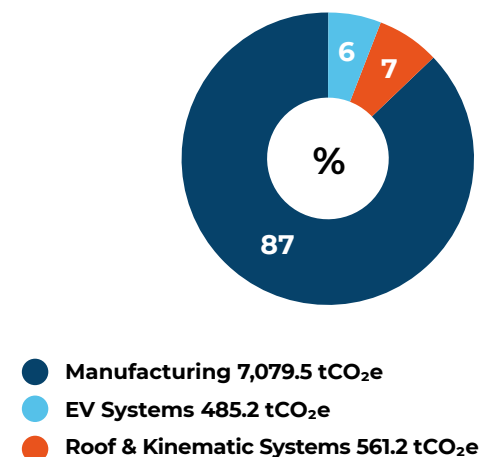
However, our primary goal is to mitigate emissions prior to compensation and will continue our efforts for it.

CO₂e EMISSIONS FROM OWN OPERATIONS DECREASED 47%, TONS



Scope 1 includes emissions from own energy production.
Scope 2 includes emissions from purchased energy (market-based).

87% OF CO₂e EMISSIONS* FROM MANUFACTURING IN 2021



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



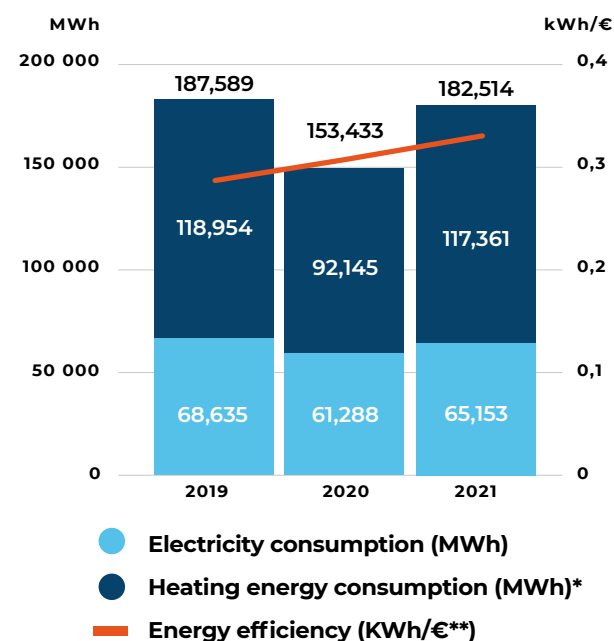
SCOPE 2 EMISSIONS		2019	2020	2021
Scope 2, market-based	tCO ₂ e	32,733.2	7,832.1	448.7
Scope 2, location-based	tCO ₂ e	22,983.9	16,236.6	20,009.4

A location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data). A market-based method reflects emissions from electricity that companies have purposefully chosen (or their lack of choice).

SCOPE 3 CO₂e EMISSIONS (SUPPLY CHAIN), 2020

SCOPE 3		154,474.7
Purchases (cat. 1)	tCO ₂ e	53,101.5
Capital goods (cat. 2)	tCO ₂ e	11,098.0
Energy upstream (cat. 3)	tCO ₂ e	12,350.0
Transportation (cat. 4)	tCO ₂ e	72,969.2
Waste (cat. 5)	tCO ₂ e	184.4
Business travel (cat. 6)	tCO ₂ e	168.6
Employee commuting (cat. 7)	tCO ₂ e	4,603.0

ENERGY CONSUMPTION



* Heating energy (district heating, produced energy with fuel oil and LNG)

**Total energy consumption divided by net sales.

2021 numbers include electricity and heating (estimations) from Osnabrück.



REDUCING WASTE, WATER USAGE AND VOC EMISSIONS

Reducing waste and increasing its re-use and recycling rate are one of the key points in our sustainability work.

Common group-level environmental targets with performance follow-ups and regular management reviews were created during 2021. The Group's target for recycling rate for non-hazardous waste was 65%. Some improvement was recorded during 2021 as the rate grew from 58 to 61% but is still lagging behind the internal target.

However, the total amount of waste slightly increased from 2020, which is mainly attributable to recovered production rates especially in the Manufacturing business line where most of the waste is created.

MANUFACTURING BUSINESS LINE PAVING THE WAY

The Uusikaupunki car plant neared the target for the recycling rate, resulting in 61%.

In the Manufacturing business line 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 national waste law came into effect in Finland in July and after that, wooden pallets that are directed to reuse were also counted in the recycled materials. That explains some of the boost in the recycling rate.

EV SYSTEMS BUSINESS LINE SPEEDING UP

During the first half of the year, new facilities were being established in the rapidly growing EV Systems business line. The new production line at the Salo plant was in the ramp-up phase and Uusikaupunki plant was about to open, and hence, standards and structures for recycling were not yet fully in place.

As the daily operations started to stabilize towards the end of the year, the target for the recycling rate was reached from October on in both main locations of

the EV Systems business line. As a result, the average recycling rate for 2021 rose to 62%.

ROOF & KINEMATIC SYSTEMS BUSINESS LINE LOOKING FOR SOLUTIONS

At the Roof & Kinematic Systems plant in Zary, the main challenge for 2021 was to find a partner for recycling of textile waste.

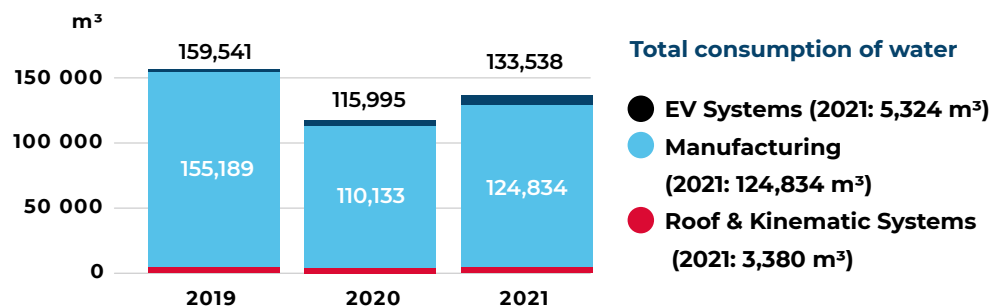
As the textiles are impregnated for vehicle usage and contain a significant amount of chemical substances, finding a solution for their recycling in Poland has turned out to be challenging. As an alternative, we managed to find a partner who processes the textile waste into RDF fuel which can be utilized in industrial processes.

This partnership has a remarkable impact on the amount of waste that goes to landfill – it decreased from 85 tons to 36 tons. However, finding a partner for textile recycling is crucial for reaching the target for the recycling rate. In 2021, the rate resulted in 54%.

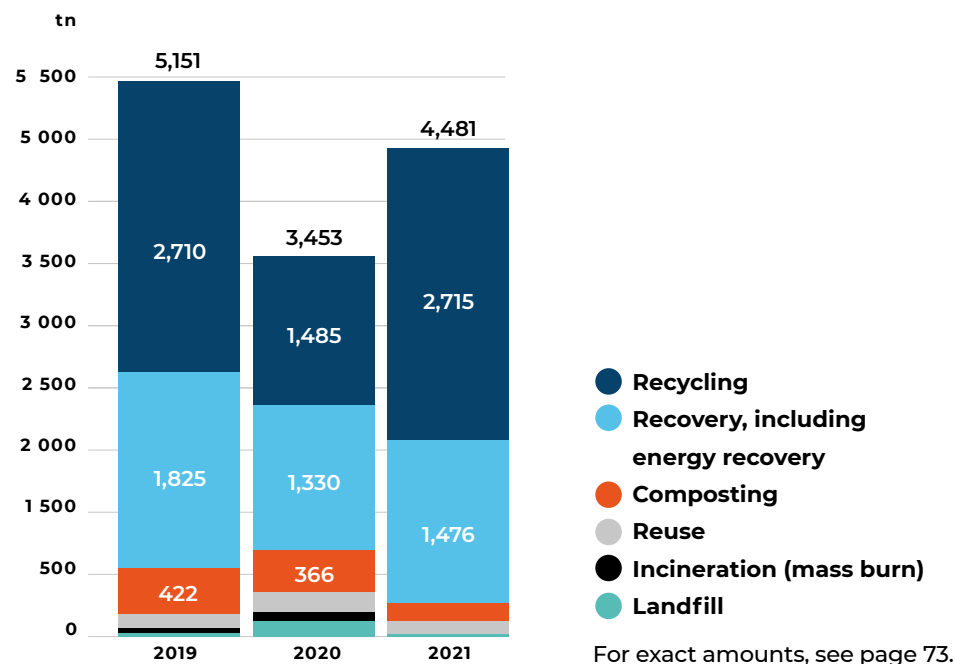
* Calculated according to the rules of EEA (<https://www.eea.europa.eu/data-and-maps/indicators/waste-recycling-1>)



WATER CONSUMPTION

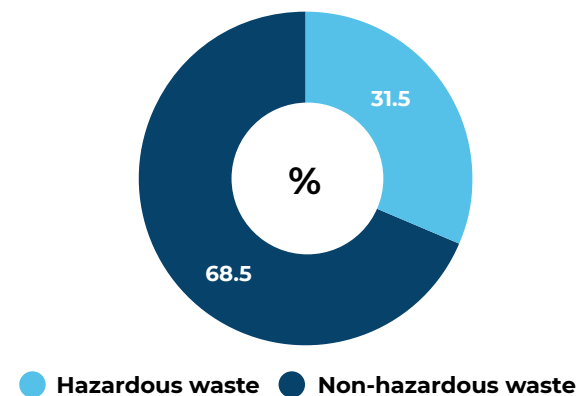


AN INCREASING AMOUNT OF WASTE IS RECYCLED



The numbers of non-hazardous waste and its disposal types have been corrected for 2020.

68.5% OF THE WASTE NON-HAZARDOUS



WASTE BY TYPE (tn)	2019	2020	2021
Hazardous waste	1,877	1,291	2,058
Non-hazardous waste	5,151	3,453	4,481
Total	7,028	4,744	6,539

The amount of non-hazardous waste has been corrected for 2020.



TRAINING AND INSTRUCTIONS

In 2021, we updated the recycling part of the induction training for all new employees in the Manufacturing business line. We also utilized one of the production lay-offs at the Uusikaupunki car plant and organized training for a group of long-term employees, e.g. supervisors, on how to improve the recycling rate. Recycling instructions were improved and training for waste management was also done in our battery plants.

In addition, recycling instructions were updated. The regular waste management walks for developing the design of the sorting process were partly halted in 2020 due to the pandemic and were arranged only occasionally. The package design team focuses on reducing unnecessary packaging materials. The target is to further mitigate the amount of energy waste during 2022.

HAZARDOUS WASTE FROM PAINT SHOP AND BATTERIES

Most of the hazardous waste is generated in the Uusikaupunki plant paint shop. 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 a service provider for further processing and recycling.

WATER SECURITY EVALUATED BY CDP

Water usage increased in each business line to some extent mostly because of recovered production. At the Zary plant, the consumption was high due to the testing of a new production line and a detected failure in a water pipe. At the battery plants, water is not needed for production processes and hence the increase correlates to a growing number of employees.

In the Manufacturing business line, approximately 10,000 m³ of raw water that is used in production is circulated to cool the facilities annually.

In 2021, we reported our efforts for water security to CDP (Climate Disclosure Project). CDP reviews, for example, the company's disclosure of water-related risk

management and consumption. The aim of the CDP is to motivate companies to disclose and reduce their environmental impact using the power of investors and customers. In 2021, we received the score C, awareness level, and strive to constantly leverage the score.

SYSTEMATIC REDUCTION OF VOC EMISSIONS

In car manufacturing, VOC (Volatile Organic Compounds) emissions are strictly measured. The limit value in the Uusikaupunki plant's environmental permit is 45g/m², but the internal target is more ambitiously set at 19g/m². The target was reached in 2021, resulting in 18.7g/m².

The target was reached by a systematic plan to reduce the emissions in the paint shop. We listed all VOC sources and potential actions to reduce them, e.g., replacing cleaning solvents to low-emission alternatives and circulating the washing agents for robots. Follow-up meetings were organized once a month to monitor the development.

BOOSTING PARTNERSHIPS FOR CIRCULAR ECONOMY

Partnerships play a crucial role in our sustainability strategy, for example in reaching our targets in circular economy.

Partnerships will have a notable impact in developing circular economy, as the material volumes flowing through our production are significant.

REUSABLE PACKAGING MATERIALS

Half of all the packages transported to the Uusikaupunki car plant are made of wood, plastic or metal. The packages for vehicle components are circulated back to the suppliers and reused several times. Reusable packages are also extensively utilized in battery plants.

Most of the other packaging materials are being recycled as material.

SCRAPPED PALLETS AND BATTERIES

At the Roof & Kinematics Systems plant in Zary, we partner with one of the suppliers to

repair scrapped wooden pallets for reuse or for recycling the material for furniture.

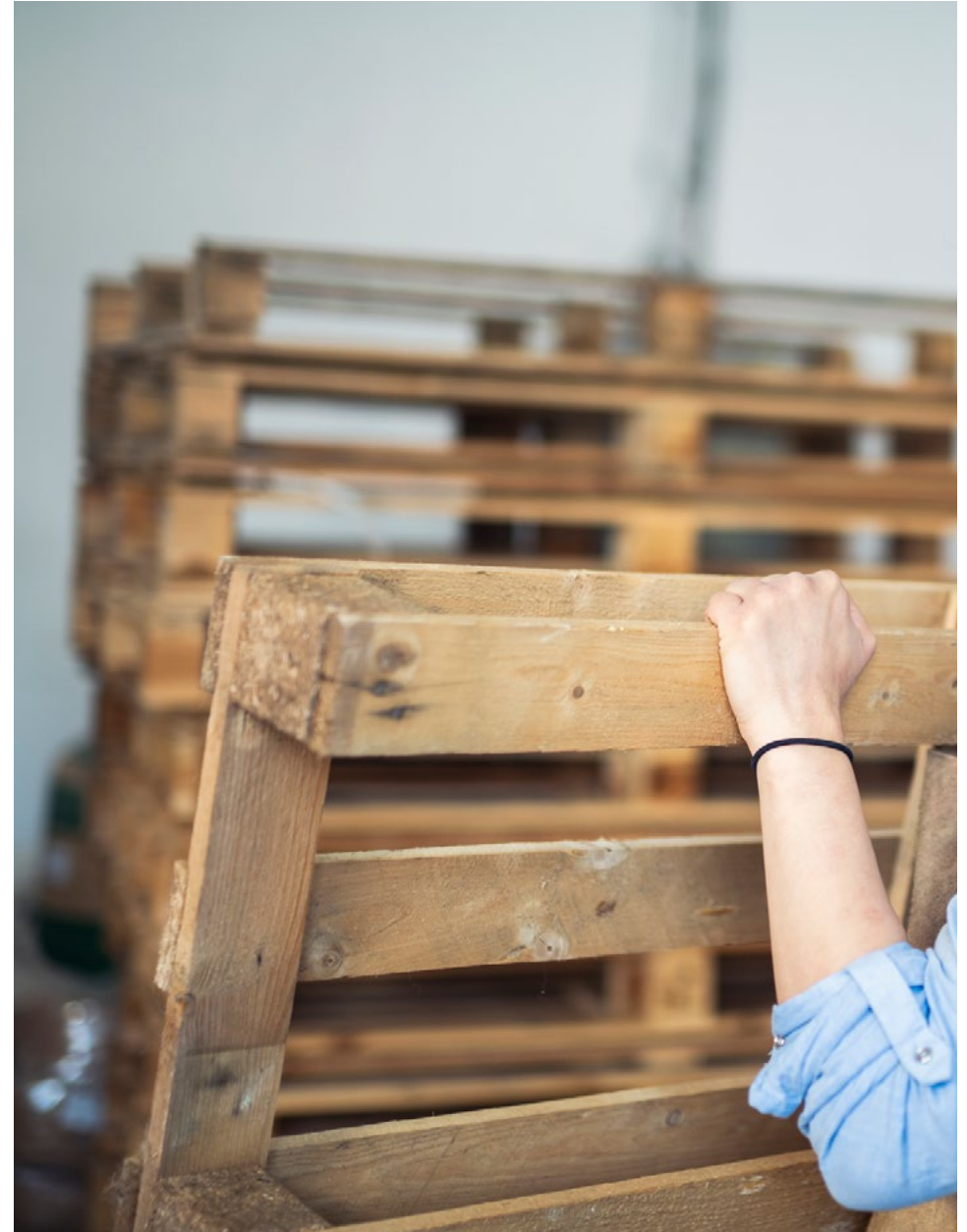
At the battery plants, we partner with Fortum for safe and efficient recycling of scrapped battery materials.

CIRCULATING WORKING CLOTHES AND ICT EQUIPMENT

We collaborate with Lindström Group at the Uusikaupunki car plant, to recycle worn-out working clothing. At the Salo battery plant, working clothes are rental.

We have also initiated a partnership for recycling used ICT equipment. Office furniture that is no longer needed is donated to charity.


These partnerships mark only the beginning. We are constantly looking for opportunities to improve circulation of material flows, especially the ones with large volumes, at all our production sites.



OUR PEOPLE

Respect is one of our 5 Commitments and at the core of everything we do. We want to foster and develop employee well-being, support continuous learning, and provide our employees with opportunities for career development.

MANAGING HR TOPICS	44
OUR PEOPLE AT THE CORE	45
HEALTH AND SAFETY AT WORK	50
ZERO CONTAGION CHAINS THROUGHOUT THE PANDEMIC	54



4,651

Employees
(status 31.12.2021)

70

Nationalities

24.2

All work-related accidents
per million hours worked
(TRIR)

MANAGING HR TOPICS

During 2021, we renewed our HR strategy to support the business strategy of Valmet Automotive Group and our people's well-being better.

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, equity and inclusion in the organization.

MANAGING HR TOPICS

HR topics and their 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. To implement the HR strategy, project groups will be established.

The first steps will be to concentrate on the transformation of HR and the enhancement of employee well-being.

KEY STRATEGIC LEVERS OF THE HR STRATEGY 2021–2027

1 AGILE PRACTICES

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

2 EMPLOYER BRANDING & VALUE PROPOSITION

- Being 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 THE 5 COMMITMENTS

- Developing culture through leadership development and training

5 TRANSFORMATION OF HR

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

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 a truly human surrounding, where our people can be at their best, both professionally and personally.

It is vital for us to find ways to get all employees – office workers and factory workers – personally engaged in day-to-day sustainability efforts.

THE RESILIENCE OF OUR PEOPLE WAS PROVEN YET AGAIN

Our people continued showing extreme perseverance amid production fluctuations caused by challenges in the availability of critical vehicle components.

During 2021, we recruited over a thousand new people, the number of employees verging on 5,000. The EV Systems business line more than tripled their people, while the other two business lines grew more moderately.

In addition to ramping up new facilities and processes, perseverance was one of the key words for the year 2021 from our people's point of view – once again. The pandemic caused some turbulence in global supply chains and indirectly affected the everyday life of our employees,

as the lack of components affected our production lines at a very short notice.

SUDDEN CHANGES CAUSED SOME FLUCTUATION

In the Manufacturing business line, sudden changes had an impact on turnover rates in the autumn of 2021. On a long-term scale, the turnover rates have significantly decreased in the Manufacturing business line since 2017. We foster active dialogue between the management and the personnel. Regular management events and co-operation meetings are reinforced with plenty of unofficial meetings and a new communication app for employees to foster shared understanding in all kinds of situations.

In the EV Systems business line, the turnover rate among production employees rose to around 20%. Most of the leavers were newly recruited production workers who resigned during probation time. The recruiting process was fitted into a short period of time and that might have

caused misconceptions of the scope and nature of the work including its physical aspects and working in shifts. Furthermore, unexpected production stoppages and quick shift changes might have induced to look for alternative options.

Among office personnel, the situation was similar: while ramping up new facilities, the structures for work practices were still taking shape and that came out as unclear responsibilities and workload for some of the newcomers.

The turnover rates have been very low in the Roof & Kinematic Systems business lines for years, nearing zero in Osnabrück in 2021. At the Zary plant, the rate increased slightly. One explicating factor is that the local job market managed to provide new, interesting opportunities.

POSITIVE FEEDBACK INCREASED

The overall positive experience among the employees increased during 2021. 73% of the employees feel that the company



lives up to its commitments (read more on p. 60).

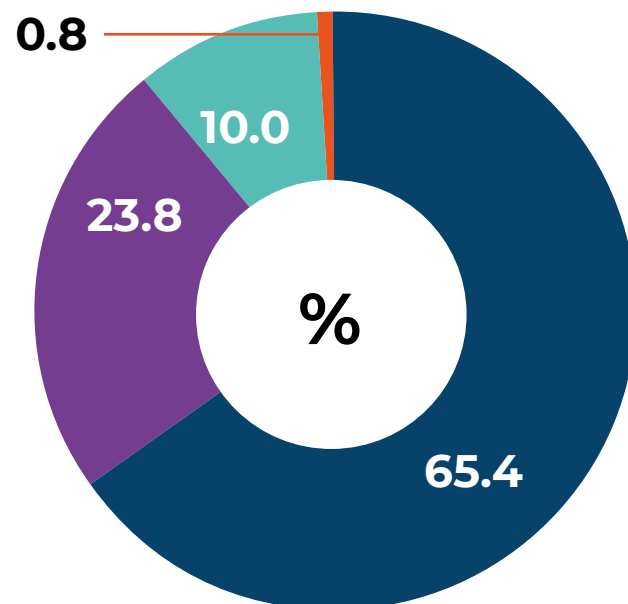
Our people feel that we give them responsibility and trust their skills and abilities – and offer opportunities to develop, especially through on-the-job experiences. What our employees especially appreciate is the fact that they have plenty of possibilities to contribute creatively. That is especially supported by our commitments Lead at all Levels and Show Entrepreneurial Spirit. Our employees also see that at Valmet Automotive, we prioritize on-time delivery of products and services.

Employee well-being is one of the improvement points that we will focus on in 2022. The year in the midst of significant changes, including recruitments and the pandemic, has been stressful to many. We are looking for ways to better support our people's well-being, for example through job rotation, free lunches on Saturdays for production workers (Uusikaupunki plant) and improving the conditions at the plants. In the EV Systems business line, a lot of effort was put on the on-boarding and the training of the new employees as well as in internal career moves.

NEW DEVELOPMENT OPPORTUNITIES

Some improvement points were also recognized. 40% of our people did not feel that everyone has equal access to professional development and training opportunities. This stems mainly from the fact that at our largest facility in Uusikaupunki, competency in both Finnish and English are required in manager positions to be able to communicate with both English and Finnish speaking employees.

As employees represent over 70 different nationalities, we have started to offer



65.4% OF OUR EMPLOYEES WORK IN MANUFACTURING IN FINLAND

- Manufacturing (3,042)
- EV Systems (1,107)
- Roof & Kinematic Systems (465)
- Group corporate functions (37)

In all 4,651

Status 31.12.2021

opportunities to learn Finnish free of charge for all employees in the Manufacturing business line. In addition, we launched a team leader training in English at the beginning of 2022.

Developing training and learning opportunities is one of the key topics in the Group's HR strategy. Personal appraisal discussions will be held for each employee to support everyone's individual career path. We are also building up our learning management system, career development, new learning opportunities and platforms, such as VAcademy.

VAcademy is a digital learning environment which was launched in November 2021. The platform provides access to numerous learning opportunities, from finance, different languages learning opportunities to Leadership Programs. The first pilot groups were kicked off in 2021, and based on their feedback, the content will be further developed.

VAcademy is available to employees who have a Valmet Automotive email address (office personnel) in its first phase. We are currently working intensively on a solution that will enable us to make VAcademy available to our production employees in the plants as well.

In addition to increasing training and learning opportunities, we are also in the process of developing our leadership practices and improvement of employee

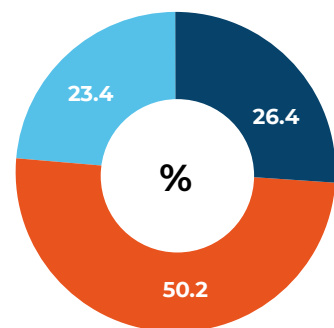
wellbeing, as these are some of the main topics on our BLOGI on VAcademy.

COLLECTIVE AGREEMENTS

In Finland, the Manufacturing business line and the EV Systems business line joined a new association, the Technology Industry Employers of Finland (sub-association of the Technology Industries of Finland) and will continue to follow the national collective agreement. The collective agreement binds companies to have at least one employee representative for each personnel group (factory workers, salaried, senior salaried) appointed by the personnel. The EV Systems business line and the Manufacturing business line both have personnel representatives and work safety representatives elected to represent all personnel groups in all locations in Finland. The Uusikaupunki plant has an impressive five representatives just for the factory workers, in order to give the employees an even louder voice.

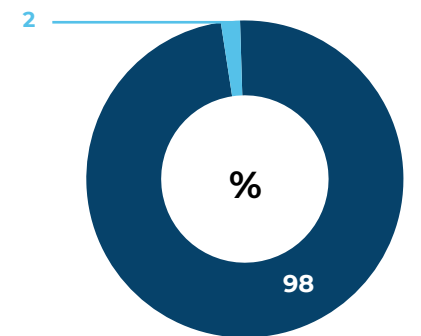
For our location in Poland, there is no specific collective agreement, but regular dialogue is maintained between Valmet Automotive and the trade union. For the Roof & Kinematic Systems' site in Osnabrück, a collective agreement covers more than 80 per cent of the employees.

AVERAGE AGE 39 YEARS



- <20 years old (1,226)
- 20-50 years old (2,337)
- >50 years old (1,088)

98% PERMANENT EMPLOYEES



- Permanent
- Temporary

Status 31.12. 2021. For more information on the age structure, see page 72.

STAFF TURNOVER RATE 2018-2020

Office personnel	2019	2020	2021
Manufacturing	13.1%	5.9%	6.7%
EV Systems	0%	5.6%	6.4%
Roof & Kinematic	2.6%	1.3%	7.1%
Employees			
Manufacturing	20.3%	15.8%	17.7%
EV Systems	0.8%	10.4%	19.9%
Roof & Kinematic	1.5%	0.8%	2.2%

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.



WE REPRESENT 70 NATIONALITIES

Valmet Automotive's employees represent 70 different nationalities. Diversity and heterogeneity are our assets, and we are committed to value each other.

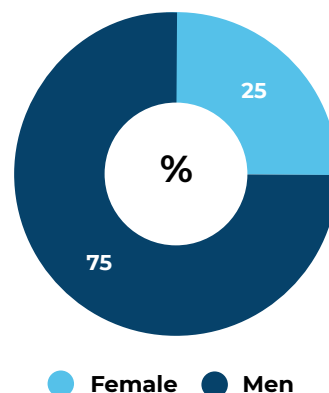
We check regularly on how our people feel and ensure that we are living up to our commitments. In 2021, 74% of our people felt that we show respect to one another.

However, improvements are expected from us: in particular we need to develop a culture of constructive feedback and work towards ensuring equal opportunities for professional development. The latter is highlighted among employees who work in production, where proficiency in the local language is required for manager positions.

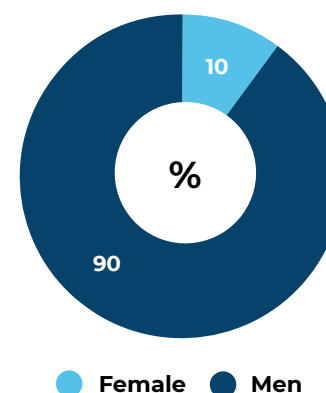
During 2021, the Valmet Automotive Group started a process for adjusting salaries and creating a salary matrix for different job positions in each business line. The purpose of the new structure is to enhance transparency in career paths and to clarify the structure of salary development based on a competency framework. The pays for different job descriptions and their deviations are being regularly cross-checked with the market data.

70 NATION- ALITIES

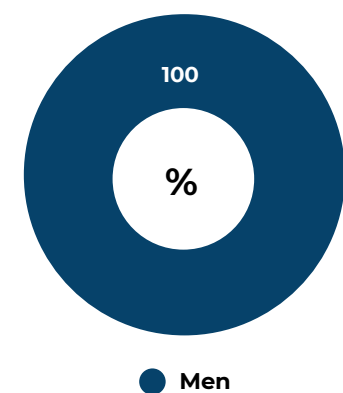
**75% OF ALL
EMPLOYEES MEN**



**ONE WOMAN IN THE
MANAGEMENT TEAM**



**ALL 5 BOARD
MEMBERS MEN**



Status 31.12.2021



HEALTH AND SAFETY AT WORK

Taking care of our employees' health and safety is a priority focus for us, and it is constantly developed.

The health and safety issues are managed at Valmet Automotive Group by each business line and reported regularly to the Group Management Team. The policies, targets and follow-ups are prepared and defined by the business lines, as each of them have individual needs and scopes.

"Health and safety" is one of the five pillars in the Group's operating system. During 2021, we continued developing the process of harmonizing the group-level processes and targets of health and safety issues for a common rule book.

The Roof & Kinematic Systems plant in Zary and the vehicle manufacturing plant in Uusikaupunki have ISO 45001 certification for occupational health and safety, and the EV Systems plants in Salo and Uusikaupunki will follow in 2022.

NO CONTAGION CHAINS DURING THE PANDEMIC

During 2021, the pandemic continued to challenge the whole world. We had built up operational structures between business lines to keep the whole Group up to date on the current recommendations

and requirements for covid-19 measures. With a strong commitment from the employees, no contagion chains have been recorded in our operations.

Read more about how we have managed to avoid infections in our operations throughout the two years in the middle of the pandemic on p. 54.

SICK LEAVE ABSENCES

The rate of sick leave absences went up among the production workers, mainly because of covid-19, governmental quarantine requirements and our own company-specific strict instructions. We instructed everyone to stay at home in case any flu symptoms appeared. However, in Roof & Kinematic Systems, the rate has decreased since 2019.

Among office personnel, sick leave absences have stayed very low already since 2020. The most frequent causes for Valmet Automotive employees' sick leave absences are musculoskeletal disorders and seasonal influenzas, and there has not been a significant change in their quotas during the pandemic.

HEALTH CARE OPPORTUNITIES

At the Valmet Automotive locations in Finland, employees are provided with occupational health care, as legally required. The Uusikaupunki plant has its own medical center, which is staffed with occupational health nurses, a physiotherapist, and a doctor during office hours.

The medical center not only conducts pre-employment, employment, and periodic medical examinations, but also assists with health concerns and minor accidents. During the pandemic, the employees have been provided with the opportunity to get vaccinated during the workday at the Uusikaupunki plant.

The same service provider also provides occupational health care services and examinations to our employees in Salo, Turku and Vantaa. Employees at the Salo plant have also had the opportunity to get vaccinated at the site during the workday.

Other locations in Poland and Germany do not have as comprehensive occupational health care contracts or their own medical centers. Medical services are purchased mainly for induction and

periodic examinations, and consulting for other special needs.

SAFETY IS CONSTANTLY MONITORED AND DEVELOPED

Each of Valmet Automotive's business lines has its own occupational health and safety committee, which meets regularly. The committees monitor the development of occupational safety, potential risks, as well as the key figures. Furthermore, development measures are also discussed. In addition to encouraging employees to report potential safety risks, the regular safety meetings organized by managers for their teams also play a significant role in risk identification.

During 2021, the group-level rate of accidents that resulted in an absence of at least one day (LTIF) rose from 11.8 to 14.1 per a million hours worked. However, the rate of all accidents (TRIF) decreased from 28.2 to 24.2. The most significant safety risks, as well as most of the accidents, are related to internal traffic and moving around at the plants.

The risk for high-consequence accidents is highest in the loading and unloading areas of the manufacturing plant site. In EV Systems, handling high-voltage batteries has been identified as a high-consequence risk. Risks for high-consequence accidents are identified by means of an occupational risk analysis and assessment, considering

the frequency and severity of occurred accidents and reported safety notes.

All employees receive a general training on safety, which is followed by a task-specific safety training.

CHALLENGES IN THE MANUFACTURING BUSINESS

At the vehicle manufacturing plant in Uusikaupunki, the rate of work-related injuries (LTIF*) rose from 13.4 to 19.4. That is mainly explained by decreased utilization of restrictive work. In 2020, utilization of restricted work increased from 26% to 53%. But, in 2021, the rate dropped to 25%. Aim for 2022 is to collaborate with involved parties to clarify restrictive work procedure.

At the vehicle manufacturing plant, most of the accidents happened because of slipping on an icy surface outside in winter, tripping in stairs, or bumping into something.

During 2021, the health and safety team in the Manufacturing business line had many challenges, including technical issues in new, replaced communication channels and the current HSE system. The pending situation with the covid-19 pandemic also contributed to employees' fatigue and distraction. Our target was that each employee would report two safety notes, but the target was not reached

All accidents resulting in an absence of at least one day have been reported in Lost Time Injury Frequency (LTIF).





because of the technical interruptions in the reporting platforms.

Despite the higher accident ratio (LTIF) and other challenges within the Manufacturing business line, many actions for improvement were taken, such as: launching a safety survey, renewing documentation system, revising all operational instructions and the risk assessment matrix, improving training materials, creating safety videos, and internalizing forklift training. We also created processes to mitigate inappropriate behavior and launched an alcohol and drug policy. Hundreds of improvement measures were implemented based on the reported safety notes and other findings from the shop floor procedures.

EV SYSTEMS IN THE RAMP-UP PHASE

The rapid growth in the EV Systems business line meant that new challenges arose in relation to safety.

All recruited production employees received a comprehensive orientation, including three separate “safety card” training; occupational safety, electrical work safety and voltage work safety training.

These qualifications together with comprehensive workplace orientation made it possible to reach the targets even though the number of employees in the business unit was tripled during 2021. We recruited hundreds of persons from

outside of Finland, from countries where the safety culture can differ significantly from the local practices. As a lessons learnt, we updated our safety training material, but also the methods to reach the non-Finnish speaking audience better.

However, altogether six accidents happened last year. Two of them were related to faulty working methods, two of them were related to cleanliness and order of the working areas, and two to improper recognition of hazards in the working environment. As the only location within the Valmet Automotive Group, the Salo battery factory reached or exceeded all targeted safety objectives.

All measured safety targets were met or exceeded, except the amount of safety notes which reached the level of 1.37 (target 2). The main reason was that the HSE monitor system was only used in Finland leaving hundreds of German employees out of the reporting and statistics. This situation will be improved during the first half of 2022, once the new reporting tool is taken into use in all VA locations.

ZERO ACCIDENTS IN ROOF AND KINEMATIC SYSTEMS

After long-term efforts, the roof and kinematic systems plant in Zary achieved zero accidents in 2021. The most important reason for that was the commitment of all employees and the management, as well

as highlighting the importance of safety on all possible occasions, starting from reporting comments, proposition of amenities and reporting any threats.

We organized safety walks around the production areas regularly, delegated improvement tasks, due dates, and follow-ups and took corrective actions rapidly. Engaging employees in the production area contributed to the safety attitude as everyone noticed that they can have an impact on their working conditions.

The amount of the safety observations also increased slightly. We lowered the threshold for reporting by allowing reporting via email or paper notes. During 2021, however, we put a lot of effort into handling the reports and acting on time.

COMMUNICATIONS WILL BE IMPROVED

In the vehicle manufacturing plant in Uusikaupunki the main focus for 2022 will be on improving communications: interaction and engaging the employees. Proactive procedures like safety walks and moments will be increased, and an internal safety TV will be launched with almost 70 screens throughout the plant. The info screens will also be introduced in all the other VA plants.

The VApp, mobile app launched in the summer of 2021 in the Manufacturing business line, will also offer a platform to send activating messages and animated

safety videos straight to the majority of the personnel.

The focus for EV systems business line will be not only on improving the existing lines in both Salo and Uusikaupunki in Finland, but also on implementing new production lines in Uusikaupunki as well as on starting operations at our third factory in Kirchardt, Germany.

In addition to the existing improve-

ment plans, the focus will also be on electrical work safety as building of the batteries is very sophisticated and focused, and there is no room for human error or situations caused by misunderstandings.

The continuous development of training material, methods and resourcing is a default.

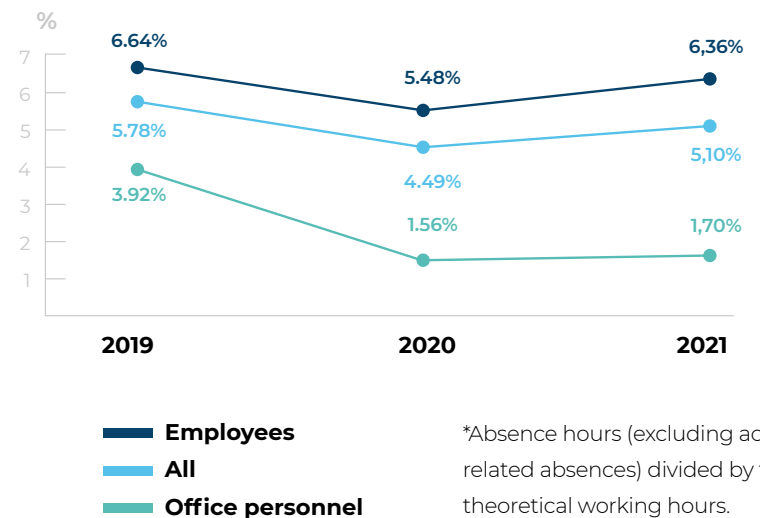
In addition to training and awareness, there will be various updates based on

feedback from employees and HSE notifications, such as improving visibility by adding mirrors and removing obstacles, as well as adding markings and floor paintings.

The internal safety regulations are developed together with Valmet Automotive Group, but especially with EV Systems business line's locations in Germany as battery manufacturing is carefully regulated in every country.

HEALTH AND SAFETY	2019	2020	2021	TARGET 2022	TARGET 2021
Injury rate, Manufacturing (>1 days)	23.4	13.4	19.4	9	10
Injury rate, EV Systems (>1 days)	0	4.6	4.8	5	7
Injury rate, Roof & Kinematic Systems (>1 days)	9.5	6.1	0	5	7
Injury rate, group (>1 days absences /1 000 000 hours worked)	17.2	11.8	14.1	8,5	9.3
Injury rate, group (>4 days absences /1 000 000 hours worked)	6.5	6.2	6.7		
Total Recordable Incident Rate (TRIR)	32.5	28.2	24.2	22,1	21.6
Amount of injuries, group	152	66	95		
Occupational diseases	2	0	3	0	0
Work-related fatalities	0	0	0	0	0
Safety observations	3,187	3,566	3,535		
Safety observations (/employee)	0.62	0.96	0.81	> 1	> 1
Amount of injuries MBL	140	59	89		
Amount of injuries EV	0	2	6		
Amount of injuries R&K	10	5	0		

SICKNESS ABSENCES*



ZERO CONTAGION CHAINS THROUGHOUT THE PANDEMIC

Staying consistent in the middle of ever-changing recommendations has been one of the success factors in managing the pandemic at Valmet Automotive.

In 2021, we continued the process of developing the operational structures to keep the whole Valmet Automotive Group up to date on the current regional recommendations and requirements for covid-19 measures in each of the three countries where we operate.

With the start of the pandemic, we set up a so called regular “Corporate Crisis Update” meeting where the Group Management Team came together and decided on action items and next steps to steer the company through the pandemic and foster personnel health and well-being.

Depending on the exogenic influence, the meetings took place on a weekly or bi-weekly basis or when needed, e.g., when outside regulations determined that employees were supposed to work at home whenever possible.

A representative from the corporate communications was present in the meetings to keep the employees also up to date of the decisions.

STRICT INSTRUCTIONS IN EACH BUSINESS LINE

In addition to the group-wide recommendations, each business line had and still has health-related meetings once a week where location specific measures are decided together. With strict guidelines, no contagion chains have been recorded in our operations.

The guiding principle has been to stay consistent with the instructions. Even when the official recommendations have changed, we have kept to strict instructions for safety distances, mask requirements, team arrangements, providing self-tests for employees and dozens of other measures.

Wearing masks and washing hands, for example, have become a routine as the instructions have not been constantly changed.

OPPORTUNITY TO GET VACCINATED

Valmet Automotive was one of the first employers in Finland to provide employees with the opportunity to get vaccinated during the workday at our largest facility in Uusikaupunki from May onwards. That could be arranged by the local occupational health care officials due to the size of the plant – over 3,000 people work there. The employees at the Salo battery plant also had the opportunity to get vaccinated at that site during the workday.

Offering the opportunity to get vaccinated at the workplace lowered the threshold to get vaccinated, and the vaccination coverage among employees at these sites grew reasonably high, to 85 per cent.

HYBRID WORKING MODEL FOR OFFICE PERSONNEL

The office personnel in the Manufacturing business line were engaged in a project to find out what sort of structures our office

employees feel they need to support their effectiveness and work-life balance even after the pandemic. For instance, what is expected from leadership and the facilities?

The project was carried out by 15 summer trainees who worked in four groups to create a post-corona working model for employees. Each working group had different methods from surveys and benchmarks to one-on-one discussions with the employees. The final results and models were presented to the Management Team of the Manufacturing business line at the end of August.

One of the outcomes of the project was that most of the people need some fixed office days to meet colleagues.


Valmet Automotive Group created a hybrid working model for experts and specialists whose work does not require physical presence at the workplace. The model offers flexibility with the working hours and time in lieu for overtime work to make it easier to adjust working time. On the other hand, each team could also decide about fixed office days.



INTEGRITY & 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.

HOW WE CREATE VALUE AROUND US	58
OUR 5 COMMITMENTS	60
REALIZING THE COMMITMENTS	61
ETHICAL CULTURE	62
BUILDING A SUSTAINABLE SUPPLY CHAIN	64

A high-angle, top-down photograph of a diverse group of approximately ten people of various ethnicities and ages. They are all smiling broadly and looking towards the camera, with their heads and shoulders clustered together in a circular huddle. The lighting is bright and even, highlighting their joyful expressions. They are wearing casual to business-casual attire, including t-shirts, button-down shirts, and a sweater.

73%

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

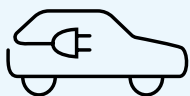
27

notifications through
whistleblowing channel.



I HOW WE CREATE VALUE AROUND US

TRENDS THAT DRIVE OUR BUSINESS



E-MOBILITY

Strong market trend for electric mobility

- We make the change happen.



CLEAN ENERGY

Shift to green energy and its storage systems - We offer solutions for decarbonization and zero-emission.



CONTRIBUTION TO SDGS

We are aligned with the United Nations Sustainable Development Goals.



TALENT MANAGEMENT

Providing a sustainable environment for personal growth - We ensure success through competent, proud personnel.



PREPAREDNESS FOR FUTURE SCENARIOS

Ability to read signals of future trends and anticipate them - We proactively create new solutions.

OUR VISION

Valmet Automotive is an international and leading systems and service provider in electric mobility and renewable energy storage as key means for climate protection and a truly green world.

WHAT WE DO

Gross sales 2,977.5 MEUR

MANUFACTURING BUSINESS LINE



EV SYSTEMS BUSINESS LINE

ROOF & KINEMATIC SYSTEMS BUSINESS LINE

THE VALUE WE CREATE

ENSURE RESILIENT PROFITABLE BUSINESS

- Provide reliable and transparent data
- Actively develop processes and products to proactively fulfill future demands
- Operate in collaborations and partnerships and ecosystems at global and local level
- Collaborate with key partners in the value chain to meet our standards in e.g., human rights and emission reductions.

RESPECT PLANETARY BOUNDARIES

- Reach low carbon value chain and collaborate with suppliers to reach CO₂ neutrality
- Increase energy efficiency
- Minimize compensation
- Design our processes, facilities, and partnerships to enable the circular economy.
- Scale reusability of materials

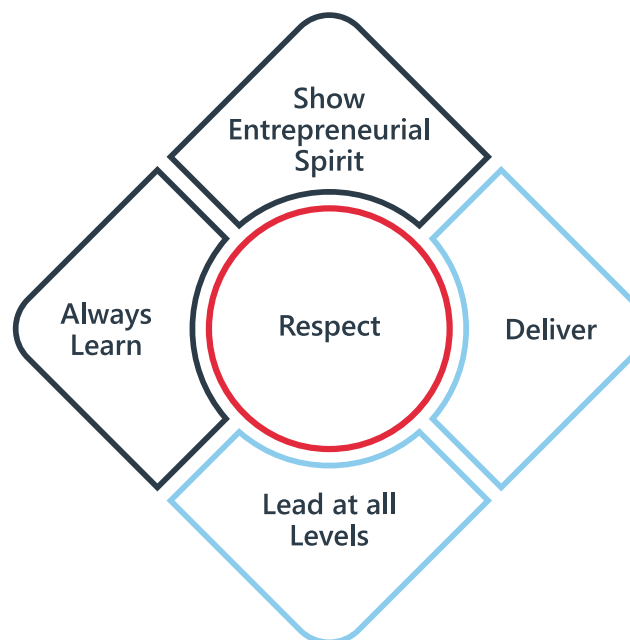
STRENGTHEN INTEGRITY AND DIGNITY

- Developing a company-wide understanding of the sustainable future of our industry.
- Redesigning our processes and ways of working to establish a common sustainability and ethical culture and leading our sustainability work with data.



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

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.

REALIZING THE COMMITMENTS

We regularly ask our employees how the 5 Commitments are lived at Valmet Automotive by a tool called Pulse Survey. In 2021, altogether 2,336 employees, equaling 52% of the personnel, responded to the survey. 82% of the respondents were non-managers and 57% factory workers.

Overall, 70% of the respondents see that we are living up to the 5 Commitments. We are especially strong at delivering and leading at all levels. Nearly all (over 90%) of the respondents agree that we respect our suppliers and customers,

and that they personally take responsibility to achieve the goals and perform independently.

CONTINUOUS IMPROVEMENT

We recorded deficit at succeeding to provide all employees with equally fair treatment and equal access to training opportunities.

During 2022, we will prioritize developing leadership, employee well-being, and enhancement of career paths and development opportunities.

PULSE SURVEY RESULTS

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

	2019	2020	2021	
In all	51%	65%	73%	
Respect	63%	67%	74%	+7%
Deliver	59%	70%	81%	+11%
Lead at all levels	50%	78%	84%	+6%
Show Entre-preneurial Spirit	38%	55%	63%	+8%
Always Learn	46%	56%	65%	+9%
Respondent %	--	36%	52%	

ENSURING SUSTAINABILITY MATURITY LEVEL AND ETHICAL 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 understanding of the Code of Conduct 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. Valmet Automotive's compliance performance is regularly reported to the Group Management and to the Board of Directors.

TRAINING FOR PERSONNEL

Valmet Automotive's office personnel have completed a mandatory online training on ethical principles and their application. In the training, the application of Valmet Automotive principles to everyday life is highlighted through practical examples. We are also looking for a digital solution to train production workers on the Code of Conduct.

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.

COMPLIANCE AND WHISTLEBLOWING 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.

A team of four specialists, three 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 2021.

INVESTIGATION OF SUSPECTED MISCONDUCT

In 2021, we received 27 notifications (2020: 21) through the whistleblowing channel.

The majority of the reports were related to leadership practices, misbehavior at work or non-compliance of COVID-19 safety instructions. Misconduct was identified in approximately a fourth of the cases, including one clear financial wrongdoing. After an investigation process, approx. five reports lead to labor law consequences.

In case violation of Code of Conduct or legislation is suspected, a contact person from the corresponding business line is 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. In 2021, the investigation process took on average 60 calendar days (2020: 49 days).

During 2022, 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.



BUILDING A SUSTAINABLE SUPPLY CHAIN

During 2021, we have been intensively working to further develop our supply chain management and sustainability practices.

After introducing the Supplier Code of Conduct (SCoC) in 2020, we have continued the implementation and expanded the coverage. During 2021, we trained our procurement specialists in each business line on the sustainability requirements and sent the SCoC to a group of selected suppliers for their signature.

Our aim is to maintain current partnerships while developing our processes to proactively anticipate the proposed EU Due Diligence legislation.

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. vehicle components and logistical services. In other projects, vehicle components are procured according to the client's requirements and Code of Conduct.

SUSTAINABILITY CRITERIA INTO PROCUREMENT

As of June 2021, all new suppliers are required to sign the Supplier Code of Conduct. In case of a single order without

a binding contract, the Supplier is required to sign the Terms and Conditions including the same requirements as in SCoC.

The SCoC is being integrated into the tendering process to ensure that all current and potential suppliers are fully aware of our requirements.

“We trained our procurement specialists on the sustainability requirements.”

MAPPING POTENTIAL RISKS IN THE SUPPLY CHAIN

At the end of 2021, we started the process of mapping potential risks and development points in the supply chain using a self-assessment questionnaire (SAQ). The SAQ, designed and administered by a third

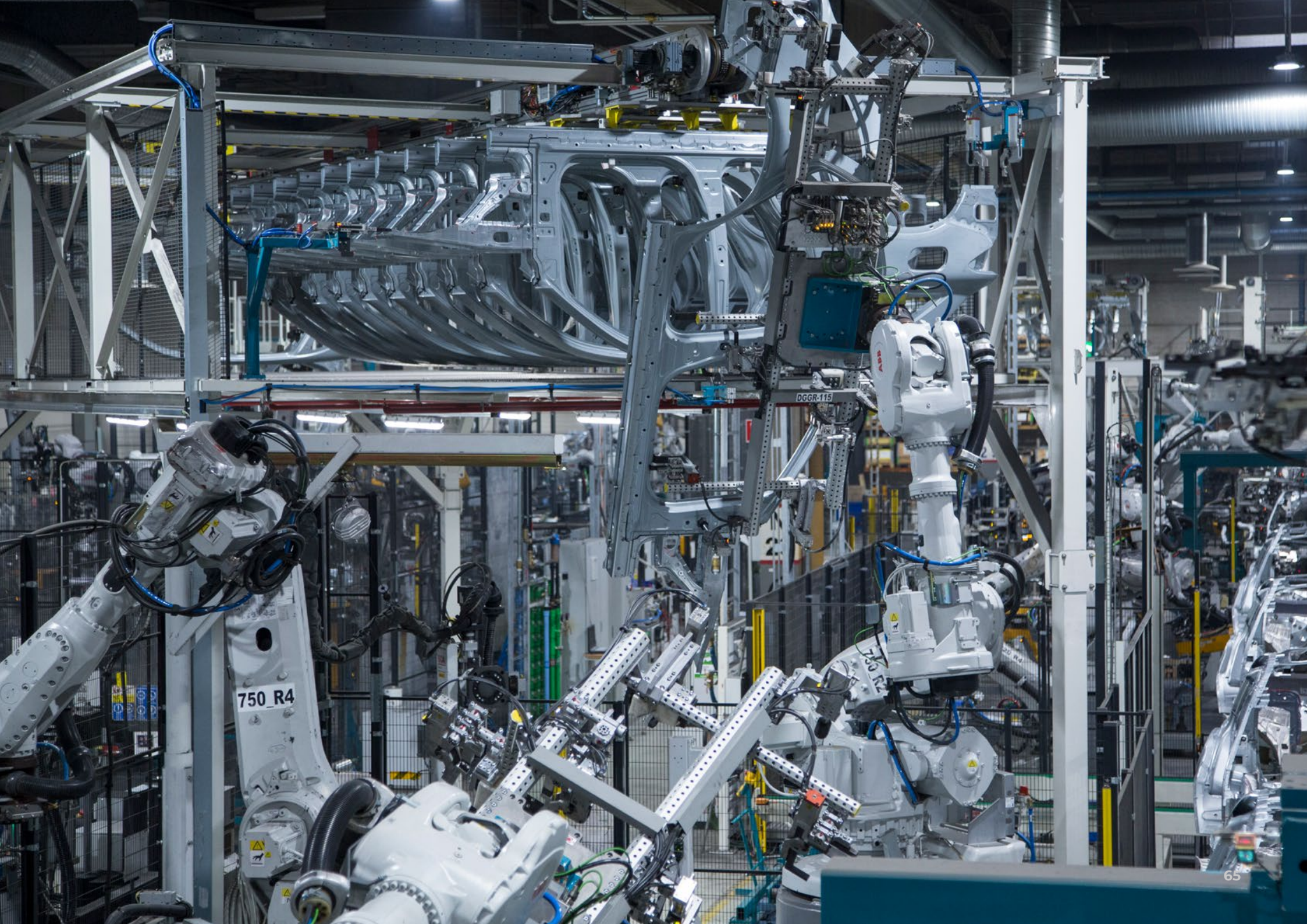
party, was sent to selected suppliers from each business line.

The survey tool helps Valmet Automotive and our suppliers map potential risks related to HR, health and safety, responsible sourcing of raw materials, and environmental management, amongst others. The portal only accepts documents in specific languages to provide support to the answers. That specific limitation has in some cases been a challenge for some of our suppliers.

ENHANCING TRACEABILITY

In 2022, we will continue the implementation of the Supplier Code of Conduct and focus on priority actions on suppliers based on risk analysis.

Our role as a Tier 1 supplier for Roof and Kinematics as well as EV and Battery Systems, highlights the importance of tracking sustainability risks in the supply chain, especially because the proposed EU Battery Legislation places new requirements for e.g., traceability of the materials used in the batteries.



GRI & DATA

ABOUT COLLECTING ENVIRONMENTAL DATA	68
GRI CONTENT INDEX	69
DATA ON DIVERSITY OF PERSONNEL	72
DATA ON ENERGY & WASTE	73
ABOUT THIS REPORT	74
SUSTAINABILITY VOCABULARY	75



I ABOUT COLLECTING ENVIRONMENTAL DATA

The CO₂ 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, scope 1, 2 and 3.

Scope 1 includes direct emissions from the company premises and company vehicles (from sources that are owned or controlled by the company). The category includes own sites' fuel consumption for heating as well as leased premises' heating. The category includes the fuel consumption of vehicles and leased premises since 2020. Corporation offices have been added to 2021 calculations (KWh based vs. spend based in 2020).

Scope 2 accounts for GHG emissions from the generation of purchased energy consumed by the company. Purchased Energy includes electricity consumption and district heating in Finland. Purchased electricity includes the whole electricity consumption in company's buildings as well as leased buildings (MBL: Turku and Vantaa offices; EVS: Germany offices). Corporate offices are left out of calculations.

The scope 1 & 2 CO₂ emissions have been externally assured.

Scope 3 accounts for other indirect GHG emissions (upstream) from:

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

The category 1, purchased goods and services, includes direct and indirect suppliers. For direct suppliers data collected from suppliers (MBL direct suppliers, 21 pcs, and EVS a few)

For indirect suppliers data has been collected based on purchasing spend data. Materials in contract manufacturing are outside VA's scope of influence and therefore left out of calculations.

The category 2 includes emissions from construction projects such as Uusikaupunki and Salo factory improvements and Manufacturing lines (CAPEX).

The category 3 includes extraction, production, and transportation of fuels and energy purchased or acquired. Calculated based on scope 1 and 2.

The category 4 includes transportation and distribution paid by the company.

The data for category 5 has been acquired from service providers of waste management.

The category 6 includes emissions from flights and other travels as well as hotel stays.

The category 7 is relevant due to vast commuting area and roughly 3500 daily commuters in Uusikaupunki factory. However VA's influence is limited. Only Finland's employee commuting has been included.

The figures of 2019 include also environmental data from engineering business line (sold in November 2020).



I GRI CONTENT INDEX

GRI	GRI DESCRIPTION	PAGE NUMBER, COMMENTS AND EXCLUDED INFORMATION
GRI 102 – GENERAL DISCLOSURE		
102-1	Name of the organization	9
102-2	Activities, brands, products, and services	9
102-3	Location of headquarters	9
102-4	Location of operations	9
102-5	Ownership and legal form	9
102-6	Markets served	9
102-7	Scale of the organization	9
102-8	Information on employees and other workers	45–49, 72
102-9	Supply chain	64
102-10	Significant changes to the organization and its supply chain	10, 64
102-11	Precautary Principle or approach	21, 62, 64
102-12	External initiatives	62
102-13	Membership of associations	34
102-14	Statement from senior decision-maker	6
102-15	Key impacts, risks and opportunities	14, 21, 30
102-16	Values, principles, standards, and norms of behavior	60–62
102-17	Mechanisms for advice and concerns about ethics	63
102-18	Governance structure	22, 44
102-40	List of stakeholder groups	24–25
102-41	Collective bargaining agreements	47
102-42	Identifying and selecting stakeholders	14, 24
102-43	Approach to stakeholder engagement	14, 24–25
102-44	Key topics and concerns raised	14, 24–25
102-45	Entities included in the consolidated financial statements	9
102-46	Defining report content and topic boundaries	14, 18–19
102-47	List of material topics	14, 18–19
102-48	Restatements of information	39
102-49	Changes in reporting	Scope 3 emissions calculations for 2020 added, scope 2 emissions reported both as market-based and location based.
102-50	Reporting period	74
102-51	Date of most recent report	74
102-52	Reporting cycle	74
102-53	Contact point for questions regarding the report	74
102-54	Claims of reporting in accordance with the GRI standards	74
102-55	GRI content index	69–71
102-56	External assurance	74



GRI CONTENT INDEX

GRI	GRI DESCRIPTION	PAGE NUMBER, COMMENTS AND EXCLUDED INFORMATION
GRI 103 – MANAGEMENT APPROACH		
103-1	Explanation of the material topic and its boundary	30–31, 38, 45, 50
103-2	The management approach and its components	30–31, 38, 44, 50 (excluding new employee hires and employee turnover)
103-3	Evaluation of management approach	30–31, 38, 44, 51 (excluding new employee hires and employee turnover)
GRI 200 – ECONOMICAL IMPACTS		
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	30–31 (the financial implications of the risk or the costs of actions taken to manage the risks not yet reported).
GRI 300 – ENVIRONMENTAL IMPACTS		
302-1	Energy consumption within the organization	36, 73
305-1	Direct (Scope 1) GHG emissions	35, 68
305-2	Energy indirect (Scope 2) GHG emissions	35–36, 68
305-3	Other indirect (Scope 3) GHG emissions	36, 68
306-2	Waste by type and disposal method	39, 73
308-1	New suppliers that were screened using environmental criteria	64, 100%



I GRI CONTENT INDEX

GRI	GRI DESCRIPTION	PAGE NUMBER, COMMENTS AND EXCLUDED INFORMATION
GRI 400 – SOCIAL IMPACTS		
401-1	New employee hires and employee turnover	72 (age structure of the resigned employees not available)
403-1	Occupational health and safety management system	50
403-2	Hazard identification, risk assessment, and incident investigation	50–52
403-3	Occupational health services	50–51
403-4	Worker participation, consultation, and communication on occupational health and safety	50–52
403-5	Worker training on occupational health and safety	50–52
403-6	Promotion of worker health	50–51
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	50–52
403-9	Work-related injuries	50–54
405-1	Diversity of governance bodies and employees	48, 72
414-1	New suppliers that were screened using social criteria	64, 100%



DATA ON EMPLOYEES

GRI 102-8, 401-1, 405-1

AGE STRUCTURE	2019		2020		2021	
OP	1,473		983		1,262	
< 30	214	14.54%	151	15.36%	221	17.51%
30-50	840	57.03%	573	58.29%	725	57.45%
50<	419	28.43%	259	26.35%	316	25.04%
EMP.	3,191		2,939		3,389	
< 30	1,287	40.33%	879	29.91%	1,005	29.65%
30-50	1,336	41.87%	1,416	48.18%	1,612	47.57%
50<	568	17.80%	644	21.91%	772	22.78%
All	4,664		3,922		4,651	
< 30	1,501	32.19%	1,030	26.26%	1,226	26.36%
30-50	2,176	46.66%	1,989	50.71%	2,337	50.25%
50<	987	21.16%	903	23.02%	1,088	23.39%
MT						
< 30						
30-50	4	40.00%	4	40.00%	4	40.00%
50<	6	60.00%	6	60.00%	6	60.00%
Board						
< 30						
30-50	1	20.00%	1	20.00%	1	20.00%
50<	4	80.00%	4	80.00%	4	80.00%
Average age						
OP	41.41		41.46		42.74	
EMP.	35.69		38.31		37.86	
All	37.50		39.10		39.19	

OP=Office personnel

EMP.=Employees

MT=Management team

Status 31.12.2021

*Rental workforce (both permanent and temporary).

GENDER	2019		2020		2021	
OP						
Female	379	25.72%	300	31%	377	30%
Male	1,094	74.28%	683	69%	885	70%
EMP.						
Female	792	24.80%	722	25%	797	17.14%
Male	2,399	75.20%	2,217	75%	2,587	55.62%
Unknown/ undeclared					5	
All						
Female	1,170	25.09%	1,022	26%	1,174	25.24%
Male	3,494	74.91%	2,900	74%	3,472	74.65%
Unknown/ undeclared					5	
MT						
Female	1	10.00%	1	10%	1	10.00%
Male	9	90.00%	9	90%	9	90.00%
Board						
Female					0	
Male	5	100.00%	5	100%	5	100.00%
Nationalities pcs.						
OP	29		12		27	
EMP.	72		69		75	

RESIGNED EMPLOYEES	2021	
All	1,114	
Female	220	19.75%
Male	880	78.99%
unknown/undeclared	14	1.26%

EMPLOYMENT TYPE	2019		2020		2021	
Permanent	4,398	94 %	3,835	98 %	4,553	97.89%
Female					1,115	24.49%
Male					3,400	74.68%
Unknown/ undeclared					5	0.11%
Temporary	266	6 %	87	2 %	98	2.11%
Female					45	45.92%
Male					53	54.08%
External*					269	
Female					78	
Male					191	
Full-time					3,666	78.82%
Female					953	26.00%
Male					2,708	73.87%
Unknown/ undeclared					5	0.14%
Part-time					39	0.84%
Female					24	61.54%
Male					15	38.46%

NEW EMPLOYEE HIRES	2021	
Gender		
All	1,709	
Female	367	21.47%
Male	1,336	78.17%
unknown/undeclared	11	0.64%
Age structure		
<30	764	44.70%
30-50	749	43.83%
50<	211	12.35%



ENERGY & WASTE

302-1 ENERGY CONSUMPTION WITHIN THE ORGANIZATION		2019	2020	2021
a.	Total fuel consumption within the organization from non-renewable sources/ MWh		2276	2288
	fuel types used		Natural gas	Natural gas
b.	Total fuel consumption within the organization from renewable sources/Liters			
	fuel types used			
i.	Electricity consumption/MWh	1,851	1,525	2,355
ii.	heating consumption/MWh	3,617	2,042	2,288
iiii.	steam consumption/m ³			
e.	Total energy consumption within the organization MWh	5,468	5,843	6,931

306-2 WASTE BY TYPE AND DISPOSAL METHOD		2019	2020	2021
a.	Total weight of hazardous waste , with a breakdown by the following disposal methods where applicable: IN TONS (tn)	17.82	9.1	7.83
b.	Total weight of non-hazardous waste , with a breakdown by the following disposal methods where applicable: IN TONS	199.8	278	247.4
i.	Reuse			5
ii.	Recycling	179.82	185.85	133.25
iii.	Composting			
iv.	Recovery, including energy recovery	7	8.41	73.56
v.	Incineration (mass burn)			
vi.	Deep well injection			
vii.	Landfill	30.8	84.67	35.58
viii.	On-site storage			
ix.	Other (to be specified by the organization)			



ABOUT THIS REPORT

This is the third sustainability report of Valmet Automotive Group and covers all operations in the group's three business lines and locations in Finland, Poland and Germany during 2021. The previous report was published 29th April 2021, and we will continue publishing a sustainability report annually.

This report has been prepared 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. The scope 1 & 2 CO₂ emissions have been externally assured.

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SUSTAINABILITY VOCABULARY

Absence rate – Rate that refers to the frequency for sick leave absences. The absence hours (excluding accident-related absences) are divided by the theoretical working hours.

Audit – In an audit, external (or internal) experts examine whether certain laws, regulations, and policies were adhered to.

CDP – CDP (formerly Carbon Disclosure Project) is an independent non-profit organization that promotes the disclosure of environmental data by companies and municipalities. Its members include several hundred major investors. Since its establishment in 2000, the CDP has created the biggest database of its kind in the world.

Compensation – Compensation reverses the climate damage caused, by reducing or sequestering an equivalent amount of own 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.

CO₂e – CO₂e, 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 CO₂ that would result in the same amount of warming.

CO₂-neutral – CO₂-neutral means that a certain process (e.g., the production of a vehicle) has no impact on the CO₂ concentration in the atmosphere. Our principle is to reduce energy consumption, replace fossil fuels with renewables and compensate the unavoidable emissions.

Gas Protocol (GHG) – The Greenhouse Gas Protocol (or GHG Protocol for short) is currently the most common series of accounting standards for greenhouse gas emissions.

Gold Standard – The Gold Standard is the highest quality standard for carbon-offsetting projects. Gold Standard projects not only avoid CO₂, 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 batteries – High-voltage (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.

IATF16949 – The international standard for automotive quality management systems.

ISO 14001 – Created by the International Organization for Standardization, ISO 14001 is a world-leading standard for environmental management systems.

ISO 27001 – Created by the International Organization for Standardization, ISO 27001 is an international standard for information security.

ISO 45001 – Created by the International Organization for Standardization, ISO 45001 is an international standard for occupational health and safety. Structured in a similar way to other ISO management systems, the approach will be familiar to users of standards such as ISO 14001 or ISO 9001. ISO 45001 builds on the success of earlier international standards in this area such as OHSAS 18001, the International Labour Organization's ILO-OSH Guidelines, various national standards and the ILO's international labour standards and conventions.

Life cycle assessment – The life cycle assessment (LCA) is 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 – the rate of work-related injuries resulting in an absence of at least one day are reported in Lost Time Injury Frequency (LTIF).

Plug-in hybrid (PHEV) – A plug-in hybrid electric vehicle (PHEV) has 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.

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 – Total Recordable Incident Frequency refers to the amount of all accidents per million hours worked.

Turnover rate – Cumulative staff turnover: the number of employees that have resigned or whose contracts have been terminated 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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