SUSTAINABILITY REPORT 2023

VALMET AUTOMOTIVE

TABLE OF CONTENTS

STRATEGIC APPROACH 3

CEO's Foreword 4
Valmet Automotive in Brief 5
Key Events of the Year 8
Electric Vehicle Systems 10
Vehicle Contract Manufacturing 11
Roof and Kinematic Systems 12
Contributing to a Green World through E-Mobility 13
Operational Environment 14
On a Path towards Zero-Emission Society 15
Ensuring Ethical Corporate Culture 17

RESILIENT BUSINESS 20

Our First Double Materiality Assessment 21
Double Materiality 22
Our Fit-For-Future Sustainability Strategy 23
Our Sustainability Goals 24
Sustainability Governance 25
Navigating Risks and Opportunities 27
Mitigation of Identified Risks 28
Stakeholder Engagement 30
Identifying Stakeholders 32

SKILLED PEOPLE 33

Managing HR Topics 34
Health and Safety 42

TRUE GREEN INITIATIVE 46

Workstream 1 – Green Manufacturing 48
Workstream 2 – Sustainable Value Chain 61
Workstream 3 – Design for Environment 64
Workstream 4 – Data Management 66
Workstream 5 – Green Attitude 68
Workstream 6 – Decision-Making and Disclosure 71

About This Report 72
About Data Collection 73
GRI Content Index 76

STRATEGIC APPROACH

STRATEGIC APPROACH

CEO'S FOREWORD

Dear Reader,

Welcome to the Valmet Automotive Sustainability Report 2023. In this annual report, we are excited to share the progress we have made in our sustainability journey and how it aligns with our strategic vision for the future.

The year 2023 was a big one for us. We started a strategic change in the company structure and business approach that emphasizes the autonomy of business lines. This was done to ensure agility and resilience in response to the ever-evolving business environment, and it will position us to better address current challenges and enhance our competitive position.

We regard sustainability as a key driver in achieving Valmet Automotive's future growth targets and creating value for all stakeholders. Indeed, sustainability is deeply ingrained in our strategic vision, solidifying our position as a responsible and forward-thinking company.

As of January 1, 2022, Valmet Automotive has been validated as carbon neutral across all our operations. And we are not stopping there. We are now actively pursuing sustainability in line with the strict climate standards set by the Science-Based Targets Initiative. Furthermore, as part of our in-house True Green Initiative, we are constantly incorporating sustainability into all aspects of our operations, from processes to attitudes.

In sustainability reporting, we are now looking forward to entering a new era. In 2023, we started alignment with the EU Taxonomy. At the same time, we began preparations for changes in corporate reporting according to the latest sustainability reporting standards. We also completed our first double materiality assessment, and the results are presented in this report.

Valmet Automotive is contributing to the transition towards a zero-emission society. For us, sustainability is not just another business imperative, it is a core value that makes us a leading strategic partner for our customers.

I am optimistic about the opportunities that lie ahead and invite you to share Valmet Automotive's vision for a more sustainable future.

With best regards,

Pasi Rannus
CEO, Valmet Automotive

VALMET AUTOMOTIVE IN BRIEF

Valmet Automotive provides services to the automotive and off-highway industry with operations across three business lines: Vehicle Contract Manufacturing (VCM), EV Systems (EVS) and Roof & Kinematic Systems (RKS). We are the preferred strategic partner for Original Equipment Manufacturers (OEMs), thanks to our extensive history in the automotive industry combined with our world-class expertise in engineering and manufacturing of electric vehicles, batteries, and kinematic systems.

THREE BUSINESS LINES

VEHICLE CONTRACT MANUFACTURING

- Over 50 years of world-class Vehicle Contract Manufacturing experience
- Nearly 1.9 million premium quality vehicles delivered on schedule
- Reliable partner for OEMs

ELECTRIC VEHICLE SYSTEMS

- Engineering and testing of EV systems
- Manufacturing batteries and other EV systems
- Proprietary platform modules, battery packs, battery management systems
- Expertise in off-highway vehicles

ROOF & KINEMATIC SYSTEMS

- Convertible roofs and active charging flaps – active electric charging port door systems for convenient charging
- Development and delivery of active spoilers – increase in aerodynamic efficiency
- Driving dynamics for sports and super sports cars

VALMET AUTOMOTIVE

- Established in 1968
- Head office in Uusikaupunki, Finland
- Parent company: Valmet Automotive Plc (Finland)
- 3,500 employees
  - Over 100 nationalities, located in 3 countries. Majority in Finland
  - 75% men, 25% women
- Delivered ~ 30,000 cars, ~ 60,000 roofs and kinematic systems, ~ 800,000 battery systems to markets worldwide
- Shareholders: Pontos (38.46%), Tesi (38.46%), CATL (23.08%)

ECONOMIC VALUE CREATED

- Gross Sales* 2,221.4 (2022: 2,841.9) MEUR
- Net Sales 531.2 (2022: 603.5) MEUR
- Operating Profit 19.5 (2022: 31.3) MEUR
- Total Wages and Salaries 166.4 (2022: 179.7) MEUR
- Employee Social Security and Pension 31.7 (2022: 35.5) MEUR
- Total Equity 62.8 (2022: 58.8) MEUR
- Research, Development, and Engineering Expenditure 73.0 (2022: 43.6) MEUR
- Gross Investments in Fixed Assets 71.6 (2022: 77.9) MEUR
- Current Year Income Tax Expense 3.0 (2022: 3.8) MEUR
- Income Tax Paid 1.5 (2022: 3.9) MEUR

NAMES AND POSITIONS OF GROUP MANAGEMENT TEAM

As of December 31, 2023, Valmet Automotive's Group Management Team consists of the following members:

- Pasi Rannus, CEO & Senior Vice President, Vehicle Contract Manufacturing
- Jyrki Nurmi, Senior Vice President, Electric Vehicle Systems
- Remigiusz Grzeskowiak, Senior Vice President, Roof & Kinematic Systems
- Petra Teräsaho, CFO
- Jaakko Liljeroos, General Counsel
- Christian Kleinhans, Senior Vice President, Electric Vehicle Systems and Group Business Development & Communications
- Charlotte Caswell, Senior Vice President, Group HR
- René Kohl, Senior Vice President, Group ICT
- Peter Ohm, Senior Vice President Operational Planning & Sustainability

*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

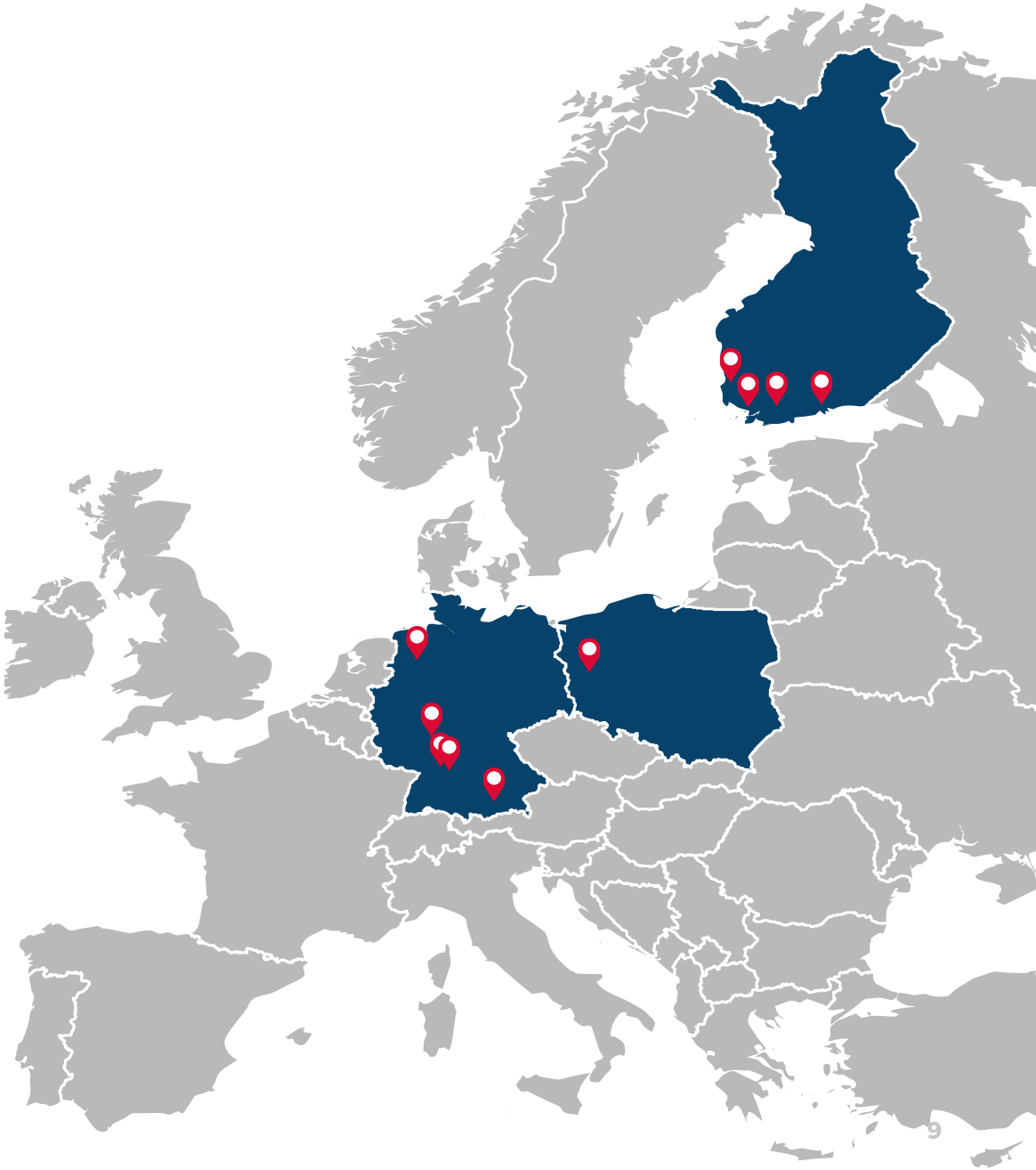
Uusikaupunki – Vehicle Contract manufacturing, EV Systems manufacturing
Salo – EV Systems manufacturing
Turku – EV Systems product development
Vantaa – Group Functions

GERMANY

Bad Friedrichshall and Weihenbronn – EV Systems Product development and testing
Frankfurt – Group Functions
Kirchardt – EV Systems manufacturing
Munich – EV Systems product development
Osnabrück – Roof & Kinematic Systems product development

POLAND

Zary – Roof & Kinematic Systems manufacturing



STRATEGIC APPROACH

KEY EVENTS OF THE YEAR

CDP CLIMATE CHANGE SCORE A-

We achieved score A- in the global CDP Climate questionnaire, ranking Valmet Automotive in the Leadership level. The top rating reflects our strong commitment to sustainability and work for the environment.

INNOVATION CENTER – A VIEW INTO THE FUTURE

Valmet Automotive opened an Innovation Center at the Uusikaupunki car plant. The center is essential for developing and piloting future solutions that can be implemented in the company's contract manufacturing operations.

VALMET AUTOMOTIVE'S FIRST DOUBLE MATERIALITY ASSESSMENT

In 2023, we carried out our first double materiality assessment according to the ESRS standards. Read more on **page 21.**

FOCUS ON SUSTAINABLE VALUE CHAIN

Throughout 2023, great strides were made in developing and improving sustainable practices within our value chain. We launched a supplier sustainability campaign that exceeded our expectations, and we are now planning the next steps. Read more on **page 62.**

GREAT ACHIEVEMENTS IN OCCUPATIONAL HEALTH & SAFETY

We witnessed significant improvements in health & safety across the three business lines. We successfully reduced accident rates and accomplished zero accidents in many of our locations. Read more on **page 42.**

STRATEGIC APPROACH

KEY EVENTS OF THE YEAR

FIRST BATTERY PLANT OPENED IN GERMANY

Valmet Automotive's newest battery plant was opened in June 2023 in Kirchardt, Germany. It is our third high-volume battery plant, besides the Salo and Uusikaupunki plants in Finland. The Kirchardt plant signifies an important step in Valmet Automotive's global expansion, underscoring our ambition to take a leading role in the development and production of battery systems in Europe.

EXPANSION OF ROOF & KINEMATICS BUSINESS LINE

In 2023, a significant expansion project was announced for our Zary plant in Poland, in response to the growing demand for electromobility solutions such as active spoiler and charging flap systems. The plant expansion is scheduled for completion in 2025 and is set to create 350 new jobs between 2025 and 2027.

NEW PRODUCT: MERCEDES-AMG

We started the series production of the Mercedes-AMG GT 4-Door Coupé at our car plant in Uusikaupunki, Finland. Being the most technically complex model in our company's history, this achievement showcases our dedication to delivering high-quality products to our customers.

A YEAR IN REVIEW

ELECTRIC VEHICLE SYSTEMS

BATTERY BUSINESS ADVANCING GLOBAL SUSTAINABILITY GOALS

In 2023, amidst fluctuating demand and a dynamic regulatory landscape, the EV Systems business line experienced substantial growth and profitability, achieving a nearly 50% increase in net sales – reaching more than 1 billion (gross sales).

The evolving regulatory environment and shifting customer demands presented challenges, impacting both profitability and the workforce. However, adept management through various arrangements enabled us to navigate these challenges successfully.

Despite the uncertainties, we inaugurated our third battery plant in Kirchardt, Germany, and have already started the first series battery program there, marking another significant milestone for the EV Systems business line. A second battery program is set to launch shortly.

Another noteworthy accomplishment of 2023 was the start of series deliveries of our first in-house-designed battery pack developed for off-highway purposes.

INCREASING REGULATIONS AND CUSTOMER DEMAND

Our transition from contract manufacturing to system supply positions us to play a vital role in advancing global sustainability goals by providing support for electrification.

While this strategic move aligns with our commitment to sustainable practices, it is important to remember that battery production is subject to increasing regulations, with many customers now expecting the Battery Passport. The European Union Batteries Regulation, integral to the European Green Deal, will significantly impact our operations starting in 2025.

We are integrating sustainability into our corporate strategy, with substantial support from various business departments. This commitment is reflected in our new product design, where sustainability is considered from the outset of the product life cycle.

Among the major challenges in battery system production were the procurement of cells and the effective management of the supply chain. In 2023, we engaged in extensive discussions with our suppliers and increasingly implemented our Supplier Code of Conduct, designed to address supply chain issues.

TALENT DRIVING SUSTAINABLE TRANSFORMATION

Our new co-leadership model has demonstrated its effectiveness in our operational landscape. Recognizing an imminent challenge in the years to come, our strategic focus centers on the recruitment of individuals possessing the requisite skills and motivation essential for facilitating a successful transition towards sustainability. For this reason, we are emphasizing making the workplace safe and inspiring, as showcased by the improved overall Lost Time Injury (LTI) figures in our battery plants.

Jyrki Nurmi
SVP, EV Systems

Christian Kleinhans
SVP, EV Systems

A YEAR IN REVIEW

VEHICLE CONTRACT MANUFACTURING

A CHALLENGING YEAR IN VEHICLE CONTRACT MANUFACTURING

The year 2023 proved to be a challenging one for the Vehicle Contract Manufacturing (VCM) business line, particularly impacting our personnel, who had to navigate through several change negotiations. Faced with a discernible drop in market demand, our operational landscape became increasingly exacting.

Despite these challenges, we maintained a commendable level of employee satisfaction, only marginally lower than in previous years. This resilience is proof of our workforce's adaptability, even in the face of uncertainty.

The year began with the termination of a solar vehicle project, which nevertheless proved to be instrumental in broadening our internal expertise. Moreover, in the latter half of the year, we launched the production of the Mercedes-AMG GT 4-Door Coupé, meeting our client's expectations and reinforcing our capacity for efficient, high-quality manufacturing.

FOCUS ON EMPLOYEE WELL-BEING AND SAFETY

As a contract manufacturer, our employees are our most valuable asset. As such, we continued our dedication to maintaining high-quality standards and achieving new safety records. These achievements are the fruits of our systematic approach to improving workplace culture and safety protocols.

Additionally, the large summer party we organized significantly boosted morale, fostering a sense of community and positive spirit among our personnel. We are committed to equipping our team with the necessary skills to thrive in this evolving landscape and have therefore inaugurated an innovation center focused on sustainable service development.

SUSTAINABILITY INITIATIVES AND FUTURE DIRECTIONS

Sustainability remains a cornerstone of our operations. We have initiated steps towards managing Scope 3 emissions, actively engaging with our partners and subcontractors in this endeavor.

The use of renewable light fuel oil in our operations marks a significant stride towards environmental stewardship.

In 2024, we are planning a substantial system upgrade, including the implementation of a new ERP management platform. This marks a significant leap forward in our digital transformation, emphasizing autonomy, and a green attitude. Still, ensuring the continuity and vitality of our business amidst changing market landscapes remains our foremost priority.

Pasi Rannus
CEO, Vehicle Contract Manufacturing

A YEAR IN REVIEW

ROOF AND KINEMATIC SYSTEMS

EXPANSION OF FACILITIES IN RESPONSE TO NEW BUSINESS OPPORTUNITIES

Our Roof and Kinematic Systems (RKS) business line has undergone significant developments over the last year, thanks to new nominations from premium Original Equipment Manufacturers (OEMs). These nominations include the production of roof systems, charging flaps, and aero efficiency systems. Despite these positive achievements, we faced many challenges, including fluctuations in customer demand and the ongoing instability in the supply chain.

Following a series of successful acquisitions in recent years, there is a pressing need to increase our production capacity. We have therefore decided to expand our production plant by an area of over 7,000 m2. Construction is scheduled to start in the summer of 2024, and the start of production of the first project is targeted for the end of 2025. Additional production lines will be launched over the next 2 years, resulting in the creation of approximately 350 new jobs.

In 2023, we successfully built several new production lines, the ramp-up phase of which is planned for 2024. Moreover, at the end of the year, we acquired a completely new customer for whom we will produce convertible roofs.

INCREASING SUSTAINABILITY REQUIREMENTS

The forthcoming extension to our facility will feature solar panels on the roof, capable of generating a maximum of 350 kWh, covering a significant part of our daytime energy needs. As part of our commitment to sustainability, we have already transitioned to 100% green electricity.

Throughout the year, we actively sought input from our personnel and received 86 innovative green ideas for optimizing our operations. One of our ongoing initiatives includes developing proprietary systems that will increase the use of recycled materials.

Additionally, we have successfully passed both the health and safety audit as well as the environmental audit. The official results were published at the end of February 2024.

Due to the heightened environmental awareness of our clients, we are expected to satisfy ever-increasing sustainability requirements. These encompass recycling rates, CO_2 emission calculations, and logistical considerations. As a result, we are introducing, among other things, comprehensive data collection methods to audit our suppliers. However, we acknowledge that an excessive increase in new requirements may create burdens, especially for small and medium-sized enterprises (SMEs) in the sector, which may lead to further consolidation in the industry.

Remigiusz Grześkowiak
SVP, Roof & Kinematic Systems

VISION AND MEGATRENDS

CONTRIBUTING TO A GREEN WORLD THROUGH E-MOBILITY

TRENDS THAT DRIVE OUR BUSINESS

E-MOBILITY
Strong market and regulatory trend for e-mobility

TALENT MANAGEMENT
Providing a sustainable environment for personal growth – we ensure success though competent, proud personnel

CLEAN ENERGY
Shift to green energy and its storage systems

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

PREPAREDNESS FOR FUTURE SCENARIOS
In a volatile environment, we proactively anticipate and create new solutions

VALUE CHAIN
Focus on management across the whole value chain

OUR VISION

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

KEY RESOURCES FOR OUR BUSINESS

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

VISION AND MEGATRENDS

OPERATIONAL ENVIRONMENT

During the last few years, the automotive sector has been clouded by uncertainty stemming from global crises.

Inflation, coupled with component shortages, has posed challenges for both our customers' component suppliers and our operations. Worldwide geopolitical turmoil, the energy crisis, and financial instability have made adaptation and the ability to react swiftly to change the new norm for the sector.

Our strengths lie in maintaining reliable and high-quality operations in a diverse environment. The importance of active communication and cooperation with our clients and suppliers has received particular attention. Meanwhile, ongoing supply chain issues demand innovative solutions to uphold our competitiveness.

ADAPTING TO RAPID CHANGES

The prevailing global uncertainty requires swift responses to sudden developments. Conversely, unforeseen changes frequently result in the rapid scaling of capacity on short notice when deemed necessary.

Recognizing that the world will not revert to its previous state, we are identifying solutions that go beyond offering quick fixes. To tackle tomorrow's challenges, we must prioritize open communication, organizational structure changes, occupational safety, and supporting our employee's well-being.

FUTURE STRATEGIES FOR SUSTAINABLE GROWTH

In the future, we will increasingly focus on the development and manufacturing of battery systems, particularly the series production of our Modular Power Pack battery system designed for off-highway vehicles. Additionally, we will be working on the development and production of active spoilers and charging flaps, leveraging our competitive advantage in complex kinematic systems essential for premium EVs.

In preparation for the upcoming EU legislation, we are intensifying sustainability data collection from suppliers and exploring new sustainable materials and supply chain solutions. Our goal is to simultaneously increase production volumes and introduce new products.

Despite strong demand, global uncertainty has slowed down our growth. However, during these challenging times, we have successfully expanded our customer portfolio and diversified our product range.

As we look ahead, our vision centers on creating a future that prioritizes people, a more digital working environment, and embracing a green attitude.

STRATEGY

ON A PATH TOWARDS ZERO-EMISSION SOCIETY

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

We are working to meet the needs of the future. By envisioning ourselves as an international leader in e-mobility systems and services, we strive to contribute to the transition toward a zero-emission society. Our vision places sustainability at its very core, integrated into our business model and corporate culture.

In 2023, we initiated a program to strengthen the independent role of our business lines, which will grant them greater autonomy to leverage their expertise and competitive infrastructure efficiently. This approach enables exploration of new business opportunities tailored to each business line's strengths, optimizing operational efficiency, and fostering agility to adeptly address challenges and capitalize on dynamic business opportunities.

CONTINUOUS GROWTH AND EXPANSION

We are continuing to expand our business in EVS. In June 2023, we opened our third battery plant in Kirchardt, Germany, and launched new battery programs later in the year. This new plant marks Valmet Automotive's third high-volume battery facility and our first facility in Germany. At the end of 2023, we initiated expansion at the Zary production facility in Poland to meet the rising demand for electric mobility solutions.

The growth, set for completion in 2025, will generate 350 new jobs between 2025 and 2027. The RKS business line, currently employing around 690 people, stands out as a leading provider of active kinematic systems for electric vehicles, showcasing innovative solutions in aerodynamics and electric vehicle charging flaps.

In the past year, we have successfully enhanced trust in our partnerships and strengthened our position as a high-quality car manufacturing expert. In the end of the year, we took a significant step in our decade long collaboration with Mercedes-Benz. Having already produced over 750,000 vehicles for them, Valmet Automotive started series production of the Mercedes-AMG GT 4-Door Coupé at the Uusikaupunki car plant. Exploiting our unique in-house capabilities in manufacturing engineering, we adapted our plant infrastructure to meet the specific needs of this model by establishing a new, dedicated production line that ensures seamless, top-quality production.

STRATEGY

STRATEGIC AREAS OF ACTIONS

ENSURE RESILIENT PROFITABLE BUSINESS

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

STRENGHTEN INTEGRITY AND DIGNITY

- Bring the **Code of Conduct** alive throughout 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 CO_2 neutrality
- Add **environmental values** in decision-making processes
- Utilize **digitalization** opportunities to drive green transformation.
- Develop and utilize **circular economy** and improve efficient use of resources (energy, water, materials)

VALUES AND ETHICS

ENSURING ETHICAL CORPORATE CULTURE

Our focus is on increasing awareness and comprehension of the Code of Conduct and ethical principles through training and effective communication.

Valmet Automotive's compliance program is designed to ensure that employees are aware of the applicable rules and regulations. It cultivates an environment that prevents and detects misconduct.

The compliance program is primarily implemented through training for employees. Our office personnel are required to complete mandatory online training on ethical principles within a month of onboarding. The training emphasizes the practical application of our ethical principles in everyday scenarios through real-world examples.

Valmet Automotive's double materiality assessment revealed that training and educating employees on compliance issues had a positive impact on preventing and detecting corruption and bribery. In 2023, 94% of the office personnel had completed the training.

MANAGING CONFLICTS OF INTEREST

Valmet Automotive's Board members adhere to a strict Code of Conduct and commit to recuse themselves from decision-making processes involving potential conflicts of interest. All members of the Board are obligated to disclose information about their related parties to the company, and the finance department conducts regular checks through the financial system to ensure the absence of conflicts of interest in transactions.

Decisions related to cross-shareholdings with suppliers undergo careful consideration, and if a potential conflict of interest is identified, the concerned Board member abstains from participating in the decision-making process.

While the financial details of transactions with related parties are publicly disclosed, the actual parties remain confidential. In the case of cross board membership, candidates assess the potential for conflict of interest, and if necessary, engage in discussions with the relevant parties.

COMPLIANCE CHANNEL

We encourage stakeholders to seek advice when raising concerns, either by contacting the legal department of Valmet Automotive, or by contacting their respective supervisors. In cases involving suspected HR-related misconduct, we advise our personnel to first contact their supervisor or the HR department.

As part of the compliance process, we have introduced a whistleblowing channel enabling anyone to report suspected non-compliance against the Code of Conduct, with the option of remaining anonymous. The reporting channel is presented as a part of the compliance training and outlined in the Code of Conduct. It is easily accessible on our intranet and website for both internal and external stakeholders.

An external, third party-owned whistleblowing system ensures the confidentiality of the notifier. The whistleblowing system adheres to the ISO 27001 standard for data security management and the ISO

GUIDING PRINCIPLES 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 uphold international standards on human rights, working conditions, hours, anti-corruption, and environmental sustainability.
- We support fair competition and a free market and refuse to discuss or agree with competitors on pricing, market shares, or related activities. We also have zero tolerance for corruption, such as bribery or embezzlement.
- Our activities are guided by the fundamental rights of the worker as defined by ILO (International Labour Organization), UN Guiding Principle on Business and Human Rights, OECD Guidelines for Multinational Enterprises, and International Bill of Human Rights.
- We do not use child labour 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 operations to minimize environmental impact, and actively train our employees in environmental protection.

The Code of Conduct in its full extent is available on our website: code-of-conduct-2024.pdf (valmet-automotive.com)

27018 standard for the protection of personal data in cloud services. Our approach aligns with the EU's Whistleblowing Directive and complies with the respective national laws of our operating countries.

INVESTIGATION PROCESSES

A team of four specialists, three from the legal department and one from Group HR, have exclusive access to the reporting system. The process is managed by the Group General Counsel. Within seven calendar days of receiving a report, the team reviews the encrypted report and responds to the initiator. If needed, additional information is requested from the initiator.

The legal department assumes responsibility for designing and monitoring compliance processes. The processes are reviewed regularly and updated as needed, with input from the Group Management Team and the Board of Directors.

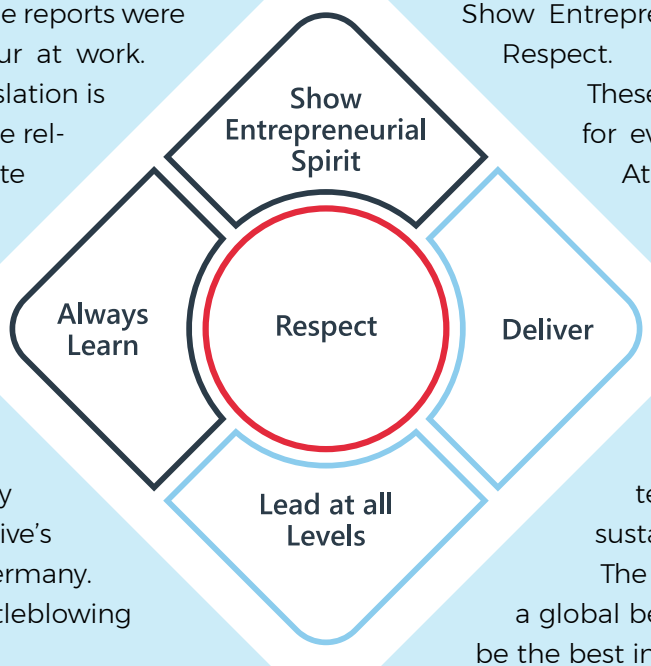
Our compliance performance, including e-learning completion rate and notifications to the compliance channel, is routinely reported to the Group Management. The Board of Directors conducts an annual review of the compliance process. Any concerns of misconduct involving a senior executive mandate immediate reporting by the legal department to the Chair of the Board.

The effectiveness of the grievance mechanisms is evaluated based on the expertise of the legal department, the quality of the policies, completion rate of training, and the number of notifications through the whistleblowing channel.

27 NOTIFICATIONS THROUGH THE COMPLIANCE CHANNEL

In 2023, 27 notifications were received through the whistleblowing channel (compared to 23 in 2022). Most of the reports were related to leadership practices or misbehaviour at work. When a violation of the Code of Conduct or legislation is suspected, a designated contact person from the relevant business line may be invited to participate in the process to form a holistic understanding of the issue.

The Group General Counsel oversees the case procedurals, and upon closure, notifies the initiator. No reported matters in 2023 led to police involvement. During 2023, the whistleblowing practices were slightly revised to address the regulatory requirements of the EU Whistleblowing Directive's national implementation in Finland and Germany. Meanwhile, similar modifications to the whistleblowing practices in Poland are still pending.



5 COMMITMENTS SHAPING OUR CORPORATE CULTURE

Our corporate culture is built on 5 Commitments: Always Learn, Show Entrepreneurial Spirit, Deliver, Lead at All Levels, and Respect.

These commitments serve as guiding benchmarks for every employee, shaping the company's values. At our core is a commitment to respect for our own work, colleagues, customers, partners, and stakeholders.

We emphasize the need for continuous learning as we acknowledge that we are never too busy or too good not to learn and to improve. Our entrepreneurial spirit is characterized by innovation, clear strategic discipline, and a dedication to ambitious sustainability targets.

The commitment to deliver excellence underscores a global best-in-class approach, meaning that we want to be the best in everything we develop, manufacture, plan, test and offer.

Leadership at all levels is emphasized as a personal responsibility, contributing to decision-making, risk management, and the safety of the work environment.

RESILIENT BUSINESS

DOUBLE MATERIALITY ASSESSMENT

OUR FIRST DOUBLE MATERIALITY ASSESSMENT

In 2023, Valmet Automotive took a significant step by conducting our first Double Materiality Assessment (DMA) in accordance with the Corporate Sustainability Reporting Directive (CSRD). The process involved an evaluation of material impacts, risks, and opportunities associated with our sustainability matters.

OUR DOUBLE MATERIALITY ASSESSMENT PROCESS

The assessment adhered to the latest European Sustainability Reporting Standards (ESRS) guidelines set by EFRAG (European Financial Reporting Advisory Group). This was an important step for us, since we are set to release our first CSRD-aligned report in 2026. The Double Materiality Assessment serves as a cornerstone for refining our sustainability strategy, establishing the framework, and determining subjects for inclusion in our annual sustainability reporting.

Our internal project group comprised of representatives from each of our three business lines. The process unfolded through a series of workshops, ensuring a holistic representation of our operations and functions. Impacts, risks, and opportunities were also scored and assessed, considering their scale, Scope and severity.

Topics exceeding the thresholds from either an impact or financial perspective, or both, were included as material sustainability topics.

UNCOVERING RISKS AND OPPORTUNITIES

The identified material sustainability topics span environmental, social, and business conduct perspectives. The conclusive results, encompassing several material sustainability topics under six ESRS, were finalized in December 2023.

Risks and opportunities focus primarily on environmental and social aspects. Recognizing the dynamic nature of our industry, we are constantly reviewing and updating the DMA to ensure ongoing relevance and precision in our sustainability assessments.

Through the Double Materiality Assessment, we have gained a more holistic understanding of our sustainability impacts, enhanced stakeholder engagement, and made informed decisions to improve our overall environmental, social, and governance performance.

DOUBLE MATERIALITY ASSESSMENT

DOUBLE MATERIALITY

FINANCIAL MATERIALITY

IMPACT MATERIALITY

OPPORTUNITIES

SHIFT TO ELECTRIC VEHICLES *(ESRS E1, E2)*

OFF-HIGHWAY VEHICLES *(ESRS E1, E2)*

GREEN FINANCING *(ESRS E1)*

GREEN INNOVATION *(ESRS E1)*

TRAINING & SKILLS DEVELOPMENT *(ESRS E1)*

MATERIAL RECYCLING *(ESRS E5)*

POSITIVE IMPACT

REDUCED GHG EMISSIONS *(ESRS E1)*

GENDER EQUALITY + EQUAL PAY *(ESRS S1)*

STRENGHTENING SUPPLY CHAIN DUE DILIGENCE *(ESRS S2)*

CIRCULAR ECONOMY SOLUTIONS *(ESRS E5)*

PREVENTIVE OCCUPATIONAL HEALTH CARE *(ESRS S1)*

PROTECTION OF PRIVACY *(ESRS S1, G1)*

FAIR COMPENSATION *(ESRS S1)*

VALMET AUTOMOTIVE

RISKS

LACK OF COMPETENT PERSONNEL *(ESRS S1)*

INCREASED COSTS (FUEL PRICES, ROUTES) *(ESRS E1, E2)*

NOT ENOUGH RECYCLABLE MATERIAL ON THE MARKET *(ESRS E5)*

LOW EMPLOYEE FLEXIBILITY *(ESRS S1)*

NEGATIVE IMPACT

GHG EMISSIONS IN VALUE CHAIN *(ESRS E1)*

POLLUTION FROM TRANSPORTATION *(ESRS E2)*

RAW MATERIAL SOURCING IN THE SUPPLY CHAIN *(ESRS E5, S2)*

NON-RECYCLABLE PACKAGING MATERIAL *(ESRS E5)*

ENERGY CONSUMPTION *(ESRS E1)*

FINANCIAL MATERIALITY

IMPACT MATERIALITY

SUSTAINABILITY STRATEGY

OUR FIT-FOR-FUTURE SUSTAINABILITY STRATEGY

Our vision is to champion climate protection and foster a genuinely green world by positioning ourselves as an international cutting-edge e-mobility systems and service provider as well as renewable energy storage.

Our sustainability strategy builds on three key themes, each with its designated action areas:

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

Our sustainability strategy is based on our materiality assessment, and a thorough review of upcoming regulatory changes, future trends, international sustainability frameworks, and relevant business factors. Our Double Materiality Assessment is explained on previous pages.

The strategy has an emphasis on climate and environmental issues and is supported by the separate human resources (HR) strategy. Our ambitious sustainability goals define and help measure our progress toward zero emissions, resource efficiency, and responsible sourcing. In 2024, we are setting short-term science-based targets to ensure robust climate targets that cover both our own operations and our supply chain.

The True Green Initiative is the title of our sustainability program. The latter part of this report is dedicated to introducing developments on each theme.

SUSTAINABILITY STRATEGY

OUR SUSTAINABILITY GOALS

We have set ambitious sustainability targets to be achieved by 2027. Embracing a commitment to zero-emissions, we are setting science-based climate targets and implementing our decarbonization strategy. In the development process of our own products, we are researching and exploring best practices to positively impact the environment.

In our manufacturing processes, we follow group-wide KPIs in material flows, focusing on energy-efficiency. Our goal is to use resources and materials in circular flows, emphasizing recycling and smart equipment utilization.

For suppliers, we establish clear expectations and continuously improve supplier risk management processes across all business lines. By fostering a green attitude, we encourage colleagues to engage in sustainable practices in the workplace.

We follow market requirements and ensure compliance with rapidly evolving regulations. We participate annually in the CDP questionnaire (formerly Climate Disclosure Project), which rates our performance in climate work. We are targeting a score A by 2027. As proof of our high-quality work in all our locations for sustainable development, we achieved a CDP rating of A- for climate disclosure in 2023. This, along with other accomplishments, ensures a transparent and reliable dialogue with stakeholders, including investors.

OUR 2027 SUSTAINABILITY GOALS

ZERO EMISSION COMPANY
Reducing GHG emissions in alignment with science-based targets

POSITIVE CLIMATE IMPACT
Actively avoid CO_2 by our own products

EFFICIENT IN ELECTRICITY CONSUMPTION
Improving electric efficiency and using renewable energy

CONTRIBUTOR TO CIRCULAR ECONOMY
Efficient resource use and processes

RESPONSIBLE SOURCING
Identifying and managing sustainability across the value chain

CULTIVATE GREEN ATTITUDE
Engaging employees on sustainability

IMPROVE THE GLOBAL CDP SCORING
Transparent climate disclosure

GREEN INVESTMENT TARGET
Consistent with market requirements

SUSTAINABILITY STRATEGY

SUSTAINABILITY GOVERNANCE

Valmet Automotive's sustainability governance is structured to ensure effective oversight and management at multiple levels within the company. The Board, Group Management Team (GMT), Sustainability Committee, and Sustainability Team, along with business line management, collectively contribute to the execution of our sustainability strategy.

The Board is composed of five non-executive directors with wide-ranging expertise and extensive leadership experience. Valmet Automotive´s Shareholders' Nomination Board, comprising representatives of the three largest shareholders and the Chair of the Board, annually prepares proposals concerning the composition and remuneration of the Board. The Nomination Board considers business needs, diversity principles, independence, and stakeholders when performing its tasks.

All Board members maintain independence from the company, with all but one also being independent from the company's significant shareholders.

The Board approves and oversees the implementation of our sustainability and climate-related strategy, action plans, risks, and performance. Given the integration of sustainability into our corporate strategy, pertinent sustainability and climate-related aspects are seamlessly woven into discussions during all board meetings. The Board annually monitors company's sustainability-specific performance.

The GMT consists of the CEO, CFO and Senior Vice Presidents (SVP) who are responsible for different business areas and functions, including an SVP of Operational Planning and Sustainability.

The GMT ensures alignment between corporate and sustainability strategies and goals. It also approves, oversees, and ensures the effective management of sustainability and climate-related policies, risks, strategy, goals, and programs. Furthermore, the GMT monitors and assesses quarterly reports on sustainability-related business line KPIs.

The Sustainability Committee consists of individuals from the GMT and the Sustainability and Environment Directors. The Committee is tasked with developing and advising on climate-related issues and the sustainability strategy, policy, processes, trends, risks, guidance, and goals for the Board and GMT. Additionally, the Committee leads materiality and stakeholder assessments, which are communicated to the Board and GMT.

Group sustainability team ensures the implementation of the common sustainability strategy and goals at the business line level, as well as developing and following up on local programs, goals, and actions.

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

MANAGEMENT SYSTEM PROCESSES

The role of a management system is to harmonize common processes and working methods internally, enhance transparency within the company, and communicate to all

stakeholders how the company is organized and operated. Its purpose also includes ensuring compliance with relevant standards, customer expectations, and authority requirements.

Valmet Automotive has implemented a companywide system that facilitates the gathering and centralization of documents related to management system processes across all three business lines. This system enables the linkage of sustainability processes to related certification and customer-specific requirements. As a result, the Valmet Automotive can effectively manage current trends and challenges while adhering to group-wide guidelines and processes. Additionally, employees can easily get an overview of their responsibilities.

To ensure the robust implementation and management of sustainability issues on a strategic and operational level, we utilize external certification programs.

BUSINESS LINE PLANTS	EXTERNAL CERTIFICATIONS	
Organization-wide	ISO 27001	Information Security
Vehicle Contract Manufacturing (VCM)	IATF 16949 ISO 14001 ISO 45001	Quality Management Environmental Management Occupational Health & Safety Management
Electric Vehicle Systems (EVS)*	IATF 16949 ISO 9001 ISO 14001 ISO 45 001	Quality Management Quality Management Environmental Management Occupational Health & Safety Management
Roof and Kinematic Systems (RKS)	IATF 16949 ISO 9001 ISO 14001 ISO 45001	Quality Management Quality Management Environmental Management Occupational Health & Safety Management

** Certifications are in progress in some locations.*

RISK MANAGEMENT PROCESS

NAVIGATING RISKS AND OPPORTUNITIES

Our operational landscape is rapidly changing due to the increasing prevalence of sustainability issues and expectations from customers, regulators, and other stakeholders.

OUR RISK MANAGEMENT FRAMEWORK

Our approach to risk management is guided by a dynamic Risk Management Policy, overseen annually by the Board of Directors. Risk assessments and reporting occur quarterly, semi-annually, and annually, depending on the risk characteristics and the organizational level. Strategic, operative, sustainability, hazardous, and financial risks are evaluated based on severity, likelihood, and control.

Our corporate and sustainability strategies focus on the low-carbon transition through e-mobility. The main purpose of risk management is to identify, assess, monitor, and mitigate significant external and internal risks and opportunities. This ensures the preservation and advancement of our company's overarching strategy.

INTEGRATED SUSTAINABILITY RISKS

To ensure strategic focus, sustainability risks are integrated into our mainstream risk management process. The identification, assessment, and management of sustainability-related risks and opportunities are systematically carried out across all business lines and at the group level.

Going forward, the role of reliable and transparent information on sustainability performance across our value chain will be emphasized. High-quality data, facilitating informed decision-making, will optimize resource utilization and secure broader operating licenses.

NAVIGATING FUTURE RISKS

Our future risk management is guided by the upcoming regulatory requirements, and our roadmap for emission reductions is aligned with the science-based targets initiative.

At the end of 2023, we conducted a Double Materiality Assessment. This assessment identified both positive and negative impacts on sustainability related to our operations, as well as risks and opportunities arising from the environment's impact on our business. The results of the Double Materiality Assessment are available on **page 21.**

RISK MANAGEMENT PROCESS

MITIGATION OF IDENTIFIED RISKS

RISK	EXPLANATION	MITIGATION
PROCUREMENT RISKS	· Component shortages due to geopolitical instability, energy crises, inflation	· Supply chain management system development
SUSTAINABILITY CHALLENGES IN VALUE CHAIN	· Risks related to material sourcing, labor practices, human rights, and environmental impact in the automotive and e-mobility sectors	· All new suppliers sign the Supplier Code of Conduct · Requesting sustainability information from suppliers · Building more established due diligence practices · Supplier self-assessment questionnaire (SAQ)
REGULATORY COMPLIANCE CHALLENGES	· Risk of non-compliance with upcoming regulatory changes · Additional costs and higher investments · Risk of reputational harm, lost opportunities, or penalties · Challenges in managing sustainability aspects throughout the supply chain due to data quantity and quality issues	· Systematic sustainability risk processes · Collaboration across departments and with key partners · Reporting and collaboration throughout the value chain · Align business objectives and expertise with developing regulatory landscape · Building robust data management processes
CLIMATE-RELATED RISKS	· Acute physical climate-related risks, affecting manufacturing facilities and global value chain logistics, resulting in raw material or components bottlenecks. · Chronic physical climate-related risks impacting material availability and increasing prices · Rising volatility and uncertainty of energy costs potentially affecting planned timelines for lower-emission energy projects	· Working towards zero emissions aligned with the Science-Based Targets Initiative · Monitoring and managing environmental performance through quarterly KPIs · Certifying and annually auditing with ISO 14001 · Implementing the True Green Initiative action plan
WORKFORCE RISKS	· Challenges in attracting skilled workforce in all locations	· Competitive salaries · Employee well-being · Equality
PRODUCTION RISKS	· Safety risks in battery development and production	· Updating safety practices and product development practices · External certifications such as IATF 16949:2016 · Enforcing product and producer liability for product safety and environmental protection

RISK MANAGEMENT PROCESS

STAKEHOLDER ENGAGEMENT

STAKEHOLDER GROUP	EXPECTATIONS	BINDING OBLIGATIONS	INTERACTION CHANNELS
CUSTOMERS	Creating added value, fulfilling contractual requirements	Certified Management systems; operational performance; compliance with customer-specific requirements; customer audits	Customer feedback, meetings, workshops, audits, collaborative projects, CDP- and other ESG-reporting
FINANCIAL INSTITUTIONS	Sustainable growth and profit, risk management	Reporting, compliance with contracts	Reporting (sustainability, financial, project related)
OWNERS AND BOARD OF DIRECTORS	Reputation, profit, and sustainable growth, risk management, good governance	Reporting, compliance with reporting, ensuring business profitability, risk management and sustainability policies	Sustainability and financial reports, Board or Directors meetings
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, fulfilling environmental permits and other legal requirements (e.g. construction permits, town planning requirements)	Collaboration projects, meetings, business forums, local collaboration with the neighbourhood, annual performance reports, authority inspections
SUPPLIERS	Co-operation as defined in contracts and forecasts, proper solvency, long-term agreements, risk management	Supplier Code of Conduct, contracts	Communication through contact persons, collaborative projects, supplier audits, ESG-trainings
ADVOCACY GROUPS* LABOR MARKET / UNIONS	Ethical and employee-focused business, reliable and interactive dialogue	Working according to the set common guidelines, collective agreements, Act on co-operation within Undertakings	Employee steward and management communication, regular meetings

STAKEHOLDER GROUP	EXPECTATIONS	BINDING OBLIGATIONS	INTERACTION CHANNELS
CERTIFICATION AUTHORITIES	Continuous development, processed way of working	Meeting the criteria set by standards and fullfilling other requirements	Regular audits, meetings
INSURANCE COMPANIES	Create a safe and secure workplace, risk management, workforce training	Insurance agreements	Meetings and audits
EDUCATIONAL INSTITUTIONS	Co-operation as defined in contracts and forecasts	Actions according to contracts	Workshops, training, thesis work, partnership programs, collaboration forums
MEDIA	Transparent, fast, punctual, reliable communication (proactive as well as reactive)	Communication processes, designated responsible persons available	Media meetings, interviews, press releases, internet pages, social media channels, annual reports
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 meetings, training, newsletters, workshops, co-operation forums
INTERNAL PEOPLE-FUNCTION	Orientation to work, competence, training, personal and career development, ensuring equal and fair treatment at workplace	Providing health care, ensuring and developing work safety requirements, ensuring employees' equal treatment, non-discrimination policies	Training, internal newsletters, intranet, management meetings, face-to-face discussions, successor planning, competence mapping, performance review, quality inspections, safety walks, online surveys, compliance channel

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

RISK MANAGEMENT PROCESS

IDENTIFYING STAKEHOLDERS

Materiality topics play a crucial role in strategically focusing our efforts and delivering relevant, decision-supporting information to our stakeholders. We have identified and selected key internal and external stakeholders, including personnel, suppliers, and public authorities.

Henceforth, we will regularly conduct and improve our sustainability materiality assessments and ensure that they adhere to the latest standards. The outcomes of these assessments will inform our strategy, risk management, and disclosure.

This report focuses on our sustainability strategy and Double Materiality Assessment conducted in 2023.

KEY FOCUS AREAS: ENVIRONMENT, SOCIAL, AND GOVERNANCE INITIATIVES

ENVIRONMENT

- Establishing global environmental leadership
- Advancing energy and material efficiency, coupled with a reduction in energy consumption
- Active reduction of environmental impacts in operations
- Leveraging high standards of environmental performance

SOCIAL

- Continual improvement of workplace safety
- Motivating employees, offering support for stress management, and extending careers
- Ensuring equality and fairness in the workplace
- Promoting planning and predictability in employment

GOVERNANCE

- Ensuring business profitability and continuity
- Identifying industry trends and adapting to change
- Fostering close cooperation with municipalities and educational institutions
- Collaborating with municipalities to attract subcontractors to the area

SKILLED PEOPLE

SKILLED PEOPLE

MANAGING HR TOPICS

NUMBER OF EMPLOYEES

- 2022: approx. 4,000
- 2023: approx. 3,500

NUMBER OF NATIONALITIES

- 2022: 93
- 2023: 107

GROUP-LEVEL RATE OF ACCIDENTS (LTIF)

- 2022: 9.4
- 2023: 6.7

The human resources strategy of Valmet Automotive leans on six pillars: transforming HR into proactive and predictive services, embracing agile practices, fostering a learning organization, prioritizing integrated employee well-being, enhancing employer branding, and promoting diversity in the organization.

The HR strategy and targets, excluding health and safety topics, are prepared by Group HR in collaboration with the Business Line HR Leads and are discussed and approved in our Group Management Meetings.

TRACKING THE EFFECTIVENESS OF OUR ACTIONS

To track how committed our people are, we regularly monitor the turnover rate of our employees and seek feedback on how we are doing through the Pulse Check Survey.

Other key performance indicators (KPIs) of HR are absence rate and diversity, including the number of nationalities and gender ratio on different levels of the organization. Targets for turnover and absence rates have been established. Meanwhile, an action plan is in progress, including a systematic structure for exit interviews to identify the root causes for leaving the company.

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

The KPIs are presented to the Board twice a year. Additionally, the People and Culture Committee of the company, featuring representation from the Senior Vice President Group HR, owners, the Chair of the Board, and, as of 2023, the CEO, regularly reviews the progress and development in this domain.

VALMET AUTOMOTIVE'S GREATEST ASSET ARE THE PEOPLE

The people are at the core of our company, and it is our responsibility to cultivate an environment conducive to their professional and personal growth. As an employer with approximately 3,500 employees, we acknowledge the significant impact we have on their well-being.

Yet, managing the skills required for electrification in the market remains a persistent challenge. Global uncertainty, inflation, and component shortages have presented obstacles for both our suppliers and internal operations.

The competition for a talented workforce remains high due to the limited availability of talented individuals. This creates challenges for recruitment as well as the well-be-

KEY STRATEGIC LEVERS OF THE HR STRATEGY

1 THE 5 COMMITMENTS

- Developing culture through leadership development and training

2 EMPLOYER BRANDING & VALUE PROPOSITION

- Being an employer of choice by elevating employee experience

3 A LEARNING ORGANIZATION

- Cultivating a learning mindset at all levels through formalized structures, effective change leadership, and nurturing of psychological safety
- Creating a learning environment by combining challenging on-the-job experiences with formal training methods, including digital learning

4 TRANSFORMATION OF HR

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

5 AGILE PRACTICES

- Enabling people and leadership to apply agile methods and processes
- Executing organizational change by adjusting functions and introducing new positions through strategic hiring

6 INTEGRATED WELL-BEING

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

ing of our employees – our top priority, for which we have allocated more resources for 2024.

FEEDBACK FROM OUR EMPLOYEES

Employee feedback plays a crucial role in ensuring continuous improvement of our work processes. Throughout 2023, we consistently utilized the Workday Peakon platform to conduct our annual Pulse Check Survey. This survey enables us to measure our adherence to commitments in various critical areas such as reward systems, strategy alignment, organizational fit, meaningful work, work environment, and autonomy.

The objective was to benchmark our results against industry averages, specifically the Net Promoter Score, (eNPS), while actively collecting and analysing dynamic data.

This year's Pulse Check Survey, boasting a 75 percent participation rate, provided valuable insights into our progress. Despite economic uncertainties and challenges influencing a slight decline in the engagement score (eNPS: -8) from the previous year (eNPS –5), the survey identified new areas for development.

The results improved in Reward, Workload, and Recognition categories. A notable 89% of respondents provided positive feedback in the Recognition category, showcasing that employees experience adequate recognition for their commendable work results and receive regular feedback to assess their performance.

Yet, the survey revealed a decline in eNPS scores for Growth, Meaningful Work, and Strategy categories. We acknowledge that the recent organizational changes, such as the rapid growth in the EVS business line and change negotiations in the VCM business line, may

TOTAL NUMBER OF EMPLOYEES

Current Internal Workforce (total)*

3,499

*total headcount includes employees classified as active and inactive

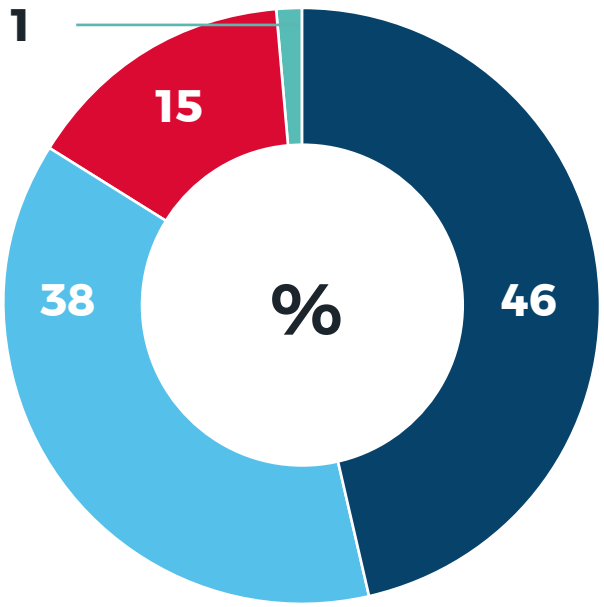
impact our employees' experiences. As always, we are fully committed to addressing these concerns.

The Roof and Kinematic Systems (RKS) business line saw a significant improvement in driver scores, thanks to the efforts from our production employees. They successfully improved the survey participation rate from 64% to 84%. This notable progress stems from collaborative initiatives undertaken with both employees and management, including effective communication, support throughout the survey phase, and the implementation of various well-being measures.

Both the Roof and Kinematic Systems (RKS) business line and Group functions experienced an overall increase in their engagement scores, surpassing benchmarks. Conversely, the Vehicle Contract Manufacturing (VCM) and Electric Vehicle Systems (EVS) business lines encountered a downturn in their engagement scores.

To improve our results for 2024, action plans have been defined and are currently in the implementation process. These plans include addressing issues such as swift resolution of inappropriate behaviour, evaluating the efficacy of tools or processes, organizing team events, and facilitating team-wide discussions on work processes.

The substantial number of documented actions in the employee engagement system reflects active collaboration between managers and their teams, demonstrating a dedication to prioritizing and designing actions that positively impact the work environment. This initiative not only strives for continuous improvement of the work environment but also serves as a great opportunity to involve everyone in implementing positive changes, fostering a sense of ownership among all team members.



EMPLOYEES PER BUSINESS LINE, AMOUNT (PERCENTAGE)

- **Vehicle Contract Manufacturing (1,624)**
- **Electric Vehicle Systems (1,316)**
- **Roof & Kinematic Systems (517)**
- **Group Functions (42)**

In all 3,499

FOCUS ON MENTAL WELL-BEING

In our report for the fiscal year 2022, we raised concerns about the mental well-being of employees in the VCM business line. Significant progress has since been made, and we have implemented a range of new measures aimed at supporting our employees' mental health. These include collaboration with occupational health experts, the introduction of a 24/7 mental health chat service, offering psychology appointments for preventive care,

and providing access to psychotherapy services.

To strengthen mental health support, we have implemented process improvements in workability's early support model. Additionally, our production employee supervisors are undergoing training to effectively address and prevent mental health issues.

As part of our continuous efforts, a leadership development program is being conducted. This program focuses on enhancing managers' skills in well-being management, empowering them to lead amid change by emphasizing resilience and self-drivenness. These ongoing initiatives collectively contribute to prioritizing and promoting mental well-being within the VCM workforce.

EMPLOYEE TURNOVER

The turnover rate is one indicator of the commitment of our people. The turnover rate in RKS has increased from last year, being relatively high among the office workers (13,3%). While the overall turnover rate remained relatively low, it notably rose from 0,43% to 4,25%.

Departures were mainly due to individuals finding job opportunities closer to home, often involving working abroad. Furthermore, better job offers, particularly in terms of management positions or improved compensation, emerged as a primary driver for employee exits.

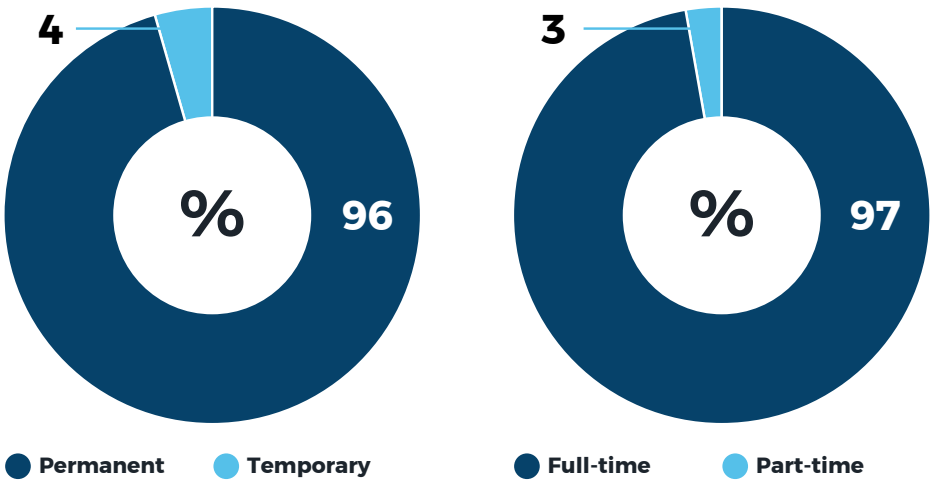
Conversely, in EVS, the turnover rate for office employees decreased significantly from 20,5% to 8,7% in 2023. This positive trend extended to production employees, where the turnover rate dropped from 14.6% to 10,1%.

In VCM, the turnover rates showed marginal variation to the previous year, with the turnover rate for office employees being 8,8% and 10,9% for production employees.

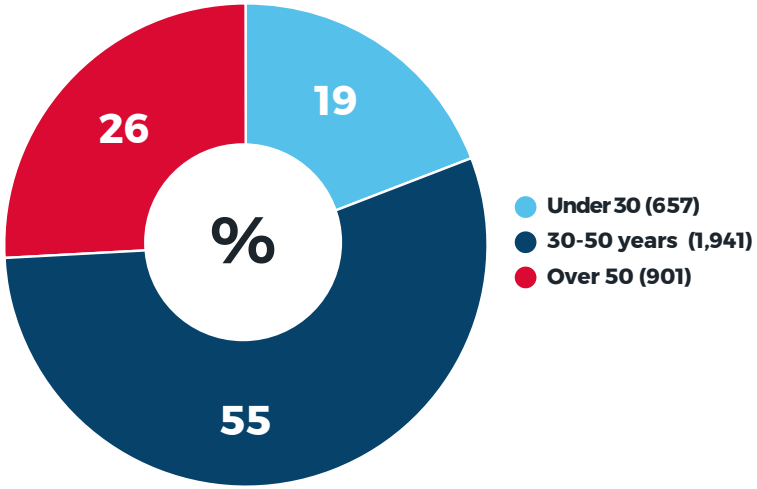
DEVELOPMENT AND TRAINING OPPORTUNITIES

Continuous learning is a fundamental commitment embedded in our organizational principles, emphasising our dedication to promote

EMPLOYMENT TYPE



AVERAGE AGE (ALL) = 40.17



learning, growth, and knowledge exchange among our employees.

We provide learning opportunities through various platforms, including our Learning Management System (LMS), where eLearning solutions are customized to meet specific needs. An integral part of this initiative is our specialized course, "Finance for Non-Finance People," created by our finance experts to broaden financial literacy across our teams.

We also piloted a one-day "Automotive Industry: From History to the Future" training for 100 car builders. The objective was to create a deeper understanding of our field and VCM's future.

Another accomplishment in VCM's personnel development was the establishment of the Standard Operating Procedure (SOP) for our new product in 2023.This initiative not only facilitated the Mercedes-Benz AMG project but also created new job opportunities for over 100 employees, shaping the trajectory of their careers during and after the project. Finally, to further support our employees'

NUMBER OF WOMEN IN MANAGEMENT TEAM

18%

2/11

NUMBER OF WOMEN IN THE BOARD

0

0/5

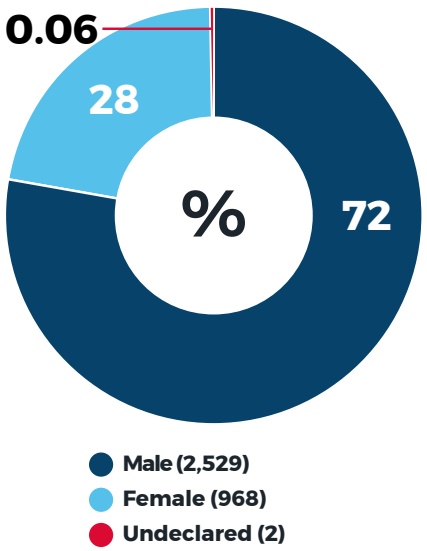
NATIONALITIES

107

EMPLOYEE TURNOVER

OFFICE PERSONNEL	2021	2022	2023
VCM	6.7%	6.6%	8.8%
EVS	6.4%	20.5%	8.7%
RKS	7.1%	12.4%	13.3%
PRODUCTION EMPLOYEES	**2021**	**2022**	**2023**
VCM	17.7%	11.3%	10.9%
EVS	19.9%	14.6%	10.1%
RKS	2.2%	0.4%	4.25%

GENDER BREAKDOWN



learning journey, we offer coaching sessions, mentoring programs, and voluntary support for degree-oriented education.

Our employees have access to an online training portal VAcademy, which offers ready-to-use resources for flexible learning, available whenever the context or challenge requires it, allowing individuals to take a course at their convenience.

However, we recognize that time constraints may hinder employees from utilizing these learning opportunities to their full potential. Another challenge lies in ensuring that training is not only accessible but also relevant for our employees.

In 2022, we announced and launched a new career path training program for non-Finnish employees in VCM. This was followed by three training programs in English: from car builder to team leader, from car builder to ICT specialist, and from team leader to supervisor.

Employee training was one of the main themes in 2023. It has also been selected as one of the materiality topics in our double materiality analysis. At the group level, we improved our internal training platform introducing new content for all office employees, including a revised sustainability training module.

Complementing position- and product-specific training sessions in our business lines, a recap training was offered to 348 individuals returning from furlough in the VCM business line. Collectively, our employees devoted nearly 50,000 hours to various training initiatives.

REMUNERATION

In 2023, we continued to implement the policy for the CEO's and Board members' remuneration that was established in 2022. The policy was prepared by the Group HR and approved by the Board. The policy was also discussed in the Board´s People and Culture Committee. An external consultant was involved in benchmarking the remuneration.

EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS

	2022	2023
RKS	1	130
EVS	931	1,049
VCM	2,413	1,618
Group	17	18
Total	3,362	2,815
Total, %	81.9%	80.5%

BENEFITS AND BONUSES

In our Finnish locations, we offer our employees with benefits ranging from cultural and sports activities to a wider occupational health service than required by law.

In the EVS locations in Germany and Zary, we have instituted an employee referral program that grants bonuses to employees who refer successful candidates. In RKS, we offer bonuses twice a year to

employees with less than five days of sick leave during the year. Additionally, we provide commuting support for employees who travel over 12 km as well as co-financing for meals, gym memberships, and bike rentals to further enhance their well-being.

In 2023, Valmet Automotive launched a company-wide bicycle benefit system for all employees. The initiative aligns with our company values of promoting well-being, reducing our carbon footprint, and fostering a sense of community. Staring from October, employees were offered the opportunity to lease a tax-free bicycle, which they can later purchase at a discounted price after the leasing period ends. The initiative received a lot of positive feedback, motivating our employees to embrace healthier and more sustainable ways of commuting.

NEW EMPLOYEE HIRES

	2021		2022		2023	
Female	367	(22%)	165	(36%)	97	(30%)
Male	1226	(78%)	296	(64%)	237	(70%)
Unknown / undeclared	11	(0%)	0	(0%)	1	(0%)
All	**1,709**		**461**		**335**	

AGE BREAKDOWN

	2021	2022	2023
<30	44.7%	40.6%	31.3%
30-50	43.8%	49%	57.3%
>50	12.4%	10.4%	11.4%

EMPLOYMENT TYPE ON THE DATE 31.12.2023

	2021		2022		2023	
Permanent	**4,553**	**97.9%**	**4,002**	**98.0%**	**3,350**	**95.7%**
Female	1,115	24.5%	1,075	26.7%	907	27.1%
Male	3,400	74.7%	2,944	73.2%	2,441	72.9%
Unknown / undeclared	5	0.1%	3	0.1%	2	0.1%
Temporary	**98**	**2.1%**	**81**	**2.0%**	**149**	**4.3%**
Female	45	45.9%	37	45.7%	61	40.9%
Male	53	54.1%	44	54.3%	88	59.1%
Unknown / undeclared			0	0%	0	0%
Full-time	**3,666**	**78.8%**	**4,011**	**97.8%**	**3,408**	**97.4%**
Female	953	26.0%	1,066	26.6%	919	27%
Male	2,708	73.9%	2,942	73.3%	2,487	73%
Unknown / undeclared	5	0.1%	3	0.1%	2	0.1%
Part-time	**39**	**0.8%**	**92**	**2.2%**	**91**	**2.6%**
Female	24	61.5%	46	50%	45	49.5%
Male	15	38.5%	46	50%	46	50.5%
Unknown / undeclared			0	0%	0	0%
Non-guaranteed hours employees			0	0%	0	0%
External workers	269		351	9%	360	9,3%

SKILLED PEOPLE

HEALTH AND SAFETY

Health and Safety issues are managed by each business line and reported regularly to the Valmet Automotive Management Team. Health and safety constitute one of the six pillars in the Group's operating system.

The policies, targets, and follow-ups are prepared and defined by the business lines, as each of them have individual needs and scopes. The key performance indicators (KPIs) in health and safety are injury rates (LTI, LTIF, TRI, TRIF)*, Safety Observations, Safety Moments, and Management Safety Walks.

Valmet Automotive's locations in Finland have the legally required occupational health and safety committees. The committees meet regularly and monitor occupational safety development, potential risks, and key figures. The committee consists of employees elected for a two-year term, HR managers and directors of operations.

Health and Safety is an issue on the agenda at every regular management level meeting, separately organized meetings in production areas, and collaboration meetings between business lines where incidents, best practices, and development measures are discussed. In Poland, Occupational Health & Safety committee with equal number of employee and employer representatives meets quarterly as well.

The Zary plant (RKS) and the Uusikaupunki plant (VCM) have ISO 45001 certification for occupational health and safety. In 2023 the Salo and Uusikaupunki plants (EVS) were also certified.

HAZARD IDENTIFICATION AND RISK ASSESSMENT

At Valmet Automotive, risks for high-consequence accidents are identified and reported in H&S system by means of occupational risk analysis and assessment, considering the exposure, likelihood and severity of accidents occurred and safety notes reported by employees.

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

In 2023, we developed a risk assessment integration process,

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

where the safety observations and risk assessments from all three business lines are documented in one harmonized system. This will increase transparency and effectiveness in risk management and reporting processes across the whole company.

Regular safety meetings organized by managers for their teams also play a significant role in risk identification and in encouraging employees to report potential safety risks. All production locations organize safety walks, where managers from all areas are encouraged to participate. The number of safety walks is a safety KPI and VCM excelled here: in 2023, the business line had 49 management safety walks, well above the target (33). In EVS, the number was 68, and in RKS, 28.

Valmet Automotive employees made 3,613 safety observations and participated in 1,544 safety moments in 2023. Safety moments are informative discussions held by supervisors. In addition, we recorded 330 WOCs (Walk-Observe-Communicate), interactive employee safety walks. During such walks, specific areas or departments are monitored and safety topics discussed.

FOCUS ON TRAINING, COMMUNICATION, AND REPORTING

We ensure high quality of health and safety processes through specialized employees and supervisors, and continuous internal training on health and safety for all employees. We evaluate and improve the processes through internal and external audits and planned programs.

Employees are encouraged to report work-related hazards to their supervisors via an internal reporting and observation system. Our grievance policy sets out a process for addressing inappropriate behavior.

Employees also have the right to stop working if they believe the work could cause injury or health hazards. In such cases, the process would be stopped until it is ensured that the work can be continued safely.

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

Health & Safety topics are continuously communicated and guidance for making safety observations is available on various channels, including intranet, TV Screens and mobile applications.

Safety training is a priority at Valmet Automotive. Every supervisor must participate in safety training courses and all employees receive general training on safety, followed by task-specific safety training. In EVS, all recruited production employees receive a comprehensive orientation, including occupational, electrical work, and high voltage work safety training. Also, the contract partners working at our premises have mandatory safety training. If they are working on a larger project, they must deliver a safety plan.

ACTIVE ENGAGEMENT WITH THE NATIONAL FORUM FOR HEALTH AND WELLBEING

Valmet Automotive is committed to continuous safety improvements. Our Vehicle Contract Manufacturing (VCM) business line has been an active member of the Nolla Tapaturmaa (Nollis or Vision Zero) Forum since 2014.

In 2023, Valmet Automotive's representative joined the steering group of the forum, fostering cooperation, knowledge-sharing, and best practice dissemination. The VCM business line attained certification level III – "Heading for the Top" from the Zero Accidents Forum (Nollis). Our aim is to continue improving occupational safety and to move up in the safety level certification.

The EVS business line joined the Nollis Forum in 2023.

THE VISION ZERO FORUM SAFETY LEVELS ARE

I – World Class Achievement
II – Towards World Class
III – Heading for the Top

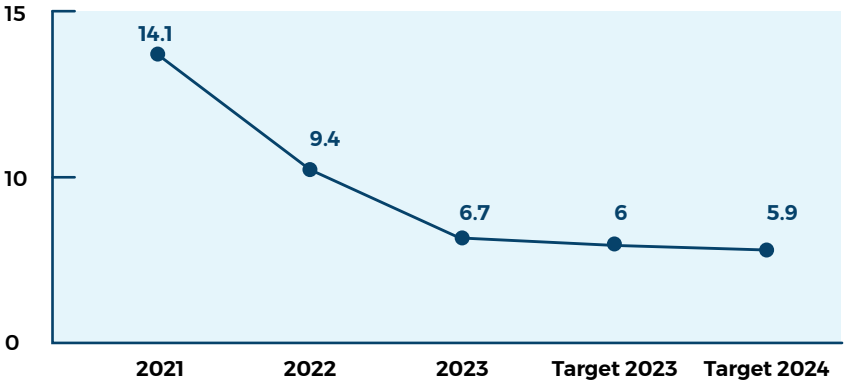
IMPROVED INJURY RATES

Valmet Automotive greatly improved the injury rates in 2023, highlighted by the following achievements: In September, the battery test center in Bad Friedrichshall had 1,000 days without LTI accidents, and in December the battery plant in Uusikaupunki reached 500 days without accidents.

The VCM business line had three months without accidents in 2023, and the frequency of lost time injury per million work hours (LTIF) improved from 11.1 to 5.9, well below our target (8.0). Almost halving the LTIF rate in VCM showcases the safety-oriented mindset of our personnel. In the RKS business line, the LTIF target was also met with 4.2 (target was5.0).

In the EVS business line, the LTIF improved from 9.9 to 8.9, above the target of 5.0. Most of the injuries happened in our plant in Salo, where we have recently expanded our operations. We are now focusing our safety development work on supervisor training, improving instructions, better use of machines and safer walking in the plant area. In late 2023, we could already see the impact of these efforts with zero LTI injuries at the Salo plant in November and December.

INJURY RATE, GROUP*



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

OCCUPATIONAL HEALTHCARE SERVICES AND WELLBEING

At locations in Finland, employees are provided with occupational health care. Occupational healthcare conducts pre-employment, employment, and periodic medical examinations but also provides assistance from healthcare specialists as well as supports in risk assess-

ment at work. We work closely with healthcare professionals and include them in our meetings.

In Poland, we have signed contracts with two medical centers. In Germany, medical services are purchased mainly for induction and periodic examinations, and consulting for other special needs when needed.

Valmet Automotive offers voluntary services to support the well-being of our employees, especially in our largest locations in Finland. We provide a substance abuse prevention program, sleeping instructions, free access to our own gym at the Uusikaupunki plant, and vouchers for employees in Finnish locations to promote health and well-being. In 2023, the monetary value of well-being vouchers was increased by 25%.

Safety Indicators	2021	2022	2023	Target 2023	Target 2024
Injury rate, VCM (≥ 1 days) LTIF	19.4	11.1	5,9	8	5
Injury rate, EVS (≥ 1 days) LTIF	4.8	9.9	8.9	5	7
Injury rate, RKS (≥ 1 days) LTIF	0	3.4	4.2	5	5
Injury rate, Group (≥ 1 days) LTIF	14.1	9.4	6.7	6	5.9
Injury rate, Group (≥ 4 days)	6.7	4.6	4.1	-	-
Total Recordable Incident Frequency (TRIF), Group	24.2	16.3	10.3	11	9.8
Number of injuries, Group	163	114	60	-	-
Occupational diseases	3	4	1	-	-
Number of work-related fatalities	0	0	0	-	-
Number of safety observations	3,535	5,591	3,613	-	-
Safety observations (/employee)	0.81	1.19	0.96	min.1	0.9
Number of injuries (LTI) VCM	89	42	13	-	-
Number of injuries (LTI) EVS	6	20	21	-	-
Number of injuries (LTI) RKS	0	4	5	-	-

Injury rates per 1,000,000 hours worked

SMOKE FREE WORKPLACE

The VCM business line launched a smoke free workplace initiative in 2023 and is now officially a smoke-free workplace as of January 1, 2024. All smoking areas have been moved outside the plant premises.

We support our personnel by providing help to quit smoking through instructions and guidance, arranging support discussion groups, and fully or partly compensating for employees' medical treatment and nicotine replacement products. Employer and peer support are available for everyone. All Valmet Automotive locations in Finland are now smoke-free.

TRUE GREEN INITIATIVE

TRUE GREEN INITIATIVE

THE TRUE GREEN INITIATIVE

The True Green Initiative is Valmet Automotive's company-wide sustainability program. It serves as a practical guide to embed green thinking and actions into our organizational culture at all levels, directing us toward the achievement of our sustainability goals.

Since its launch in 2021, the True Green Initiative has already reached several milestones under each workstream.

Moreover, it aims to enhance sustainable practices in manufacturing, increase value chain sustainability, and promote sustainable design of our products as well as increase the green attitude and sustainability maturity throughout our organization.

The True Green Initiative plays a crucial role in aligning our decision-making processes, reporting mechanisms, and data management practices with emerging regulatory demands.

In this section, we will introduce the initiative along with the accomplishments attained in each workstream throughout 2023. Each workstream carries its distinct purpose and agenda, collectively ensuring that the company attains its sustainability targets.

THE INITIATIVE CONSISTS OF SIX WORKSTREAMS

1 GREEN MANUFACTURING

2 SUSTAINABLE VALUE CHAIN

3 DESIGN FOR ENVIRONMENT

4 DATA MANAGEMENT

5 GREEN ATTITUDE

6 DECISION-MAKING & DISCLOSURE

GREEN MANUFACTURING

WORKSTREAM 1 – GREEN MANUFACTURING

Workstream 1 of the True Green Initiative, Green Manufacturing, focuses on promoting and developing sustainable practices in Valmet Automotive's manufacturing processes. The focus of this workstream is on efficient use of resources, energy-efficient manufacturing methods, contributing to circular economy, and reducing emissions.

Our 2023 Double Materiality Assessment results point out that ESRS topics, Climate Change, Pollution, and Circular Economy, are material for us from both inside-out and outside-in perspectives.

This means that our operations have an impact on the environment and people, and that our business can also be financially impacted from the outside.

We aim to address these impacts both within our own operations and throughout our value chain by establishing cooperation with our suppliers and strengthening our supply chain sustainability due diligence processes.

All three business lines report to the Group Management Team and to our internal Sustainability Committee on relevant environmental key performance indicators (energy and electricity consumption, CO_2 emissions, recycling rate) quarterly. Corrective actions are taken if the targets are not met.

Furthermore, best practices and pilots are shared between corporate functions and business lines. Stakeholders are engaged in the process through ongoing dialogues with customers, industry and research associations on both national and industry levels, focusing on low carbon roadmaps and their practical application.

GREEN MANUFACTURING

CARBON NEUTRAL OPERATIONS SINCE 2022

Valmet Automotive has achieved externally validated carbon neutrality for our own operations (Scope 1 & 2) as of January 1, 2022. We are now focusing on minimizing the need for compensations, setting science-based climate targets, and reducing emissions in the entire value chain.

Since 2019, we have reduced our CO_2 emissions in our own operations (Scope 1 & 2) by 90%. These reductions have been accomplished by replacing energy sources with renewable alternatives. The remaining emissions are mainly generated by the use of fuels, particularly for facility and process heat.

Our goal is to advance the CO_2 neutrality target by curbing energy consumption and transitioning to renewable energy sources. While compensations address the remaining emissions, our primary objective remains the reduction of CO_2 emissions to achieve zero emissions in Scopes 1 and 2 by 2027.

EMISSION REDUCTIONS IN 2023

In 2023, our Scope 1 & 2 emissions decreased significantly for several reasons. Change in production volume levels in the Vehicle Contract Manufacturing Business Line (VCM) car plant played a major role in reducing emissions. Additional gains were also made through the successful accomplishment of several milestones in our emission reduction action plan.

In Finland, the Salo battery plant switched to a renewable alternative in heating, and the energy source in our Vantaa office in Finland was replaced with renewable alternative as well.

An important milestone in emissions reduction was achieved at the end of 2023, when we implemented a light fuel oil substitution project in our Uusikaupunki car plant Vehicle Contract Manufacturing (VCM) business line, that will result in a significant reduction in emissions from the car plant. Read the full story on **page 54.**

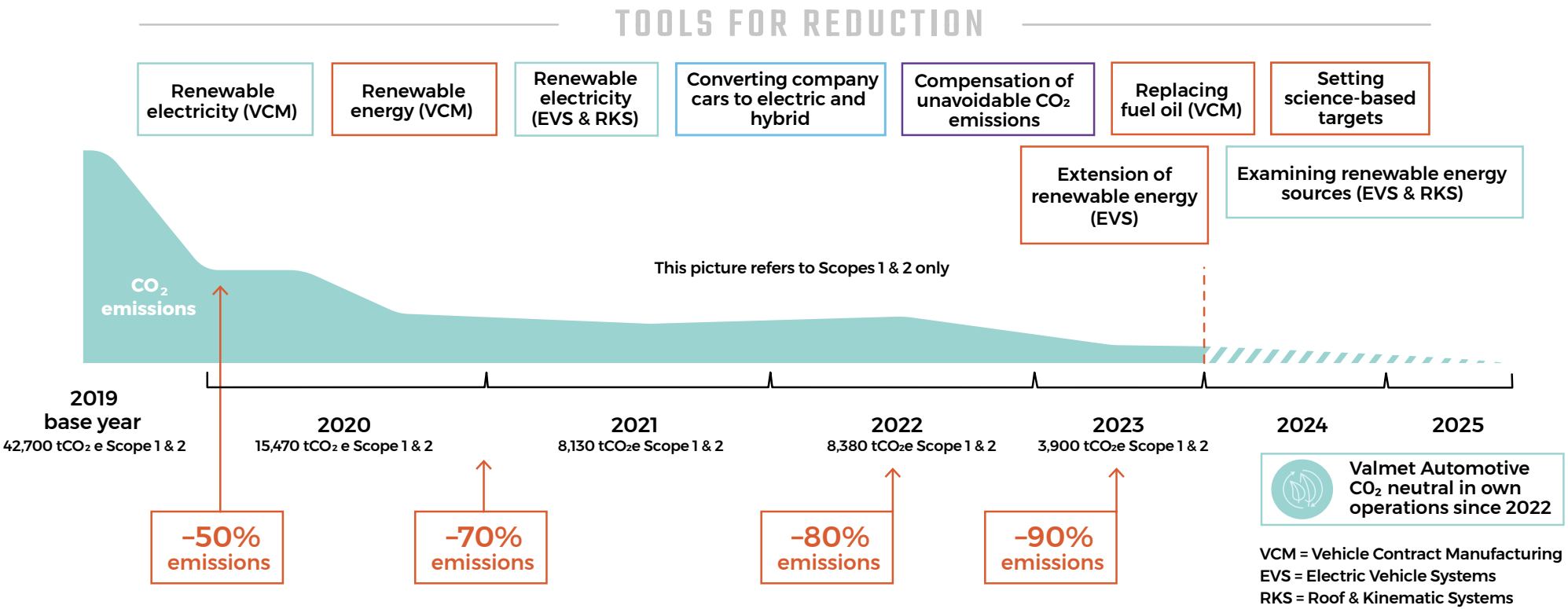
In 2024 we will set science-based climate targets to define our decarbonization roadmap across all emission Scopes. We also plan to investigate alternatives to natural gas used for heating at the Roof & Kinematics Business Line (RKS) sites.

VALIDATED CARBON NEUTRALITY

Valmet Automative is validated as carbon-neutral by an independent third-party in its own operations (Scope 1 & 2) according to PAS 2060, the global standard for carbon neutrality since January 1, 2022. The remaining CO_2 emissions in Scope 1 & 2 (3,904 tCO_2e in 2023) were compensated by funding a Solar Power project in Vietnam.

The compensation program is verified by a recognized third party (Gold Standard) and it supports Valmet Automotive's targets for renewable energy and selected UN Sustainable Development Goals. Our main objective is to advance climate work in order to facilitate the shift to an emission-free society through the Science-Based Targets program.

TIMELINE FOR CO_2 NEUTRAL VALMET AUTOMOTIVE



EFFORTS FOR REDUCING SUPPLY CHAIN EMISSIONS

Emissions from our value chains (Scope 3) cover over 95% of all of Valmet Automotive's carbon footprint. For this reason, we are continuously working to reduce them. The major emission sources are purchased goods and services, capital goods, and transportation.

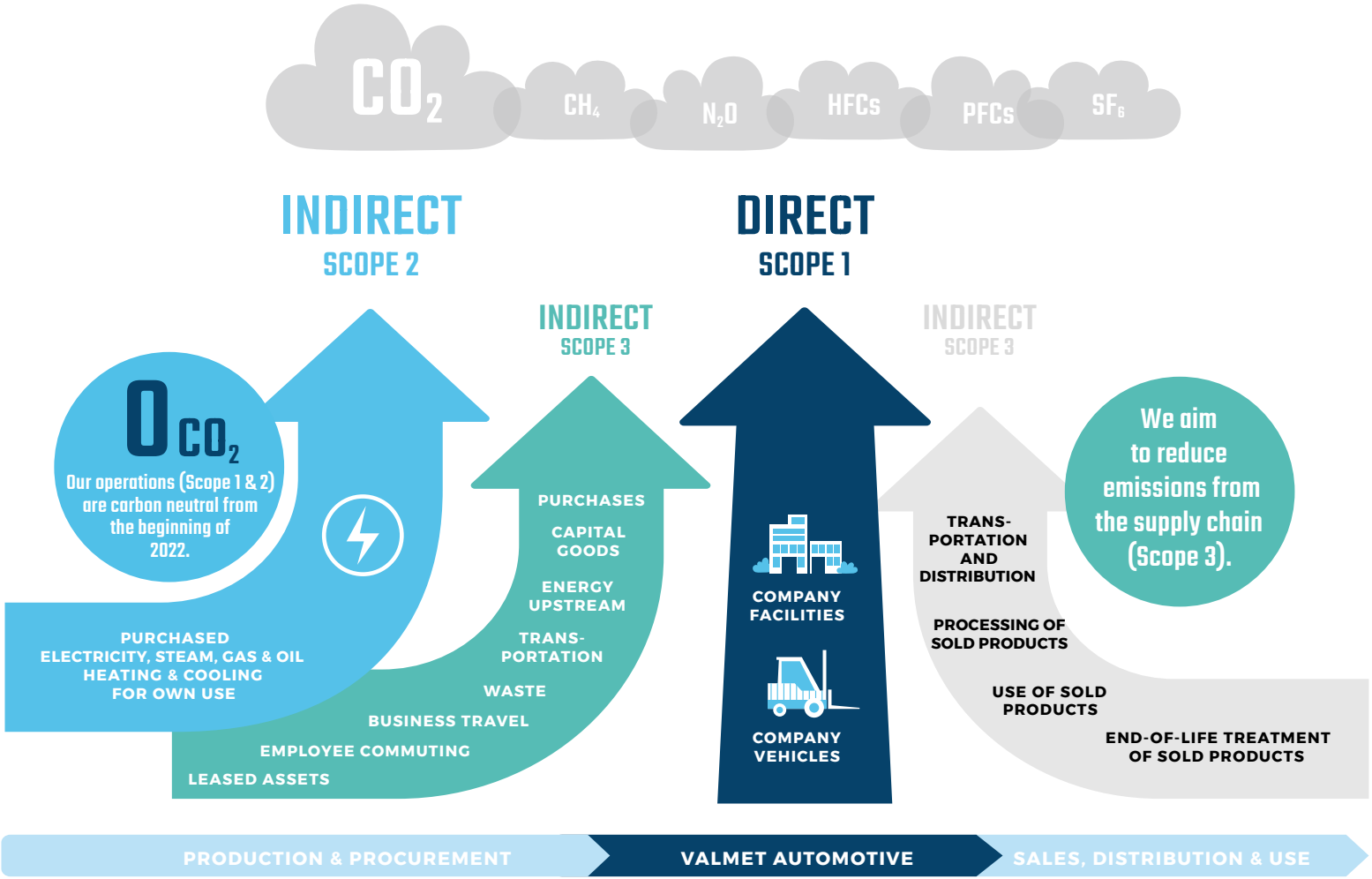
We are exploring possibilities to minimize logistics emissions, with a specific emphasis on the Vehicle Contract Manufacturing Business Line (VCM), which contributes to approximately 75% of our transportation emissionss. Together with our logistics partners, we are actively seeking ways to reduce emissions through optimized transportation routes, alternative fuels, and electrification strategies.

In 2023, significant improvements in our data collection process helped us gain better understanding of emission sources in purchased goods and services. In

2024, we will be developing internal data management structures to further improve data quality and coverage. This will enable us to more precisely identify measures for decarbonization in our value chain.

Workstream 2 of the True Green Initiative, Sustainable Value Chain, focuses on mitigating supplier risks and reducing supply chain emissions. In 2023, we updated our Supplier Code of Conduct (SCoC) to encourage our suppliers to set science-based emission reduction targets, and implemented a sustainability assessment campaign to gain a more comprehensive understanding of supplier risks and impacts in our value chain. You can read more on **page 62.**

CO_2E* 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.

CO_2 EMISSIONS FROM OWN OPERATIONS

	2021	2022	2023
Scope 1	7,677	7,933	3,884
Scope 2	449	446	20
Total	8,126	8,379	3,904

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

SCOPE 2 EMISSIONS

	2021	2022	2023
Scope 2, market-based	449	446	20
Scope 2, location-based	20,009	17,177	12,822

SCOPE 3

tCO_2e	2020	2021	2022
Total	137,949	182,734	196,740
Purchases (cat. 1)	51,921	62,991	74,640
Capital goods (cat. 2)	11,098	21,980	28,862
Fuel and energy-related activities (cat. 3)	6,205	8,851	8,568
Transportation and distribution (cat. 4)	62,825	80,183	68,326
Waste generated in operations (cat. 5)	1,178	2,267	2,168
Business travel (cat. 6)	119	293	701
Employee commuting (cat. 7)	4,603	5,596	8,670
Upstream leased assets (cat. 8)		363	0
Downstream transportation and distribution (cat. 9)		56	4,596
Use of sold products (cat. 11)		119	166
End-of-life treatment of sold products (cat. 12)		35	43

Numbers marked on green background are revised from previous report.
Scope 3 data is from previous year as scope 3 data is gathered in Q2.

ENERGY CONSUMPTION

	2021	2022	2023
Electricity consumption (MWh)	65,153	67,090	51,550
Heating energy consumption (MWh)*	117,361	99,470	74,615
Total	**182,514**	**166,560**	**126,165**

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

FUEL CONSUMPTION

	2021	2022	2023
From non-renewable sources (thousand liters)	N/A	2,345	1,028
From renewable sources (mWh)	N/A	0	2,928

GREEN MANUFACTURING

CASE – SUBSTITUTION OF LIGHT FUEL OIL WITH RENEWABLE FUEL OIL

In October 2023, we initiated the replacement of Light Fuel Oil in our car plant in Uusikaupunki, Finland, with renewable light fuel oil. By the end of the year, 80% of fuel used in VCM for heat generation in Uusikaupunki operations had been transitioned to renewables.

We aim to reach 100% renewable fuel usage by the beginning of 2024. This will be an important achievement in our journey towards zero emissions as it is a significant part of our Scope 1 and 2 emissions.

This strategic initiative is expected to reduce the total carbon footprint of VCM operations by at least 85%.

In 2022, Scope 1 and 2 emissions totaled 8,369 tCO_2e, with light fuel oil contributing 77%. However, in 2023, this figure decreased significantly to around 2,900 tCO_2e.

POSTPONEMENT OF ENERGY TERMINAL PROJECT

We had initially planned to substitute light fuel oil with LNG and LBG, which promised emission reductions of 25% (LNG) and 95% (LBG), respectively. Despite the installation of tanks in 2022, the irreversible nature of the required investment in tanks, pipes, and burners made the project impractical.

Market turbulence led to a re-evaluation in October 2022, and by April 2023, renewable light fuel oil (HVO) emerged as a more viable alternative. Requiring only the installation of new flame detectors on burners, this reversible change allows for fuel mixing in response to unexpected disruptions in energy markets.

GREEN MANUFACTURING

IMPACT ON AIR QUALITY

In addition to working towards achieving zero emissions within our own operations and reducing CO_2 emissions across our value chain, we measure Volatile Organic Compounds (VOC) emissions in our car plant.

While the Uusikaupunki plant's environmental permit sets the limit value at 45 g/m2, our internal target is more ambitious, established at 19 g/m2. In 2023, our VOC emissions slightly increased to 21 g/m2 compared with 2022 (17,2 g/m2). The increase was due to changes in products and production volumes in 2023. To meet the targets, we are testing new materials to assess their suitability for our operations.

GREEN MANUFACTURING

EFFICIENT USE OF RESOURCES

Promoting Circular Economy in our manufacturing processes is integral to the True Green Initiative and Workstream 1, Green Manufacturing. We aim to improve the efficiency of material and resource utilization, including packaging materials, waste, water, and energy. In addition, we are developing procurement practices that conform with circular principles.

We have also set targets for waste recycling rates and the reduction of water withdrawal in production. These indicators (KPIs) are part of our environmental program, monitored regularly across all business lines. The development is reviewed quarterly by the Group Management Team.

CIRCULAR ECONOMY ROADMAP GUIDING ACTION IN THE CAR PLANT

During the past few years, we have elevated our commitment to the circular economy within our manufacturing operations.

In 2023, we increased awareness at the Uusikaupunki car plant by launching a circular economy video and distributing a handbook to the entire personnel. These communications highlight everyday opportunities where circular economy practices can be discovered and integrated into our work routines. Such actions facilitate the realization of our goals in Workstream 5, Green Attitude **page 68.**

In addition to increasing communication efforts, a significant milestone was accomplished with the launch of a Circular Economy Roadmap for the car plant. The roadmap project, started in 2022, identified over 60 development ideas for boosting circularity at the car plant in collaboration with our waste management partner. By 2023, the roadmap was finalized, comprising 34 actions, each accompanied by an action plan and a designated responsible person.

A dedicated project group, consisting of experts from different departments, convenes monthly to review the progress of measures outlined in the roadmap. The project is scheduled to conclude in 2024 upon the completion of all planned actions.

PARTNERSHIPS TO BOOST CIRCULAR ECONOMY

Our partners play a key role in implementing our sustainability strategy.

At the Uusikaupunki car plant, the majority of packages for vehicle components are circulated back to the suppliers and reused several times. Reusable packages are also extensively employed in our battery plants. Most of the other packaging materials are recycled.

In the Electric Vehicle Systems business line's battery plants, we have established partnerships with local waste management providers at each facility for the undertaking of circular economy initiatives. Together with these partners, we manage the recycling of scrapped

battery materials within our production processes. Previously, this partnership took place in our Salo and Uusikaupunki battery plants, and in 2023, our latest plant in Kirchardt, Germany, also entered the process for battery recycling.

In collaboration with a workwear service provider, we recycle worn-out work clothing at the Uusikaupunki and Salo plants.

At the Roof & Kinematic Systems plant in Zary, we have a partnership with a supplier that involves repairing scrapped wooden pallets. The company responsible for collecting our pallets repairs and reuses them.

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

GREEN MANUFACTURING

WASTE MANAGEMENT AND RECYCLING

Our environmental KPI mandates a 65% recycling target across all three business lines. In 2023, the total amount of waste decreased to 8,342 tons (from 11,000 tons in 2022), and the recycling rate was 63%. One of the main reasons for the change in the recycling rate is the ramp-up and shutdown of production lines.

Most of Valmet Automotive's waste is generated in the Uusikaupunki car plant, with packaging materials like cardboard, metal, and plastic being the primary contributors. Most of this is recycled, while residual materials like contaminated cardboard, hard plastic, and gloves are incinerated for heat. At our car plant, changes in a customer project, including the dismantling of one product line and the launch of another, impacted the recycling rate. Additionally, lower production volumes led to a reduction in recyclable packaging material, resulting in a 55% recycling rate.

In the battery plants, the recycling rate was well above target at 74%. However, the rate decreased from 81% in 2022 due to waste generated during the ramp-up of our newest battery plant in Kirchardt, Germany, as well as the ramp-up of new production lines at our other facilities. In addition, there was a change in packaging materials in 2023, which will have a short-term impact on the recycling rate.

In Zary plant, the recycling rate increased significantly from 42% to 58%. This achievement is due to a change in the waste separation method that took place in June 2023. The plant is continuing its efforts to find a solution to improve its textile waste recycling practices. Finding a recycling solution for textiles impregnated for automotive use is challenging but necessary.

RECYCLING RATE OF WASTE

2021	2022	GOAL 2022	2023	GOAL 2023
61%	64%	65%	63%	65%

WASTE DATA AND RECYCLING %*

WASTE GENERATED (METRIC TONS)	2021	2022	2023
Total weight of waste generated	**6,5**	**11,104**	**8,342**
Hazardous waste & & WEEE*	N/A	744	404
Energy waste	N/A	1,191	794
Metals	N/A	2,653	907
Plastic	N/A	644	488
Paper, carton & cardboard	N/A	1,942	1894
Reusable pallets	N/A	220	1,952
Batteries	N/A	275	343
Other waste	N/A	3,434	1,562

WASTE GENERATED DIVIDED BY BUSINESS AREAS 2023 (METRIC TONS)	RKS	EV	VCM
Total weight of waste generated	**331**	**5,388**	**2,624**
Hazardous waste & WEEE*	12	19	373
Energy waste	0	461	333
Metals	95	138	674
Plastic	21	412	55
Paper, carton & cardboard	76	1,558	260
Reusable pallets	15	1,865	72
Batteries	0	340	2
Other waste	113	596	853

**Waste electrical and electronic equipment*

GREEN MANUFACTURING

WATER MANAGEMENT

In 2023, our total water withdrawal decreased from 128,667 to 89,152 m3 due to the lower production volume in the car plant. The car plant follows strict criteria for handling wastewater, as outlined in the environmental permit and the industrial wastewater agreement, aligning with Best Available Techniques (BAT) policies.

The car plant has an internal wastewater treatment process where the water is treated in several steps. The environmental permit and industrial wastewater agreement impose limit values for potentially harmful substances, and these are measured several times annually around the plant area. The measurement is done by a third party, selected jointly by the water supplier and Valmet Automotive.

In our battery plants, water withdrawals increased due to the new battery plant in Kirchardt and the increased number of personnel. Notably, water usage remains marginal in the Zary plant processes.

Water withdrawal is one of the KPIs in our environmental program, targets adjusted for each business line. The targets for water management are defined by the energy group and approved by the management. As part of our sustainability agenda, we are exploring water management programs.

We also report our efforts in water security to CDP (former Carbon Disclosure project), which evaluates the company's disclosure of water-related risk management and withdrawal. In 2023, we received a score B-, Management level, in the CDP assessment.

WATER WITHDRAWAL, M³

WASTE GENERATED (METRIC TONS)	2021	2022	2023
Vehicle Contract Manufacturing	124,834	114,714	70,811
Electric Vehicle Systems	5,324	9,392	13,666
Roof & Kinematic Systems	3,380	4,561	4,675
Total	**133,538**	**128,667**	**89,152**

SUSTAINABLE VALUE CHAIN

WORKSTREAM 2 – SUSTAINABLE VALUE CHAIN

The True Green Initiative supports our sustainability strategy and targets in our own operations as well as throughout our value chain. Under Workstream 2, the Sustainable Value Chain, our objectives include the reduction of supply chain emissions, mitigation of supplier risks, and strengthening of the supplier sustainability assurance process.

Our most significant procurements include components, services, energy, and investments in production infrastructure. As a system supplier for Original Equipment Manufacturer (OEMs), we also make direct procurements of, for example, battery components and logistical services. This underscores the significance of promoting sustainable practices, fostering transparent communication, and encouraging our suppliers to minimize emissions, enhance environmental impacts, and uphold responsible business conduct.

SUSTAINABLE VALUE CHAIN

BUILDING THE FOUNDATION FOR RESPONSIBLE VALUE CHAIN MANAGEMENT

Valmet Automotive's supply chains involve over two thousand suppliers worldwide. As a part of the automotive sector and e-mobility´s value chain, which is susceptible to challenges in material sourcing, labour practices, human rights and environmental impact, our commitment to sustainability extends throughout the entire supply chain, showcasing our dedication to ethical practices, fair treatment, and environmental responsibility.

By following the OECD Due Diligence Guidance for Responsible Business Conduct, we guarantee proper due diligence processes in our supply chain.

Our Supplier Code of Conduct (SCoC) forms the core of our Supply Chain Due Diligence Process. This code sets minimum requirements, covering working conditions, human rights, health and safety, environmental sustainability, ethical business practices and standards for the responsible procurement of raw materials. We require all our suppliers to agree and adhere to the requirements of the SCoC, which is integrated into the tendering process to ensure that all current and potential suppliers are fully aware of our requirements.

In the last quarter of 2023, we updated our SCoC to meet the evolving challenges and demands of our industry.

SUCCESSFUL SAQ SUPPLIER CAMPAIGN 2023

As part of our Supply Chain Due Diligence Process, we evaluate the sustainability performance of selected suppliers using a self-assessment questionnaire called SAQ 5.0.

WHAT IS THE SAQ 5.0?

The SAQ 5.0 is a Sustainability Assessment Questionnaire developed in 2014 and revised in 2022 by the Members of Drive Sustainability – an automotive initiative that sets common sustainability expectations for the automotive supply chain.

By using SAQ 5.0, we and our suppliers have a lot of advantages. Our suppliers can use the platform free of charge. They only have to answer the SAQ 5.0 once and can then share it with different customers. By completing the questionnaire, our suppliers receive an industry-recognised sustainability rating and recommendations for improving their sustainability performance.

As the SAQ 5.0 is aligned with fundamental principles of social, environmental and governance responsibility, it helps us to assess the maturity level of our suppliers' sustainability processes and compliance with the defined minimum requirements.

In 2023, we launched the Valmet Automotive Supplier

Sustainability Assessment Campaign to increase our suppliers' engagement with sustainability and further improve the transparency of our suppliers' sustainability performance.

Remarkably, despite a previous supplier participation rate of <5%, this year's campaign resulted in a 72% SAQ engagement rate among suppliers, exceeding our target of 50%. This lays the groundwork for our 2027 goal of 95% feedback and higher SAQ scores.

INCREASING SUPPLIER ENGAGEMENT

Continuous due diligence is essential for implementing sustainable and responsible business practices throughout the supply chain. For the upcoming year, our focus is on increasing SAQ supplier engagement and enhancing sustainability performance. We have set ourselves an ambitious target of achieving an SAQ score of 80% on 90% of our purchasing volume by 2027. We plan to achieve this by analyzing SAQ scores and responses, collecting comprehensive supply chain data, and defining minimum sustainability requirements for our sustainable value chains.

DESIGN FOR ENVIRONMENT

WORKSTREAM 3 – DESIGN FOR ENVIRONMENT

Workstream 3 focuses on enhancing the environmental profile of our product portfolio by minimizing the CO_2 footprint. This stream is driven by regulatory mandates, customer expectations, and our aspiration to lead in global e-mobility and renewable energy storage while contributing to climate protection.

To reinforce this commitment, we are creating a handbook for environmentally conscious product design. This guide will cover topics such as recycled material usage, reusability, and repairability. Additionally, we are assessing the viability of incorporating Battery Passport processes, conducting evaluations, and identifying their relevance.

In preparation for the EU Battery Regulation implemented in 2023, Valmet Automotive has initiated a pilot carbon footprint calculation for the modular power pack. The regulation will require carbon footprint declaration for EVs and industrial batteries by 2025, and a Battery Passport for manufactured batteries starting from 2027.

DESIGN FOR ENVIRONMENT

BATTERY REGULATION CREATES CHALLENGES FOR THE ENTIRE VALUE CHAIN

The new Battery Directive, which entered into force in 2023, will standardize battery lifecycle requirements within the EU. This directive binds data across the entire battery value chain, from raw material production to product design and reuse of recycled materials.

The key requirement of the Batteries Directive is the Battery Product Passport, which compiles information on battery materials and their origin, including CO_2 emissions, use and recycling. The product passport serves as a linchpin, connecting the entire value chain to generate information and facilitate transparent monitoring of the product's lifecycle.

The Battery Product Passport opens avenues for circular economy opportunities, ushering in more efficient recycling methods, fostering reuse, and inspiring innovative business models around critical materials. At the same time, the directive enables more effective measures to reduce CO_2 emissions.

The underlying concept of the battery passport operates on a decentralized, blockchain-inspired principle, wherein each segment of the supply chain contributes data. The goal is to maintain accuracy, currency, and verifiability of the data contained within the passport. This requires a novel approach to data management across the value chain participants.

CHALLENGES IN DATA MANAGEMENT

The primary challenge lies in gathering and evaluating reliable, verifiable data from all value chain actors. While we possess high-quality data on our internal operations, obtaining precise and reliable data on the global value chain poses many hurdles.

Creating common approaches for the battery ecosystem requires standardized solutions for calculation models, data platforms and data validation, as well as more precise guidance from public authorities.

The introduction of product passport requirements will enhance collaboration with customers and suppliers in the future. However, during the product passport's development phase, internal stakeholders and departments will be the primary focus of engagement.

A transparent value chain facilitates data-collection during the use phase. This information is invaluable for product development, allowing optimization of the battery's life cycle and characteristics, and ensuring recyclability for dismantling and material reuse.

Increasing knowledge of the battery life cycle will also help in supply chain planning and management and addressing relevant issues throughout the supply chain. ■

DATA MANAGEMENT

WORKSTREAM 4 – DATA MANAGEMENT

Corporate sustainability reporting is undergoing significant changes. We are proactively adapting to meet the new requirements. The introduction of new European Sustainability Reporting Standards, which will require the disclosure of numerous data points, calls for a strong data management strategy.

To address these changes effectively, we have established Workstream 4, Data Management, which is dedicated to the streamlining and optimization of data management and reporting processes. The aim of this Workstream is to identify reporting data requirements, harmonize diverse data sources, and automate data processing wherever feasible.

DATA MANAGEMENT

ESG PREPAREDNESS AND COMPLIANCE

In anticipation of the forthcoming reporting requirements, we are laying the groundwork for enhanced data management. Conducting Valmet Automotive's first Double Materiality Assessment was an important first step for creating internal data processes.

Based on the results, we have started a project to map out data points defined in the European Sustainability Reporting Standards (ESRS) and analyze gaps in our current readiness for disclosing sustainability data. We have also held internal workshops and fostered cooperation between departments to prepare for upcoming reporting needs.

A critical aspect of this effort involves an evaluation of our current data collection methods and the exploration of possibilities for automated data collection processes. Our overarching objective is to establish a resilient foundation for ESG data management and architecture, promoting collaborative and systematic data-gathering processes across the organization. This endeavor ensures readiness for reporting tagged, transparent, and auditable ESG data.

GREEN ATTITUDE

WORKSTREAM 5 – GREEN ATTITUDE

Workstream 5, the Green Attitude, incorporates green thinking into our daily work agenda. Its primary objective is to increase sustainability maturity across our organization and support our strategic target of cultivating green thinking. In 2023, we achieved several milestones in workstream 5, marking significant progress in our commitment to sustainability.

We believe that each employee can influence our sustainability culture, and it is our duty to engage and support the personnel in contributing to sustainable development. This involves fostering two-way communication and interaction on all matters related – but not limited – to sustainability matters.

GREEN ATTITUDE

CULTIVATING GREEN THINKING

INCREASING SUSTAINABILITY MATURITY LEVEL

To increase the sustainability maturity level within our organization, we piloted an internal sustainability maturity survey in 2023. The survey provided valuable insights into our current sustainability efforts, laying a robust foundation for future enhancements. The pilot project highlighted areas of strength and potential development. We intend to repeat this survey regularly.

SPREADING GREEN ATTITUDE

In tandem with the sustainability maturity survey, we revised and launched an updated version of our organization-wide sustainability training for office personnel, and increased sustainability communications through our internal channels.

In 2023, we doubled the number of internal sustainability newsletters, increased sustainability-related communication externally, and organized sustainability forums for various internal stakeholder groups.

We also launched an internal sustainability communications project, delivering informative and educational sustainability content through the Valmet Automotive mobile application – currently available in the car plant (VCM) only. Our aim for 2024 is to expand this initiative to other business lines.

THE YEAR OF GREEN IDEAS

To facilitate the active participation of every employee in sustainable development, we have launched a companywide "My Green Ideas"-channel. This platform allows everyone to share their innovative sustainability ideas. The channel's integration into our continuous improvement system marked a significant development.

We also increased internal communications concerning the "My Green Ideas"- channel and established personal targets for employees. Accessibility was a priority, ensuring easy submission for both office and production floor staff. By the end of the year, we had received 650 green ideas from our employees from all business lines and locations. This was a remarkable 13-fold increase from 2022, proving that our efforts in cultivating green thinking have been successful.

These Green Ideas, mainly focused on energy efficiency, waste management, and recycling, are frequently reviewed and assessed. They will play a pivotal role in supporting the ongoing development of the True Green Initiative by offering valuable insights and guiding resource allocation.

These achievements showcase the green attitude and innovative mindset of Valmet Automotive's personnel, paving the way for continued sustainable development.

GREEN ATTITUDE

GREEN ATTITUDE IN ACTION

SUPPORTING THE COMMUNITY THROUGH SPONSORSHIPS

Valmet Automotive upholds social responsibility by actively contributing to society through sponsorships and donations. For over 40 years, sponsorship has been an essential part of the company's responsible corporate citizen role. They not only bolster our corporate brand and image but also foster positive relationships with various stakeholders in our locations.

Aligned with our company policies, we sponsor especially the youth, science and research, culture, sports, and projects related to sustainability and the environment.

In 2023, we provided financial support to local sports associations and projects promoting education, community work, and culture in the areas where we operate. Additionally, we contribute know-how, such as participating in product development projects with students.

OUR PERSONNEL TAKING INITIATIVE

The green attitude of our personnel is apparent in many ways. In 2023, a team of colleagues from our sites in Zary, Poland, and Osnabrück, Germany, planted over 300 trees. The decision to embark on this tree-planting endeavor was driven by several compelling reasons.

The team's aim is to make this a recurring action involving all Valmet Automotive departments. This initiative is not only a green idea but also a fantastic opportunity for team building and fostering team building and companionship among our personnel.

SAVING ENERGY TOGETHER

Since 2022, Valmet Automotive has organized an energy saving week every autumn. During this week, we have spread awareness and information by sharing energy saving tips and success stories across the three business lines.

Our personnel actively participate by sharing their own tips for saving energy and spreading green attitude in all our locations. Saving energy and promoting energy-efficient ways of working are material topics for us, and support our target of being efficient in energy consumption.

DECISION-MAKING AND DISCLOSURE

WORKSTREAM 6 – DECISION-MAKING AND DISCLOSURE

Workstream 6, Decision-Making and Disclosure, focuses on improving external reporting and exploring green financing opportunities while bolstering decision-making and risk management processes. In this Workstream, we monitor and prepare for regulatory changes, and collaborate with our finance and legal teams to ensure compliance.

We aim to build robust sustainability and due diligence processes, readiness for integrated corporate reporting practices, and the capacity to implement our decarbonization strategy in line with the Science-Based Initiative. We strive to uphold transparent reporting and effective sustainability governance for our stakeholders.

Beyond regulatory reporting, our commitment extends to disclosing sustainability issues through international reporting systems such as CDP. Assessing and managing ESG risks and opportunities is also central to this workstream. Conducting the Double Materiality Assessment in 2023 was an important step in laying a strong foundation for comprehensive risk management and strategic screening of opportunities in our dynamic business environment.

ABOUT THIS REPORT

This is the fifth annual sustainability report of Valmet Automotive Plc ("Group" or "Valmet Automotive") covering the same entities outlined in our financial report for the reporting period spanning from January 1 to December 31, 2023, unless otherwise stated. Our reporting adheres to the GRI standards, and we are preparing for next year's report in compliance with the European Sustainability Reporting Standards (ESRS) under the Corporate Sustainability Reporting Directive (CSRD). Our Group Management Team (GMT) reviews and approves our sustainability report.

Our reporting is aimed at a broad range of audiences, including but not limited to our employees, customers, investors, NGOs and industry associations.

The content and selected topics in this report derive from our sustainability strategy and double materiality assessment conducted at the end of 2023.

Scope 1 & 2 CO_2 emissions have undergone external verification. For more information on the environmental data, please read more on **page 73.**

This report was published in April 2024.

CONTACT INFORMATION

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

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

DATA & GRI

ABOUT DATA COLLECTION

The CO_2 emission calculations presented in this report are based on the Greenhouse Gas Protocol company standard and guidance. Emission calculations are divided into three main categories: Scopes 1, 2, and 3. Scopes 1 and 2 include our energy-related emissions from both owned and leased premises of which we have operational control. This enables Valmet Automotive to have direct influence over the reduction of emissions and take necessary steps to achieve carbon neutrality without offsets.

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

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

GHG emissions are calculated based on the direct measurement of energy use (e.g. meter reads/invoices) where available and estimated energy consumption based on office area or reference periods where direct measurement is not possible. The base year for calculations is 2019 (the first year calculating).

VALIDATED CARBON NEUTRALITY

The Scopes 1 and 2 carbon neutrality has also been verified by an external party **page 75**. The verification process started with an assessment of CO_2 emissions included in the carbon neutrality program (Scopes 1 and 2) and a review of the calculation framework and methodology against reporting standard criteria (e.g. GHG protocol, PAS 2060, and Valmet Automotive's instructions). Then, the activity data, emission factors, and calculation accuracy were reviewed based on selected sampling and data assurance.

The carbon neutrality management approach, claims and offset, and other relevant PAS 2060 requirements were assessed to finish off the process.

VALUE CHAIN EMISSIONS

Scope 3 accounts for other indirect GHG emissions (upstream and downstream) relevant for us in 2022:

1. Purchased goods and services
2. Capital goods
3. Fuel- and energy-related activities
4. Upstream transportation and distribution
5. Waste generated in operations
6. Business travel
7. Employee commuting
8. Downstream transportation and distribution
9. Use of sold products
10. End-of-life treatment of sold products.

Data from category 8. Upstream leased assets have been included in Valmet Automotive's Scope 1 & 2 calculations. Categories 10. Processing of sold products, 13. Downstream leased assets, 14. Franchises and 15. Investments are not relevant for Valmet Automotive based on the business model.

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

WATER AND WASTE

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

RESTATEMENTS IN DATA

In last year's 2022 Annual Sustainability Report, under GRI indicator 403-9, the amount of lost time injuries (LTI) was reported under the total recordable injuries (TRI) for years 2019-2021. These figures have now been updated.

Due to improvements in emission calculations and interpretation, Scope 3 data for 2020 and 2021 was revised, resulting in higher emissions under Transportation (category 4) and lower emissions under Purchases (category 1). The revision of data resulted in overall higher Scope 3 emissions.

Independent Limited Assurance Report to the Management of Valmet Automotive Group

Scope of Engagement

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

Selected Information

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

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

Our conclusions

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

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

Standard and level of assurance

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

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

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

Basis of our conclusion

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

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

Inherent limitations

Our assurance relies on the premise that the data and information provided by Valmet Automotive to us as part of our review procedures have been provided in good faith. Because of the selective nature (sampling) and other inherent limitations of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities may not have been detected. Energy use data utilized in greenhouse gas (GHG) emissions calculations are subject to inherent limitations, given the nature and the methods used for determining such data. Finally, the selection of different but acceptable measurement techniques may result in materially different measurements.

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

Our competence, independence and quality control

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

Responsibilities of the Management of Valmet Automotive and DNV

The Management of Valmet Automotive have sole responsibility for:

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

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

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

16th March, 2023

Heidi Käkelä	**Sari Siitonen**
Lead Auditor DNV Business Assurance Ab Oy	Principal Consultant and Reviewer DNV Business Assurance Ab Oy

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DNV

GRI CONTENT INDEX

Valmet Automotive has reported the information cited in this GRI content index for the period 1.1.-31.12.2023 with reference to the GRI Standards.

GRI 2 – GENERAL DISCLOSURES		LOCATION
2-1	Organizational details	5–7
2-2	Entities included in the organization's sustainability reporting	72
2-3	Reporting period, frequency and contact point	72
2-4	Restatements of information	74
2-5	External assurance	72
2-6	Activities, value chain and other business relationships	5–7, 61
2-7	Employees	34–39
2-8	Workers who are not employees	41
2-9	Governance structure and composition	25–26 and Valmet Automotive website*
2-10	Nomination and selection of the highest governance body	25–26
2-11	Chair of the highest governance body	25–26 and Valmet Automotive website*
2-12	Role of the highest governance body in overseeing the management of impacts	25–26
2-13	Delegation of responsibility for managing impacts	25–26
2-14	Role of the highest governance body in sustainability reporting	72, 25–26
2-15	Conflicts of interest	17
2-16	Communication of critical concerns	17–18
2-17	Collective knowledge of the highest governance body	25–26
2-18	Evaluation of the performance of the highest governance body	25–26

GRI 2 – GENERAL DISCLOSURES		LOCATION
2-20	Process to determine remuneration	39–40
2-22	Statement on sustainable development strategy	16, 23-24, 47
2-23	Policy commitments	10, 17–18, 27, 39, 43, 62–63, Code of Conduct
2-24	Embedding policy commitments	17–18, 27, 43, 62–63
2-25	Processes to remediate negative impacts	18
2-26	Mechanisms for seeking advice and raising concerns	17–18
2-27	Compliance with laws and regulations	19
2-28	Membership associations	31
2-29	Approach to stakeholder engagement	30–31
2-30	Collective bargaining agreements	39

* https://www.valmet-automotive.com/

GRI 3 – MATERIAL TOPICS 2021		LOCATION
3-1	Process to determine material topics	21
3-2	List of material topics	22
3-3	Management of material topics	See topic discosures (48, 61, 64, 66, 68, 71)

GRI 201 – ECONOMIC PERFORMANCE 2016		LOCATION
201-1	Direct economic value generated and distributed	6
202-2	Financial implications and other risks and opportunities due to climate change	22
203-2	Significant indirect economic impacts	10
205-2	Communication and training about anti-corruption policies and procedures	17
207-3	Stakeholder engagement and management of concerns related to tax	30

GRI 302 – ENERGY 2016		LOCATION
302-1	Energy consumption within the organization	53–54
302-4	Reduction of energy consumption	53, 70

GRI 305 – EMISSIONS 2016		LOCATION
305-1	Direct (Scope 1) GHG emissions	52
305-2	Energy indirect (Scope 2) GHG emissions	52
305-3	Other indirect (Scope 3) GHG emissions	52
305-5	Reduction of GHG emissions	49–50
306-3	Waste generated	58–59

GRI 308 – SUPPLIER ENVIRONMENTAL ASSESSMENT 2016		LOCATION
308-1	New suppliers that were screened using environmental criteria	62–63

GRI 401 – EMPLOYMENT 2016		LOCATION
401-11	New employee hires and employee turnover	37, 40

GRI 403 – OCCUPATIONAL HEALTH AND SAFETY 2018		LOCATION
403-1	Occupational health and safety management system	42
403-2	Hazard identification, risk assessment, and incident investigation	42–43
403-3	Occupational health services	44–45
403-4	Worker participation, consultation, and communication on occupational health and safety	43
403-5	Worker training on occupational health and safety	43

GRI 403 – OCCUPATIONAL HEALTH AND SAFETY 2018		LOCATION
403-6	Promotion of worker health	44–45
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	42
403-9	Work-related injuries	45
403-10	Work-related ill health	45
404-2	Programs for upgrading employee skills and transition assistance programs	38–39

GRI 405 – DIVERSITY AND EQUAL OPPORTUNITY 2016		LOCATION
405-1	Diversity of governance bodies and employees	38

GRI 414 – SUPPLIER SOCIAL ASSESSMENT 2016		LOCATION
414-1	New suppliers that were screened using social criteria	62–63

VALMET AUTOMOTIVE