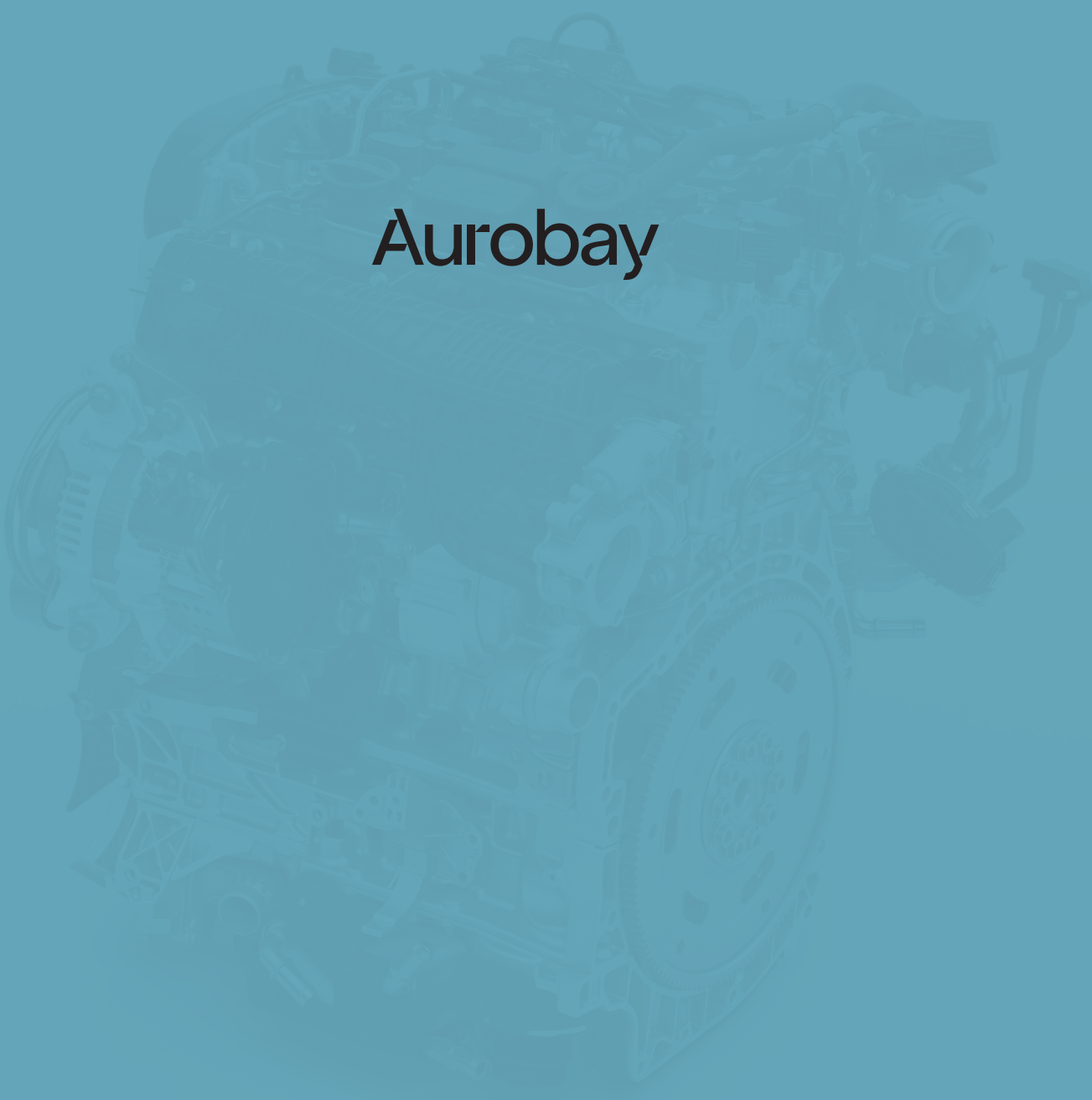


Sustainability Report 2024

Aurobay Sweden

Aurobay



Aurobay

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The Sustainability Report is based on the previous version of the Swedish Annual Accounts Act (i.e., the version applied before 1 July 2024). Legally required disclosures under this Act can be found on pages 1–70. Disclosures not related to legal compliance can be found on pages 46–48.

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1. Overview

Aurobay Sweden at a glance

Aurobay Sweden is here to re-imagine motion for a brighter tomorrow – by pioneering new technologies and solutions that meet the mobility challenges of the future. We have made it our mission to develop, produce and sell world-class powertrain solutions to the global market. Aurobay Sweden will continue to create value for customers by producing highly efficient engines, and providing excellent services. Headquartered in Gothenburg, Sweden, Aurobay Sweden is the name of the Swedish operations carried out by Aurobay Sweden AB (corporate identity number 556830-5964) and its wholly owned subsidiary Aurobay Sweden Real Estate

AB (corporate identity number 559140-6425). Aurobay Sweden AB is a wholly owned subsidiary of Aurobay International PTE. LTD (corporate identity number 202321962C), registered in Singapore, which is wholly owned subsidiary of Aurobay Holding PTE.LTD (corporate identity number 202338988E). For comparison with previous year's sustainability disclosures, the operations at the manufacturing plant in Zhangjiakou, China are partly described as well, although it is not owned by Aurobay Sweden. This report is a stand-alone sustainability, not integrated with the annual report. The scope of the sustainability reporting includes all operations covered by Aurobay Sweden, as defined by the scope.

Aurobay Sweden in figures

1

Manufacturing plant in Skövde, Sweden (and collaboration with Manufacturing plant in Zhangjiakou, China)

100

Years of innovation including heritage from former owner Volvo Cars

1,766

Average number of employees for Aurobay Sweden during 2024

2021

Founding year

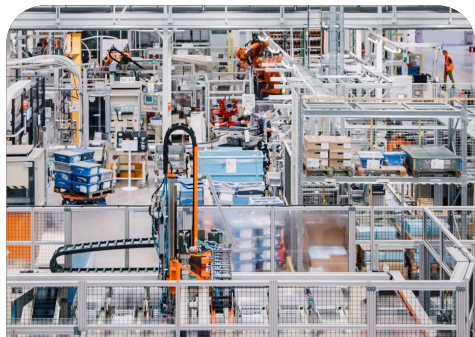
13,769

MSEK turnover in 2024

436,000

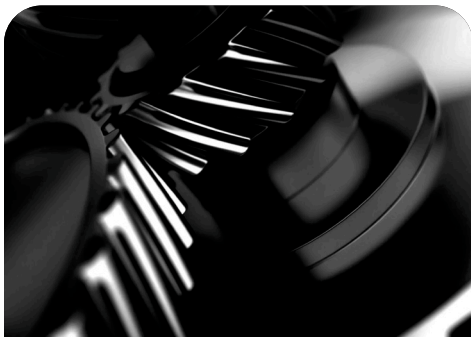
Engines produced in 2024 in our Skövde factory

Highlights from 2024



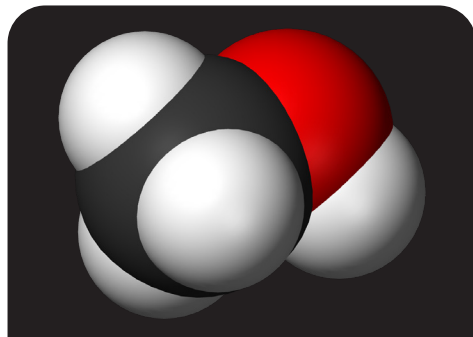
Sustainability in the Supply Chain: Cylinder Head Production

We made significant improvements in the supply chain of the cylinder head used in our European-produced engines. In this process, we transitioned to an aluminum smelter powered by hydro energy, which resulted in more than 8% CO₂e emission reduction per engine in upstream Scope 3.



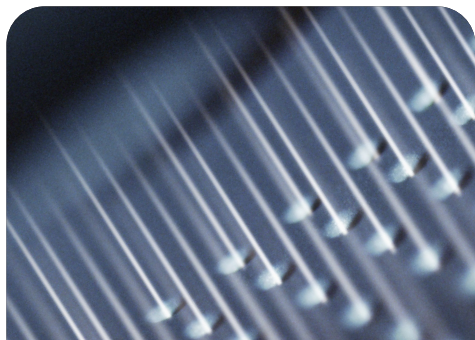
Horse Powertrain – delivering next-generation hybrid and powertrain solutions.

Aurobay Sweden became part of the Joint Venture between Geely, Renault and Aramco that will develop and supply future ultra-low emissions powertrain technologies – capable of addressing all market expectations, notably in the field of alternative fuels such as green methanol, ethanol and hydrogen.



Prototypes for methanol

We now have the capability and the technology for a fuel-powered range extender using methanol as fuel. Methanol is one of the few fuels that can currently be produced entirely within Sweden and its combustion produces virtually no soot, making it an environmentally attractive alternative.



Range extender

As part of our hybrid powertrain strategy, the development of range extender technologies has strengthened our product offering enabling the transportation sector to take the next step towards reducing carbon emissions. Range extenders allow customers that are not able to go fully electric to still minimize their dependence on fossil fuels.



Newly Established ESG Committee

To strengthen the sustainability efforts in Aurobay Sweden, an ESG committee was established to take the responsibility for implementation and follow up of sustainability targets and KPIs per function.



Life Cycle Assessment

Over the past year, we've streamlined our Life Cycle Assessment (LCA) approach and integrated new software for more efficient product analysis. An LCA, utilizing the new approach, was completed for the MP Miller engine, and we will continue to evaluate our forthcoming products.



Code of Conduct trainings

To ensure that employees have the prerequisites necessary to support the company's view on how to act within numerous of conduct related areas in their daily work, training in the Code of Conduct and related policies has been carried out.



Sustainability division strengthened

The Sustainability unit was strengthened by its integration into the expanded Quality & Sustainability function. A dedicated team and a nominated acting Head of Sustainability were appointed to enhance our ESG efforts and ensure a structured, focused approach to advancing our sustainability agenda.



Science Based Target initiative commitment

Aurobay Sweden has committed to the Science Based Targets initiative (SBTi), reinforcing our dedication to climate action. This marks a clear step toward setting science-based emission reduction targets and shaping a responsible, low-carbon future.



We are a Great Place to Work

In November 2024, Aurobay Sweden was proudly certified as a Great Place to Work®, reflecting our strong commitment to employee well-being, inclusion, and a positive workplace culture as part of our social sustainability efforts.



CEO comment

Engineering towards a more sustainable future

At Aurobay Sweden, we continue to advance technologies that support the global shift toward more sustainable mobility. In 2024, we made meaningful progress in reducing the carbon impact of internal combustion engines—while navigating one of the most dynamic regulatory landscapes in automotive history.

Our focus remains on developing solutions that are innovative and grounded in science, performance, and long-term impact.

Recognized by our people

This year, Aurobay Sweden was certified as a Great Place to Work®—a recognition shaped entirely by our employees' feedback. It reflects the inclusive, collaborative culture we've built together, and reinforces our belief that great ideas come from empowered teams.

A smarter approach to combustion technology

Building on the strength of our core engine platforms, we expanded our work on hybrid systems and low-carbon fuels. Among these efforts is the development of our first methanol-powered engine — a milestone in our cleaner combustion roadmap, with pilot deliveries slated for 2024. As electrification grows, so does the demand for more sustainable ICE solutions. Our goal is to provide, CO₂e-neutral alternatives that meet customers where they are — without compromise.

Responding to a changing industry

For Aurobay Sweden, tighter global emissions standards are not a challenge—they're a catalyst. We are actively engaged in R&D and strategic partnerships aimed at reducing the full lifecycle impact of hybrid and combustion technologies.

As part of Horse Powertrain Limited, we gain the scale and global reach to accelerate progress. This collaboration supports shared innovation across regions and enables more sustainable powertrain solutions at industrial scale. We also see a clear role for e-fuels as part of a diversified low-carbon future.

Commitment to science-based targets

In early 2025, we formally committed to the Science Based Targets initiative (SBTi), with plans to set validated emissions-reduction targets within the year. This step aligns our ambitions with the Paris Agreement—and ensures our progress remains transparent, measurable, and grounded in scientific consensus.

Preparing for the next decade

The road to net-zero includes every type of vehicle on it. With nearly one billion hybrid and combustion-powered cars expected to remain in use by 2040, optimizing their efficiency is essential. That's why we continue to invest in low-carbon fuels, advanced materials, and lifecycle-based engineering.

At Aurobay Sweden, sustainability is embedded in every decision we make. Through research, collaboration, and a commitment to integrity, we're helping shape a future where performance and efficiency go hand in hand.

Our future is not just exciting—it is sustainable.

Michael Fleiss

CEO, Aurobay Sweden AB



2. Our industry

The call for action

With alarmingly insufficient global effort to address the climate crisis, the need for action on all levels of society has become increasingly pressing. While all industry sectors hold great responsibility in the transformation towards decarbonized value chains, the most polluting industries carry a larger share of responsibility when it comes to climate action. The transport sector accounted for a fifth of

global greenhouse gas emissions in 2022, making it the second largest polluting sector globally after the power sector. Of the total greenhouse gas emissions in the transport sector, passenger cars and vans make up about half.

We have high ambitions to be a part of the solution. Our strategic framework reflects our vision and mission, underpinned by industry trends.



Industry trends



Continued, yet slower transition towards electrification

Many regions around the globe are experiencing an increase of electric vehicles on the roads. EU has decided to ban ICE powered by fossil fuels from 2035. In the US, the market share of EVs is increasing. In China, it is increasing too, but at a faster pace.

In the long term, many markets are expected to phase out vehicles powered by petrol and diesel. However, those aiming for progress within the area of electrification are currently facing difficulties to fund the investments needed, with some even going bankrupt. The funds available on the capital markets have been significantly reduced during the last year. Depending on macro-related factors, the constraint may continue.

In the EU, the shift to EV portfolios is developing slower than anticipated, and in the US, forecasted sales are not being fully realized. In China, however, relatively large investments in EV continue.

To summarize, the picture of the overall transition to electrification is fragmented. Until now, these indicators have not impacted the global number of EV registrations.



Hybrid and ICE powertrains expected to dominate the global market

Different regions will aim to reduce their carbon footprint at different paces. Consumer demand for hybrid and traditional engines in Europe for example, is still significant. Of the 1 billion hybrid and ICE vehicles expected to be on the roads by 2040 worldwide, a majority are not yet built.

Innovation in hybrid and ICE technology is urgently required to drive down emissions of the future vehicle fleet.



Increased interest in alternative fuels investments

E-fuels and biofuels, including hydrogen and green methanol, are technologies that can support the next steps towards net zero. They are almost carbon neutral, highly efficient, cost effective, and can be produced using existing infrastructure. They can also support in reducing fuel price volatility.



Combustion technology is increasingly regulated

New regulations such as Euro 7 and China 7 will impose stringent demands on OEMs, requiring substantial investments and innovation. Electrification is capital intensive, and many OEMs are struggling to focus sufficiently on both combustion and electrified technologies, leading to an emerging need to balance efforts.



OEMs are restructuring their businesses

Several OEMs are separating their combustion and EV divisions. As an example, Aurobay Sweden's owner Geely and Renault have consolidated their ICE businesses to increase scale, take advantage of cost efficiencies and operational synergies, and to drive innovation.



Driving towards net zero – beyond automotive

Any sector that powers motion is expected to find sustainable and practical ways to power their products. As such, the journey towards achieving net zero emissions is anticipated to be supported by a variety of power solutions provided by companies seizing the opportunity to meet future demand.

3. Our strategic framework

The foundation of our business

Our purpose, vision, mission and values guide us in everything we do. Our objectives for 2030 are pushing us in the right direction and our strategy outlines what we need to do to get there. Altogether, this represents our strategic framework, the foundation on which we operate. Importantly, it includes our approach to challenges and opportunities related to sustainability, making sure we provide low-emission products and services by driving a sustainable business.

To stay relevant, our strategic framework is analyzed yearly. The outcome is summarized in a report and forms the basis for any necessary updates. The report includes capturing environmental, social and legal trends impacting our sustainability ambitions, targets and resource needs. Moreover, stakeholder dialogue, including input from employees, owners, legal authorities, politicians, and other industry actors, are important sources. Altogether, this is further captured in our value chain, including the areas on which we focus our sustainability work, which is outlined in the next chapter of this report.

Purpose

We are here to accelerate the global shift towards a more resilient, sustainable and accessible mobility. For everyone, everywhere.

We are committed to the Paris Agreement and the goal to limit global warming to well below 2.0°C, striving for 1.5°C. It is our job to contribute to a mobility where many different technologies co-exist to power a multitude of vehicles and business models.

We are here to:

- Minimize CO₂e emissions – as much as possible as soon as possible
- Make low-emission mobility accessible – for as many as possible in as many places as possible



Vision

Re-imagining motion for a brighter tomorrow

"We commit to responsible business conduct in everything we do, through our whole value chain. In line with our values – Caring, Collaborating and Creating Excellence – we strive to lead the way in sustainable powertrain technology, with great care for people and our planet."

Michael Fleiss, CEO, Aurobay Sweden AB

Mission

We develop and provide world-class powertrain solutions for a global market

We create value for customers by producing high-efficiency, low-emission engines, and providing excellent services – by pioneering new technologies and solutions that meet the mobility challenges of the future.

Values

Caring

We care about our people, customers, stakeholders, and environment, now and in the future.

Collaborating

We build global partnerships to meet shared objectives based on trust and accountability.

Creating excellence

We are curious and take responsibility for innovation, even under tough circumstances.

Objectives

Our objectives represent a long-term ambition, and we made important progress during 2024.

People

Be a great place to work

We believe that a successful company is built on valued, motivated, and proud employees. Our goal is to foster an inclusive, engaging, and high-performing workplace where every individual can thrive. In 2024, we took a significant step toward this commitment by participating in the Great Place to Work® certification process for the first time – and in November 2024, we proudly earned the certification. However, achieving certification is just the beginning. True success lies in continuously improving our workplace culture and maintaining the high standards that earned us this recognition. Starting in March 2025, we will launch a series of workplace improvement initiatives running through July 2025. These efforts align with our broader People Strategy, ensuring that we continue to attract, develop, and retain top talent while reinforcing a culture of caring, collaborating, and creating excellence.

Sustainability

Cutting value chain emissions by 25%

Sustainability is core to us. We have adopted a climate target of reducing value chain emissions by 25%, from raw material to end-of-use, using 2021 as baseline year. Our objectives for 2030 will support our journey towards our longer-term ambitions of reaching net zero CO₂e emissions, as well as becoming a circular business by 2040¹.

Innovation

Reinvest in improved and new business

We want to be a high-tech, innovative challenger to lead the transformation of our industry. Our objective is to drive profitability through, and reinvest in a combination of incremental, radical and disruptive innovations to advance our business and accelerate the journey towards net zero.

Growth

Growing new business

We will consistently focus on generating new streams of profitable revenue that will grow our business. Our objective is to reinvest profit to drive new business opportunities outside the core of our existing offer.

Profitability

Increased profitability

Success in all our objectives is key to fuel growth and deliver strong margins so we can reinvest in the creation of exponential future business opportunities.



¹ Our climate targets are based on the Science Based Target Initiative's (SBTi) calculation tool to align with the Paris Agreement. Read more on page 19.

Strategy

It is not a race between different solutions

We are here to accelerate the global transition of the mobility industry to carbon neutral. We believe that solutions are needed to reach net zero. We call this hybrid futures, and our strategy is designed to support it.

Reducing our impact

Reducing the future carbon footprint of the vehicle fleet is a key priority for us. We are pushing the sustainability performance of hybrid ICE further and faster. Our focus is on the complete lifecycle of our engines. We are working to reduce their environmental impact across the whole value chain, from raw material extraction, production through tailpipe emissions to end-of-life.

E-fuels

Aurobay Sweden is part of the E-fuel Alliance. We believe E-fuels will have an important role for future heavy-duty, marine and aviation transport, where it will be difficult to meet all energy needs with electric engines. With our partners and shareholders, we are investing in technologies to ensure they can all be used with E-fuels.

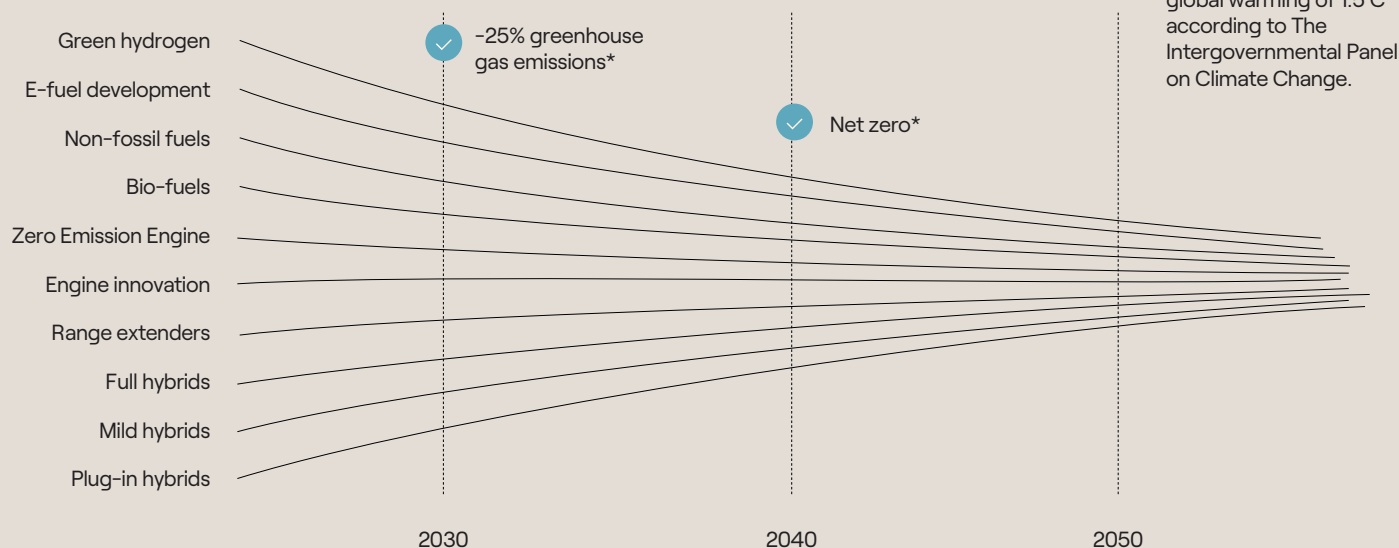
Compliant with upcoming regulations

We fully support tougher regulations as they drive innovation and reduce the environmental impact of combustion technology. Our strategy is reflecting that, and we have already developed a hybrid powertrain that goes beyond compliance with Euro 7, with an innovative exhaust-after-treatment system that reduces toxic emissions from cold start to around zero.

Beyond automotive

Being an innovation-driven company, part of our strategy is to explore the application of the company's hybrid and low-emission technologies outside automotive. To emphasize that, we have developed a range extender to be used with battery-powered commercial vehicles.

Diverse circumstances call for diverse solutions



*Aurobay Sweden commitments

4. How we create value



Delivering on our strategy

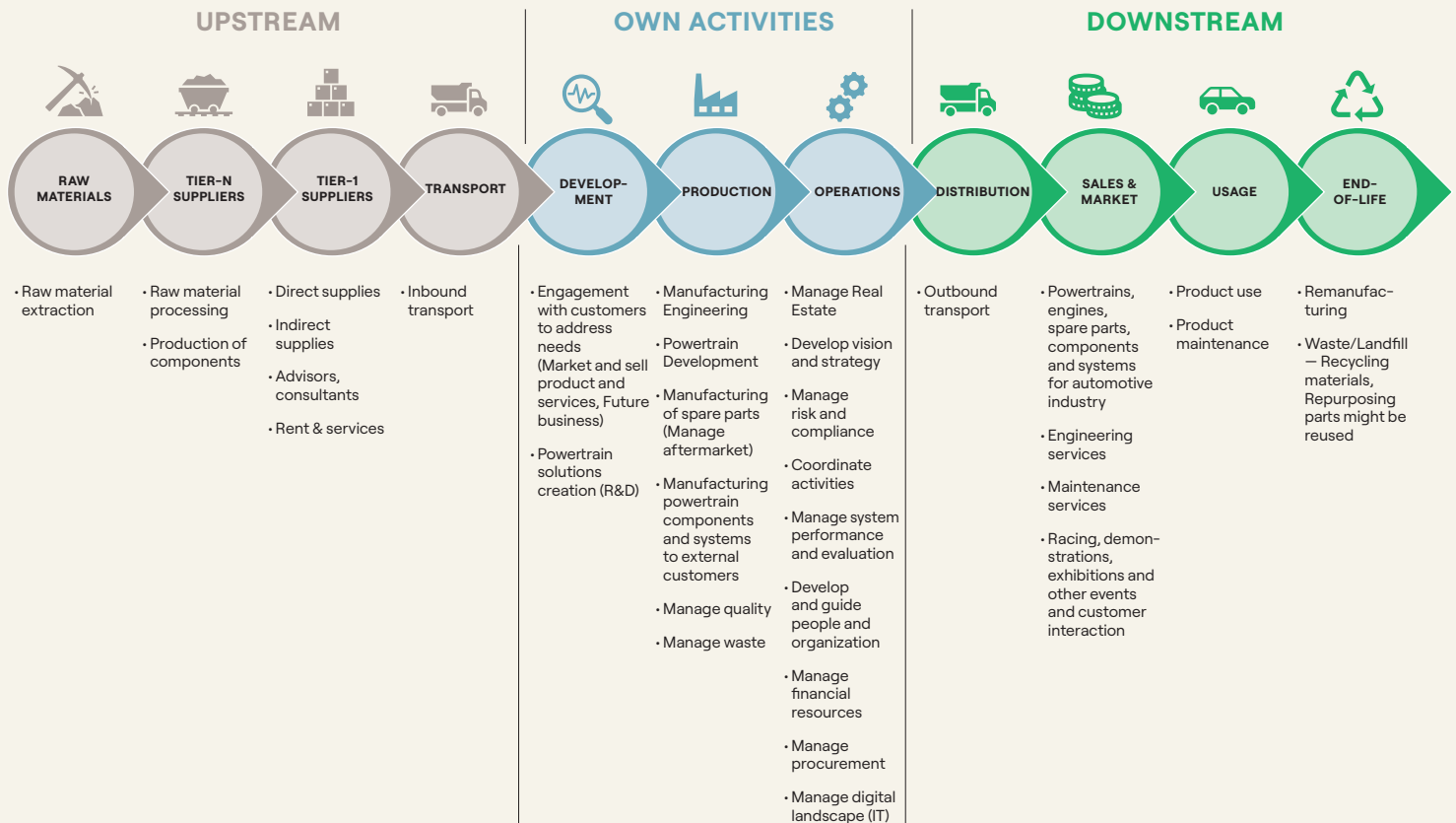
Guided by our strategic framework, our operations create value throughout the whole value chain – all the way from understanding current and future customer demand to the delivery of final products and services.

Our strategy emphasizes sustainability which influences everything we do. With our core values of Caring, Collaborating, and Creating Excellence providing strong foundations, our value chain is designed around cutting emissions, circular business and caring business conduct. The issues we consider most important for driving a sustainability focused business are:

- **Cutting emissions:** climate change (CO₂e emissions and energy use):
 - Scope 1: direct emissions from the organization
 - Scope 2: indirect emissions that occur during the generation of purchased electricity, district heating, district cooling and process steam
 - Scope 3: other indirect emissions, upstream and downstream in the value chain, which arise from, among other things, purchased goods and services as well as emissions occurring in the use phase of our products
- **Circular business:** resource use and circular economy (material, water, and waste)
- **Caring business conduct:** our own workforce and employees in our value chain, e.g. employment conditions and health and safety

To summarize, our value chain reflects our approach to sustainability and ensures that we work and deliver in accordance with our strategic framework.

Our value chain



A cross-functional effort

Delivering our strategic framework, particularly our sustainability strategy, relies on our cross-functional approach to everything we do. Cutting emissions, driving a circular business and operating a caring business require engagement and commitment from all areas of the company and value chain. Guided by our Code of Conduct and policies on the environment, people, health and safety, we work hard to progress closer to our ambitions.



Cutting emissions

For us, cutting emissions primarily means minimizing CO₂e emissions along our whole value chain. Cutting emissions also refers to reducing other types of polluting air emissions and becoming more energy efficient.

The yearly total CO₂e emissions decreased by 7.4% (in absolute terms) with less than 0.16% originating from our own production facilities and operations. Compared to our baseline year of 2021 however, our absolute emissions have increased by approximately 7.6% showing that more efforts are needed. The increase is primarily explained by higher production. However, the emission-intensive parts occur downstream of the value chain in the use-phase of our products, which we currently have limited influence of, but also upstream, in our supply chain.

Our approach to cutting emissions is further explained in the next page.



Circular business

We define driving a circular business as centring on sustainable resource use and ensuring that all products undergo some level of circulation by the end of their lifecycle. This includes practices such as reuse, repair, remanufacturing, recycling, repurposing, and more. Our long-term aim is to reach a state where our business activities do not deplete or degrade natural resources, nor generate any waste that is not recovered as either energy or material.

The environmental impact of our business is particularly connected to metals, specifically mining and processing. Inefficient use of resources and the generation of waste, while losing value and polluting our environment, is a fundamental problem of a linear economy. Driving a circular business that reduces waste, emissions and unsustainable resource use, is key to us.

Our approach to driving a circular business is further explained in next page.



Caring business conduct

We define caring business conduct as prioritizing the well-being of our own employees as well as employees in our supply chain.

We are committed to responsible business conduct in everything we do. We strive to lead the way in sustainable powertrain technology with great care for people and the planet by taking actions to increase transparency and sustainability performance in our own operations, as well as throughout our supply chain.

Our approach to conducting a caring business is further explained in next page.

Sustainability focus areas and targets

	CUTTING EMISSIONS	CIRCULAR BUSINESS	CARING BUSINESS CONDUCT
LONG-TERM AMBITIONS	Net zero greenhouse gas emissions by 2040	A circular value chain, with independence from primary raw materials by 2040	A responsible business with a sustainable, transparent supply chain
KEY ACTIONS	- Transitioning to renewable energy in our plants and value chain - Switching to low-emission materials in our products - Minimizing use phase emissions through hybridization and compatibility with low-emission fuels	- Applying principles of circular product design, including a high degree of recycled and renewable materials in our products - Industrializing remanufacturing capabilities - Efficient use of natural resources - Minimizing waste and pollution	- Increasing employee engagement and well-being - Ensuring a safe workplace at all times - Strengthening supplier sustainability requirements - Increasing supply chain sustainability due diligence and transparency - Improving supply chain risk management
ENABLERS	- Collaborating closely with suppliers and stakeholders - Securing necessary data and digital capabilities - Growing sustainability competence and actions across the organization - Applying data driven, science-based approach to our targets and actions - Building an efficient sustainability governance structure - Aligning our products and services with our sustainability ambitions		

Focus area	Targets	Base year	Target year	2024 performance	Target status
Cutting emissions	Reduce value chain emissions by 25% by 2030 (absolute)	2021	2030	8%	More efforts needed
	4% annual reduction of upstream scope 3 GHG emissions	2021	2030	29%	More efforts needed
	25% reduction in downstream scope 3 GHG emissions by 2030	2021	2030	2%	More efforts needed
	50% CO ₂ e reductions in scope 1 by 2030	2021	2030	-35%	On track
	65% CO ₂ e reductions in scope 2 and 100% renewable energy by 2030	2021	2030	-19%	On track
	Reduce energy consumption/unit year over year	2021	cont.	-7%	On track
Circular business	60% recycled content by weight in product portfolio by 2030	2023	2030	~40%	More efforts needed
	4% waste reduction/unit (engine eq.) year over year	2021	2025	-1%	More efforts needed
	Reduce water withdrawal/unit (engine eq.) year over year	2021	cont.	-6%	On track
Caring business conduct	Average employee Winningtemp score of 8.5	2021	2025	WT Score: 7.4 Response rate: 77%	More efforts needed
	All high-risk tier 1 suppliers screened on sustainability performance by 2025 (on-site)	2021	2025	Prerequisites ensured to drive continued performance	Temporarily paused target as screening criteria is to be reviewed



Sales and Market

Our value chain starts and ends with the customers – from current and potential customers’ demands and expectations to product and service satisfaction. With the purpose to drive growth, revenue, and profit, at the same time meeting our sustainability related ambitions, our Sales and Market team is the aligning force. It communicates market

intelligence, supports upstream and downstream processes, and execution throughout the complete sales cycle. Objectives are met by developing existing and new business based on total customer offer solutions, which are designed and delivered in line with our strategic framework.



Spark ignition 2.0 liter engine

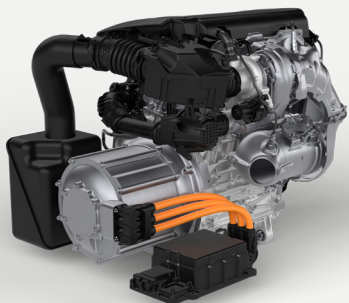
- Fuel: Petrol, E30 (HP, MP, LP), E22 (HP+), M15
- Hybridization: MHEV 48 V (HP, MP, LP), PHEV 400 V (HP+)
- Cylinders: 4



Compression ignition 2.0 liter engine

A high performance, clean and efficient 4-cylinder diesel that's hybrid-ready and suitable for biofuels.

- Fuel: Diesel, HVO 100
- Hybridization: MHEV 48 V
- Cylinders: 4



Power Delivery Unit

An on-board electric generator created to charge or give the battery of an electric commercial vehicle an extra power boost. It extends range and generates longer uptime.

The set-up is modular to get tailor made solutions based on your packaging, fuel, charge strategy, voltage and power level requirements.





Research and Development and Manufacturing Engineering

Research and Development and Manufacturing Engineering develop technology and solutions and provide engineering services that are driven by our corporate objectives. Work covers four main business areas:

Powertrain development – develops state of the art sustainable hybrid engines for passenger cars and commercial applications focusing on:

- Complete product development capabilities from idea to industrialization.
- Manufacturing footprint suitable for global demand.
- High product modularity for cost efficient customized solutions.
- Compliance with global emission standards.
- Renewable fuel readiness, in products and technology.
- High specific power and torque base products, offering top quality and low operating cost for performance applications.

Powertrain system solutions – develops fully integrated powertrain solutions to customers within automotive and adjacent industries focusing on:

- Full-service tier 1 powertrain supplier and partner.
- Range extender solutions.
- Modular portfolio with fuel flexibility on the same platform.
- High power density engines for packaging efficiency.
- Robust engine design as enabler for outstanding durability.
- Innovative solution pioneer.

Engineering services – provides engineering expertise to the automotive industry focusing on:

- Full-service provider from idea phase to industrialization including concept and product development to full scale manufacturing layout.
- Global emission and homologation compliance expertise.
- Inhouse software development.
- Industry leading partnerships on alternative fuels.
- Manufacturing engineering and industrialization expertise.

Contract manufacturing – industrializes and manufactures powertrain components and systems for automotive and adjacent industries focusing on:

- Industry-lowest product carbon footprint by localized global manufacturing including sourcing and logistics, renewable energy, recycling, reuse.
- Flexible production flows.
- Complex and high precision machining and assembly operations.
- Manufacturing research and innovation.
- State-of-the-art quality assurance and continuous improvement.

Cutting emissions

We consider the growing demand for hybrid engines, coupled with the rapidly increasing share of renewable and fossil free energy in the global energy mix, as critical components for reducing our emissions in the coming years. Therefore, we have been actively investigating and addressing product hybridization and alternative fuel compatibility as keys to lower use-phase emissions:

- For us, hybridization means combining technologies using more than one major energy source to increase energy efficiency, for example gasoline and battery electric. Optimizing these synergies can create the ideal balance between energy efficiency and cost.
- Our MP Miller engine sets a new benchmark in mild-hybrid ICE technology, achieving our targeted reduction levels of 5gCO₂e/km and a larger map area of high efficiency operation. This means lower fuel consumption across multiple load points.
- Our first range extender solution for commercial vehicles is a significant step towards making heavy-duty vehicle electrification possible. It has a lower life-cycle cost and supports last mile connectivity, especially in areas with limited high power charging infrastructure. It is estimated that about 80% of the time it runs on electricity, then when required the engine charges the battery. This operates the engine close to peak efficiency and reduces the need for dense low-utilization battery cells. And, importantly, keeps the vehicle running.

- In-house research on alternative, low-emission fuels and engineering projects is focused on creating capabilities for the use of low-emission and carbon neutral fuels in our products. We are currently developing engines compatible with synthetic, carbon neutral methanol (M100) following market requests. We have also conducted research on opportunities to develop hydrogen compatible engines.
- We are investigating how we can be part of accelerating the adoption of E-fuels.

Circular business

To meet our targets for recycled aluminum and steel, we regularly conduct tests on engine parts containing higher proportions of recycled material to assess the impact on quality. We continuously work with our suppliers to increase the amount of recycled content and use data to monitor performance. Additionally, we are researching more sustainable materials for our products, including research in electrification aimed at reducing or eliminating the use of rare materials.





Supply Chain

Our Procurement team delivers on our sourcing strategy daily and collaborates with nearly 700 suppliers in 35 countries, across six continents. The team ensures that our supply chain is set-up and run effectively to support our corporate strategy and objectives with an increasing focus on sustainability.

Cutting emissions

Towards fossil-free energy

To reduce emissions in our supply chain, our directly contracted suppliers, current and new, are encouraged to aim for completely fossil-free energy consumption. Progress will be tracked in yearly and upcoming supplier sustainability assessments, and we will continue to track our suppliers' climate action and focus on improvements with the greatest impact.

Switching to low-emission materials

Purchased goods and services make up 14.9% of our value chain emissions, making it the second largest emission category (as defined in the Greenhouse Gas (GHG) Protocol). The embedded emissions in aluminum and steel parts of our products represent the largest share of the emissions in this category. CO₂e emissions associated with aluminum and steel primarily occur in the smelting process, as smelters often run on coal-power and use energy-intensive processes.

By switching to hydro-electric smelters, CO₂e emissions from the aluminum parts can be significantly reduced. As part of our commitment to reducing environmental impact, we made significant improvements in the supply chain of the cylinder head used in our European-produced engines. In this process, we transitioned to an aluminum smelter powered by hydro energy, replacing the previous source reliant on higher-emission energy. This shift reduced the carbon intensity of aluminum production from 9.8 kg CO₂e/kg to 4 kg CO₂e/kg. The change has resulted in more than 8% reduction in upstream Scope 3 carbon emissions for VEP Gen3 engines manufactured at our Skövde plant. This accomplishment reflects our continuous efforts toward more sustainable operations and our dedication to achieving measurable reductions in carbon emissions across the value chain.

Through our new customer projects, we have challenged our suppliers to use low-emission materials leveraging our latest environmental requirements. This has been

an important step to ensure that our products contribute to reduced emissions over the coming years. Requirements include delivering primary aluminum and steel parts with a carbon footprint corresponding to these materials being produced exclusively using renewable energy in the smelting process.

During 2023, an internal study was conducted on mapping third-party verified CO₂e footprints of steel and aluminum parts in one of our engine variants. The study aimed to gather primary data on upstream CO₂e performance to find opportunities for switching to low-emission alternatives for steel and aluminum components. The study investigated the largest components by mass, together accounting for over 60% of the engine weight. Two main findings contributed to our progress in 2024:

- Data quality of upstream CO₂e emissions for several supplier value chains was improved, e.g. by providing validated third-party emission certificates (for example EPDs).
- A solution to significantly lower upstream CO₂e for a 17 kg cast aluminum part was implemented, resulting in upstream CO₂e emissions being lowered by 8–9% per engine, depending on variant.

Circular business

Recycled materials in our products

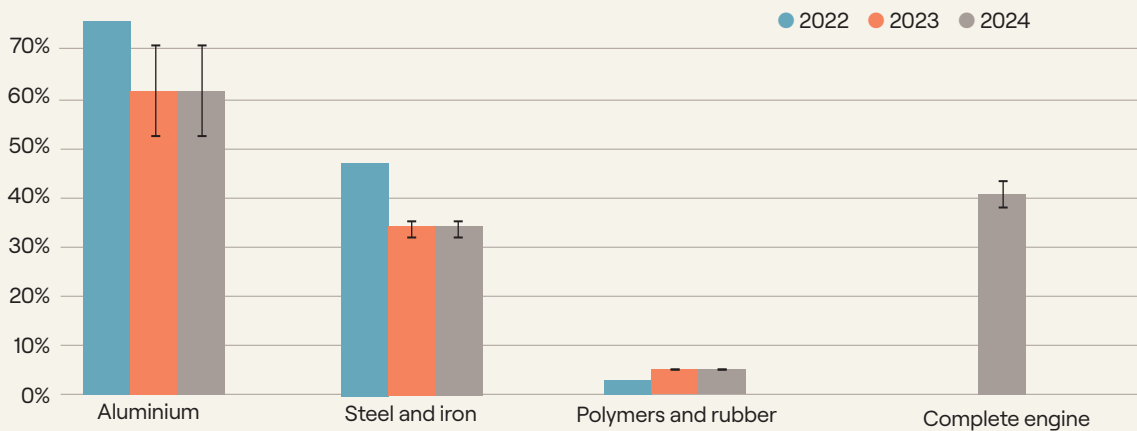
Taking a significant step towards our longer-term objective to be a circular business by 2040, we carried out an inventory in 2022 of our most sold gasoline engine to gather information on the level of recycled content. Since then, our data collecting methods and quality have improved, including close collaboration with specific component suppliers to acquire third-party certification such as EPDs² of upstream material CO₂e footprint. Additionally, a range of supplier requirements are applied when sourcing new parts, including achieving certain levels of recycled content for aluminum, steel and polymers. Requirements to report recycled content in IMDS³, as well as providing information on how circular design principles are integrated into the product, have also been added.

The current recycled content levels of our most popular engine variant are encompassed in the graph below. The error bars indicate the minimum and maximum of available recycled content seen in this engine variant. It is presented as a range, as recycled content is a dynamic variable, dependent on fluctuating availability of scrap supply quantities.

² Environmental Product Declarations

³ International Material Data System

Recycled content in engine of highest production volumes (%)




Caring business conduct

Employees in our value chain – employment conditions

The employees in our supply chain are critical to us. Through business operations and relationships, we strive towards a responsible and transparent supply chain, completely free from corruption and human rights abuse. Through our Volvo Cars heritage, we hold long-standing and collaborative relationships with many key suppliers. They play an important role in strengthening suppliers' sustainability performance over time and gaining better insight into social and environmental challenges. Regardless of their tier level in our supply chain, we consider the health and safety and human rights of the employees to be equally important. Employees involved in mining and refining minerals in Conflict-Affected and High-Risk Areas are generally subject to higher risks of human rights abuse and unsafe working conditions. While we are not fully in control of the risks, we influence the impacts by issuing supplier requirements in our Code of Conduct for Suppliers, as well as establishing control mechanisms such as audit and due diligence schemes. In short, our Code of Conduct for Suppliers supports in meeting our ambition of ensuring a responsible and transparent supply chain.

As part of our strategy, we in the joint venture are escalating our efforts by implementing a comprehensive ESG rating proposal to measure our performance on these crucial fronts. Along with this, we are defining explicit ESG targets to guide our progress and ensure we remain accountable. To supplement our strategic roadmap, we're also introducing an ESG risk mapping protocol, enabling us to effectively visualize, identify, and address potential risks within our operations. Furthermore, we're instituting an ESG risk audit policy to consistently evaluate our internal operations and ensure they adhere to our ESG commitments.

Our Code of Conduct for Suppliers is an important instrument for addressing social and environmental risks

in our supply chain, connected to employee well-being. It articulates a vision of responsible business behavior and sets forth the business principles that Aurobay Sweden requires all its suppliers to abide by in the course of their business relationship with the company. It covers areas such as human rights, working conditions, environmental care, responsible sourcing, and business ethics. All our suppliers are obliged to comply with our Code of Conduct for Suppliers and implement management systems that ensure their employees and sub-suppliers adhere to its requirements.

Suppliers' conformance with the Code of Conduct for Suppliers and performance against a wider set of our Environmental, Social and Governance (ESG) requirements are evaluated via e.g. self-assessment questionnaires. We have used a mandatory Sustainability Assessment Questionnaire process (SAQ) in our direct material sourcing process since 2021. It covers ESG areas such as business ethics, human rights, environmental management, and responsible sourcing and was developed in a collaborative initiative by the automotive industry 'Drive Sustainability'. All SAQ answers are validated by an external assessor and the suppliers are provided with recommendations on how to improve. The SAQ score makes a good indicator of the overall sustainability performance of our suppliers.

During 2023, the ownership of the SAQ process was transferred from our prior owner Volvo Cars to Aurobay Sweden. Existing directly contracted direct material suppliers need to complete a SAQ every second year. At the end of 2024, 234 suppliers (84,2% of our suppliers) had submitted a completed SAQ while 35 suppliers were in responding stage (12,6%). Out of these suppliers with completed SAQ, 91% are conformant with our requirements. Non-compliant suppliers are required to set up action plans, which we follow up to secure improvement in line with our requirements.

⁴ www.cahraslist.net



Manufacturing

Our Manufacturing operations produced 436,000 engines during the year. Located in Skövde, Sweden, the plant is set up to support our corporate strategy and objectives with a focus on sustainability.

Cutting emissions

CO₂e emissions

We are very proud of our achievements so far in cutting emissions from both plants. Investments to further support this are underway.

The Skövde plant has run on renewable energy since 2017. Over the year, we have been working with energy management as well as optimizing the use of refrigerant units. During 2024, we also initiated a study on the viability of a more flexible verification method for engines, focusing on reducing fuel consumption and using alternative, low-emission fuels in the end-of-line process.

The Zhangjiakou plant uses renewable electricity (solar and wind), and the plant is also investigating the potential for reducing emissions further, e.g. from refrigerants and heating using natural gas.

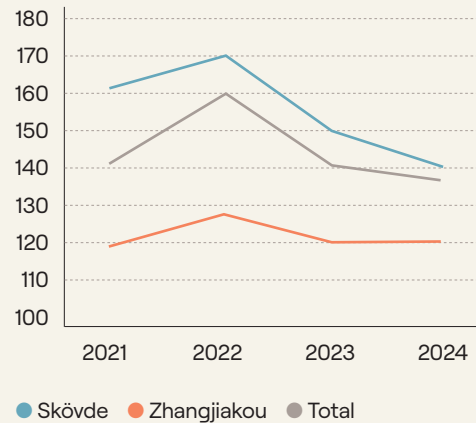
Energy use

Energy optimization has been a focus at our plants for many years. With recent sharp rises in energy prices and high volatility, particularly in Sweden, coupled with the environmental benefits of energy-efficient production, energy use and efficiency remain key priorities for us. Optimizing energy use throughout our value chain goes hand in hand with our focus on reducing CO₂e emissions, while simultaneously having the benefit of targeting costs. By mapping energy use at our plants, including energy use per produced unit, we continue to look for opportunities to further reduce emissions and energy use.

Chasing energy optimization opportunities

While the level of energy consumption in our plants remains an important performance indicator, energy efficiency efforts do not only apply solely to our own facilities and

Energy use (kWh) per produced unit, year over year



production. Energy efficiency throughout our whole value chain is critical for achieving meaningful impact. To mitigate the potential impacts of high energy consumption in material mining and processing, we focus on increasing the proportion of recycled aluminum and steel in our products. Using recycled metal significantly reduces energy and resource consumption compared to primary production methods. The Skövde plant has a long history of significant investments in optimized energy use. Production facilities are already highly energy efficient; however, energy mapping has been carried out during 2024, and the factory is now working with the energy mapping proposals.

The Zhangjiakou plant aims to enhance energy efficiency throughout its operations. This will lead to several benefits, including lowered temperatures in warehouses and control rooms to conserve energy, as well as the optimization of energy-intensive equipment. Energy-saving measures included halting production completely during non-production days and adjusting lighting schemes during operational hours.

Circular business

Materials

An important step towards our journey of becoming a circular business is the industrialization of remanufacturing capabilities at our plant in Skövde, giving engines a second life. Our remanufacturing business has moved one step further, with one production line ready for production orders. Typically, a remanufactured ICE has a significantly lower carbon footprint than a conventional, new ICE, and has the same or higher quality standards as when newly produced.

Another example is an engineering project focusing on the reusing of honing oil. The project has been looking into the possibility of removing water from washed honing oil and returning it to the filter system. The amount of primary honing oil use is now reduced by 20%.

Machinery in our plants and production lines make up an important part of our material and resource use. Before initiating new projects that could require changes in machinery, we always strive to reuse or repurpose existing machinery to avoid unnecessary resource use.

Water

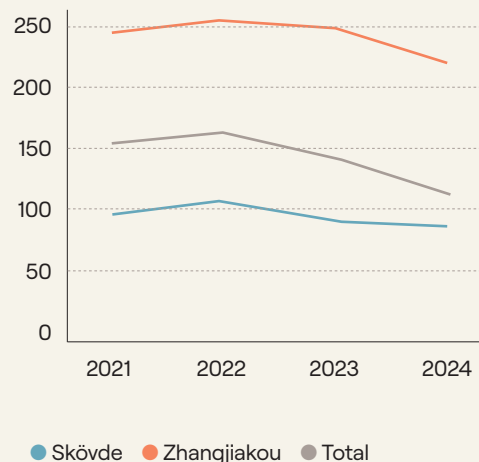
Efficient water management is significant for both our plants, as water scarcity could affect production and employees. However, given the varying circumstances in Sweden and China, our ambitions for water reduction are likely to differ. Target values are yet to be set for water reduction, as the reduction potential and associated cost implications are still under investigation. Water usage is pertinent throughout our value chain, particularly in the mining and processing of metals, which are inherently water-intensive activities. To tackle this challenge, akin to addressing natural resource depletion, we are increasing the proportion of recycled content in our products. Utilizing secondary aluminum and steel significantly reduces water consumption compared to primary raw materials.

While we target and follow-up water use per produced unit, we are still investigating proper ways to drive water reduction.

The Skövde plant is engaged in one of our annual advanced engineering initiatives, focusing on recycling washing fluid. The project aimed to develop a solution for reintegrating washing water into the cutting fluid system during production. By enabling multiple recirculation before disposal, the outcome proved highly successful environmentally and economically. By implementing a new washing agent across much of the AI machining operations area, water changes have been slashed by approximately 75% on affected machinery. This initiative has made it possible to reduce the hazardous waste from the factory by 30%.

The Zhangjiakou plant implemented water-saving measures throughout the year. This includes installation of water-saving equipment, enhancing flow control in the irrigation system, and optimizing cooling water management by reusing condensate.

Water consumption per produced engine (liter/unit)





Caring business conduct

Waste

The bulk of waste within our value chain originates from the mining of primary raw materials. While we can only tackle this issue indirectly, we can make significant steps by prioritizing recycled aluminum and steel over primary materials. This shift can reduce waste and GHG emissions, and cut use of water and natural resources, as well as the humanitarian impact. As a result, increasing the proportion of recycled content in our products is critical.

Looking at absolute numbers for 2024, waste per unit was reduced at both plants. While this gives a good indication of our circularity ambitions, we strive to increase material reuse over material and energy recycling and aim to eliminate waste ending up in landfill. The Skövde plant represents a figure of less than 0.01% in terms of portion of waste that went to landfill. Just under half of plant waste is currently diverted from disposal, meaning it is reused or recycled as new material. Still, large amounts of waste leave the plant as hazardous waste, mainly in the form of cutting fluid. This is treated at neighboring facility in agreement with the local environmental authorities. However, four types of waste streams in the plant are now classified as by-products, meaning they are not considered as waste, and can be sold like any other product. Every time a new project, product or new machinery is introduced, efforts are made to avoid and minimize waste. Waste management achievements in 2024 include:

- The collaborative project with an external company, to reuse and recycle IT equipment, continues in an effort to reduce the company's CO₂ emissions regarding electronic waste.
- During 2024 we kicked off a project to close the loop of wooden pallets to reuse instead of incineration.

Our own workforce – health and safety

Aligned with our Health and Safety Policy, we prioritize Occupational Health and Safety (OHS) as a cornerstone of employee well-being. Our Health and Safety Handbook provides comprehensive guidance to employees on mitigating risks in their daily tasks. We conduct regular safety procedures to minimize OHS risks. Our primary gauge of employee safety is the Lost Time Case Rate (LTCR), indicating the effectiveness of our safety protocols. By monitoring LTCR, we identify risks and areas for improvement to enhance workplace safety and prevent injuries and accidents. Starting in 2024 we are also monitoring the Total Recordable Injury Frequency (TRIF).

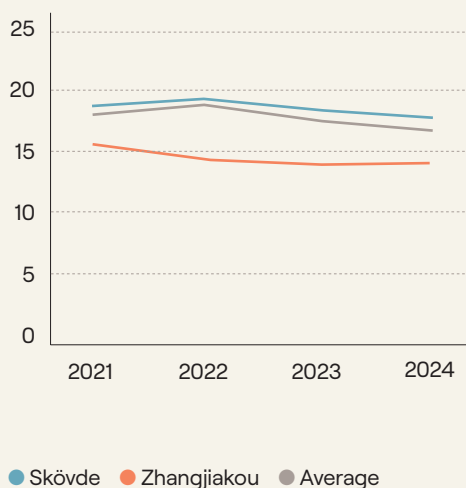
At the Skövde plant in Sweden, as well as at our headquarters in Gothenburg (including plant, office, test environments and laboratories), the LTCR was 0.19 in 2024 and 0.31 in 2023. The TRIF was 5.33 in 2024.

To further support employee health and well-being, we offer all employees a yearly wellness allowance, access to occupational health care services including online psychologists, drug and alcohol advice and counseling, as well as access to offers for various wellness activities.

In China, at the Zhangjiakou plant, all employees are covered by the OHS management system ISO45001, that has been in place and certified since 2020. The LTCR was 0 in 2024 and 0.13 in 2023. The TRIF was 1.01 in 2024.

Every incident and deviation from our safety standards and practices are reported and managed through our OHS reporting tool.

Waste (kg) per produced unit, year over year







People

Our 1766 employees are our greatest asset and the foundation for everything we do. A strong, engaged, and diverse workforce is essential to fostering innovation, achieving business goals, and ensuring long-term sustainability. Guided by our Code of Conduct and People Policy, and with the support of all functions within Aurobay Sweden, our People & Culture team works to strengthen our organization by attracting and retaining top talent, promoting diversity and inclusion, and ensuring fair and ethical labor practices. We invest in employee development through continuous learning, leadership development, and career growth opportunities while prioritizing occupational health, safety, and wellbeing. We believe that a positive workplace culture drives both individual and company success. As we continue to evolve, we remain focused on fostering collaboration, innovation, and engagement while aligning our people strategy with our corporate objectives and sustainability commitments. By continuously improving our workplace, we strive to be an employer of choice and create a resilient, future-ready workforce.

Caring business conduct

Our own workforce – employment conditions and engagement

We use several key indicators to track our progress towards achieving our objective of being a great place to work. The indicators give us an overall view of our employees' perception of the working conditions, as well as their level of engagement in the company. At our Skövde plant and Gothenburg headquarters, we continuously measure employee wellbeing and engagement through weekly pulse surveys. These surveys assess job satisfaction, engagement, leadership, and overall wellbeing, providing valuable data to drive meaningful workplace improvements.

In 2024, we had an average survey response rate of 77%, an increase from 67% in 2023, with an average score of 7.4 on a 10-point scale (compared to 7.2 in 2023). Our goal is to achieve a 75% response rate and a score of 8.5 by the end of 2025.

Key Workforce Indicators

- **Workplace safety:** Ensuring a safe work environment remains a top priority. At the Skövde plant and Gothenburg headquarters, the Lost Time Case Rate (LTCR) improved to 0.19 in 2024, down from 0.31 in 2023. The Total Recordable Incident Frequency (TRIF) for 2024 was 5.33, and this was the first year to report on this.

- **Employee wellbeing:** The average sick leave rate in 2024 was 4.78%, down from 5.35% in 2023, reflecting our ongoing efforts to support employee health and wellbeing.
- **Employee turnover:** In 2024, turnover rates varied by location and gender:
 - Gothenburg: The turnover rate for men was 4.7% and for women 10.87%
 - Skövde: The turnover rate for men was 3.49% and for women 3.69%
- **Diversity and inclusion:** We are committed to fostering gender diversity at all levels of our organization. The goal is to increase the total percentage of women in the company by 1% per year. In 2024, the share of women across different roles was:
 - All employees (headcount*): 23.97% up from 23.58% in 2023.
 - Executive Management Team (EMT): 30,8%
 - Managers: 20.83%
 - White-collar employees: 23.35%
 - Blue-collar employees: 24.27%

*Headcount includes permanent full-time and part-time employees, fixed-term employees, and those on parental leave, sick leave, or other forms of leave, as well as interns and students employed under company contracts. External consultants and agency workers are excluded.

In addition to the weekly pulse surveys, we participated in the Great Place to Work survey for the first time in 2024 and became certified with 72% out of 100%. This will function as a benchmark for us, and the goal is to maintain this for the next year, and to improve subsequent years. We have put actions in place to target specific areas to work on in different areas of the organization during 2025. The Great Place to Work survey measures the level of trust in the organization and the consistency of the employee experience.

Our commitment to employee engagement, wellbeing, and diversity is an integral part of our people and sustainability strategy. By continuously monitoring and improving these areas, we aim to create a workplace where all employees thrive and contribute to Aurobay's long-term success.





5. Governance

Board of Directors report

General information about the business

The Aurobay Sweden Group consists of the parent company Aurobay Sweden AB (corporate identity number 556830-5964), and its wholly owned subsidiary Aurobay Sweden Real Estate AB (corporate identity number 5591406425). The company is a global supplier of complete powertrains including next-generation internal combustion engines and hybrid solutions. Headquartered in Gothenburg, Sweden, the company consists of the powertrain plant in Skövde, Sweden, as well as central functions that combine outstanding capabilities for manufacturing, Research and Development, and digitalization with over hundred years of innovation in fuel technology and electrification and a highly skilled workforce of 1,766 employees (average 2024).

Aurobay Sweden AB is a wholly owned subsidiary of Aurobay International PTE. LTD., which is a wholly owned subsidiary of Aurobay Holding PTE. LTD.

Significant events during the financial year

The company name Powertrain Engineering Sweden AB was changed to Aurobay Sweden AB during the first quarter of 2024.

Expectations for the future

The joint-venture agreement with Geely, Renault and Aramco is expected to support the companies in becoming global leaders in developing, manufacturing, and supplying next-generation hybrid as well as highly efficient powertrain solutions.

Sustainability report

The Aurobay Sweden Sustainability Report 2024 is a stand-alone sustainability report. The scope of the sustainability reporting includes Aurobay Sweden AB (corporate identity number 556830-5964), its wholly owned subsidiary Aurobay Sweden Real Estate AB (corporate identity number 559140-6425), referred together as Aurobay Sweden. Where applicable for comparison with previous year disclosures from the operations at the manufacturing plant in Zhangjiakou, China are also found in the sustainability report.

The sustainability reporting is based on inspiration from the GRI, Global Reporting Initiative, although no GRI index is presented. In addition, the Sustainability Report follows the previous version of the Swedish Annual Accounts Act (i.e., the version applied before 1 July 2024). The company's climate target calculations are based on the Science Based Target Initiative (SBTi) calculation tool, to align with the Paris Agreement.



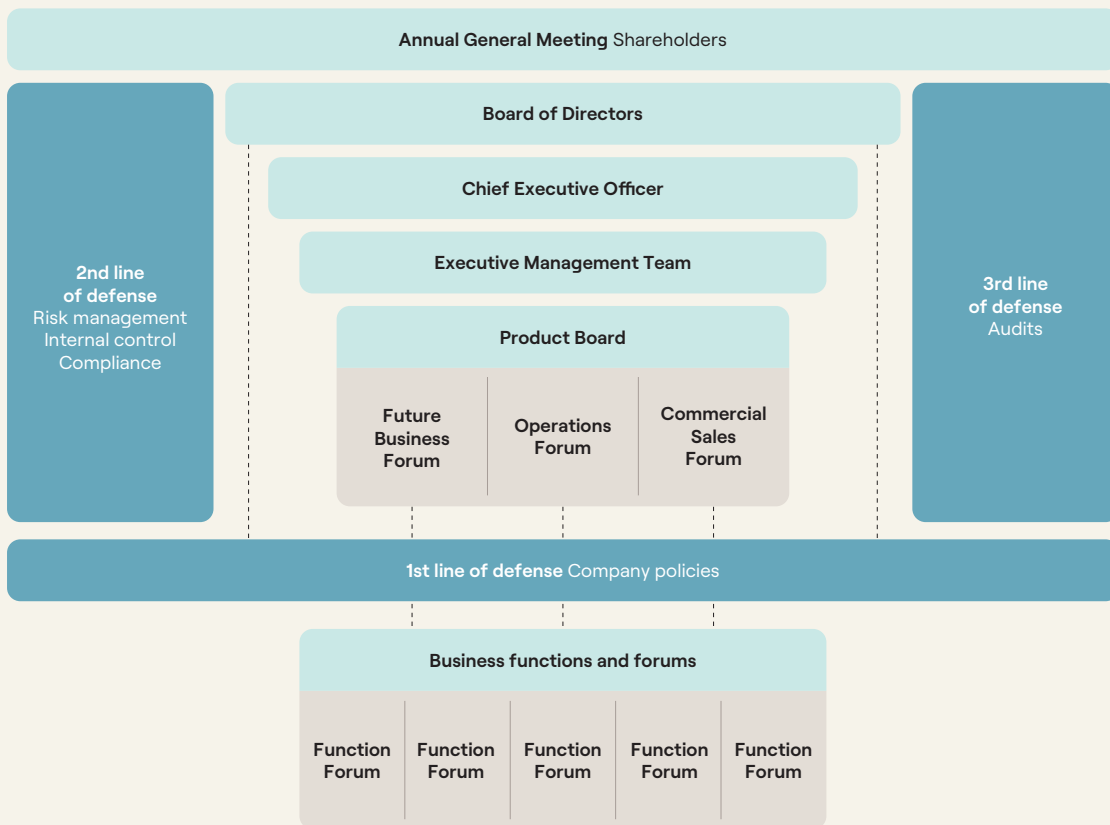
Corporate governance report

Aurobay Sweden AB is a privately held company with operations in Sweden both in Gothenburg and Skövde, and is led by Michael Fleiss, the company's Chief Executive Officer (CEO). From a governance perspective, Michael Fleiss is also responsible for the operations at the Zhangjiakou plant in China for which he acts as a CEO, which by legal structure is formally directed by its Board of Directors (BoD). The main decision-making bodies of the company are the Annual General Meeting (AGM) – Shareholders, BoD, and the CEO.

The AGM appoints the BoD, who in turn appoints the CEO, who oversees the daily operations in accordance with directives and guidelines issued by the BoD.

Corporate governance is an important aspect of ensuring that the company is managed in a sustainable, responsible, and efficient manner. By delivering on the strategy, the company's objectives, mission, and vision shall be met to create value for its external and internal stakeholders.

Organizational structure



Board of Directors

The BoD is the company's highest decision-making body after the AGM. According to the Swedish Companies Act, the BoD is responsible for the management and organization of the company. This means that the BoD is responsible for setting objectives and strategies, ensuring procedures and systems for evaluating the set objectives, continuously evaluating the company's performance and financial position, and evaluating the Executive Management Team (EMT). The BoD is also responsible for ensuring that the annual report is prepared in time. The BoD follows written rules of procedure, which are revised annually and adopted at the statutory BoD meeting. The rules of procedure regulate the BoD practices, and allocation of work between the BoD members and the CEO. In connection with the statutory BoD meeting, the BoD also sets out instructions for the CEO, including the Financial Reporting Scheme. The BoD is further responsible for adopting company policies, as well as for ensuring compliance.

The composition of the Board of Directors

2024, the BoD consisted of seven ordinary BoD members – five men and two women – of which two men were employee representatives appointed by the unions. The board consisted of 29% women. Including members who served part of the year (e.g., Xufeng Zhu, who resigned in December 2024), the average gender distribution remained at 29% throughout the reporting period. All BoD members are independent in relation to the company and its management, and in relation to the shareholders.

The Board of Directors' work in 2024

In total, the BoD held three meetings in 2024, of which one were held in Sweden, one in China and one digitally. Minutes were kept for all meetings. The BoD has established rules of procedure that describe in detail the content and timing of the topics that shall be covered during the different BoD meetings throughout the year.

The company's organization

The CEO is subordinate to the BoD, and responsible for the company's general administration and daily operations. Division of duties between the BoD and the CEO is set out in the rules of procedure for the BoD, and in the instructions to the CEO. The CEO is responsible for preparing reports and compiling information from the EMT to the BoD meetings, as well as providing any other material relating to BoD meetings. According to the financial reporting instructions, the CEO is also responsible for the financial reporting of the company and shall ensure that the BoD receives sufficient information to enable the BoD to assess the company's financial position on an ongoing basis. The CEO shall, within the scope of the CEO's authority, delegate tasks among the EMT members, as the CEO finds appropriate. The scope and principles with regards to the CEO's delegation to the EMT members, are stipulated in the company's Delegation of Authorities. In 2024, the EMT consisted of 13 members including the CEO, of which 9 were men and 4 were women.

Description of the company's internal controls

The foundation of internal controls

The foundation of the company's internal controls includes how the BoD and the EMT allocate responsibility and authority within the organization, provide information on business objectives, and communicate the overall significance of internal controls. The CEO has delegated to the EMT members to appoint a process manager for each of the key processes. The process managers are responsible for reducing significant risks in the processes through appropriately designed and documented controls, which are subject to regular follow-ups. The process managers are also responsible for ensuring that there are flowcharts, documented risk assessments, and risk- and control matrices.

Risk assessment

Risk assessment is the very foundation of and starting point for the establishment of internal controls. Risk is defined as any future event that, directly or indirectly, threatens the company's ability to deliver on the strategy to reach the objectives, mission, and vision. Risk assessment, management and reporting takes place continuously throughout the year.

Internal control

Internal control refers to the set of measures that are implemented to meet the requirements of company policies, hence support risk reduction. The objective is to have an effective series of controls that are adapted to the business' conditions and risk appetite and tolerance.

Information and communication

An important aspect of internal controls is to ensure effective distribution of relevant information to external and internal stakeholders. The company's Communication Policy covers information management matters. The company ensures that applicable policies are available to relevant parties. The company's Internal Reporting Policy stipulates directives related to whistleblowing and directs stakeholders to the whistleblowing system located on the company's website.

Monitoring

The BoD continuously evaluates any information submitted by the CEO, which includes key issues about internal controls. Going forward, the company's ambition is to conduct self-assessments and independent tests to evaluate the effectiveness of the internal controls. This will be done at least on a yearly basis and the results will be reported by the CEO to the BoD. Proposals for action plans and improvements will be identified and implemented on an ongoing basis.



Corporate governance and sustainability

Aurobay's sustainability work covers all the ESG areas – Environment, Social and Governance. To ensure that sustainability aspects that are core to the company are known to the organization and its suppliers, the ESG related directives are communicated in the Code of Conduct which also serves as an umbrella document for the Code of Conduct for Suppliers, People Policy, Health and Safety Policy, Internal Reporting Policy, Anti-corruption Policy, and Data Protection Policy. The company's approach to sustainability is further reflected in the company's strategic framework. Overall adherence is ensured by tracking the business' activities and outcome throughout the value chain – all directed and supported by the corporate governance structure.

Strengthening Our Sustainability Governance

In 2024, Aurobay Sweden took significant steps to enhance its sustainability governance and capacity, both at the group and local levels.

Formation of a ESG Committee

As part of our strategy to strengthen sustainability efforts at Aurobay Sweden, the decision to establish a dedicated ESG Committee was made by the CEO, Michael Fleiss in October 2024, and the committee was formally established in January 2025. Its purpose is to support and coordinate sustainability initiatives across all key functions within the company. The committee brings together representatives from EMT –1 or EMT, from functions such as Sustainability, Strategy, Legal, Procurement, and People & Culture, among others. Its primary objective is to streamline ESG priorities and align sustainability-related initiatives across the company. The purpose is to take responsibility for implementation and follow up of sustainability targets and KPIs per function. It has been decided that this Committee can take decisions, instead of having a separate forum, to effectively steer towards the company overall sustainability targets. The ESG Committee is chaired by Aurobay Sweden's Executive Vice President Quality & Sustainability.

Establishment of a Dedicated Sustainability Team at Aurobay Sweden

To further accelerate sustainability work locally, Aurobay Sweden established a dedicated sustainability team during 2024. The team is led by an Acting Head of Sustainability and consists of four additional members with regulatory and product-related expertise. This new structure enhances the organization's ability to manage evolving regulatory demands and embed sustainability throughout product development processes.

Environment

Policy

The company's Environmental Policy is guided by the Paris Agreement. The policy gives directives for the company's environmental work to deliver on its sustainability ambitions, while transitioning from relying on linear business principles to circular ones. The policy mainly focuses on circularity, value chain decarbonization, target setting principles, stakeholder engagement, technology support, as well as laws and regulations. The scope of the policy includes the company's operations, as well as its activities related to supply chain and downstream emissions for which the company is accountable. To support policy adherence, the company's Environmental Management System (EMS) supports target setting and steering towards continuous improvements, with regards to environmental impact.

Activities

With the purpose to strengthen sustainability competence within the organization, our EMT and our Management Team of our Skövde plant and Manufacturing Engineering, have participated in trainings in the Environmental Policy, sustainability governance, and operational sustainability work. The focus area for the trainings was Cutting Emissions. Additionally, a sustainability e-learning was established and is now available for all employees in the Aurobay competence tool.

Outcome

Given the progress on relevant sustainability matters, including transitioning towards fossil free energy, and optimizing energy, water, and waste management, most policy directives are concluded to be adhered to (for complete list of material topics, see page 61). However, scope 3 emissions saw a decrease from last year. Although, full adherence to the Environmental Policy is yet to be ensured.

Social – The company's own employees

Policies

The Code of Conduct outlines the overall governing principles on how the company and its employees shall act within a range of areas, including the social dimension of ESG. As such, the company's Code of Conduct serves as an umbrella for the policies below.

The People Policy is guided by international human rights standards, including the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, and the United Nations Global Compact. The policy concerns e.g. non-discrimination and harassment, child labor, and forced labor.

The Health and Safety Policy outlines that safety should be the top priority of everything the company does, and shall be achieved through cooperation, as well as monitoring and assessment of risks. It further establishes that a safe work environment shall be achieved by engaging and encouraging employees to report deviations, as well as investigating and remediating all deviations.

The Internal Reporting Policy gives directives on how to act on suspected or noted non-compliance issues. Hence, if an employee notices any activity or conducts that may result or has resulted in a violation of the above (or other) policies, the employee is expected to report the issue according to the directives in the Internal Reporting Policy.

Activities

- All company policies are accessible to employees via the intranet. To enhance awareness and ensure compliance with the Code of Conduct and the People Policy, all employees were required to complete mandatory online training in 2023. Since then, these training courses have been integrated into the onboarding process and are mandatory for all newly hired employees.
- Additionally, to empower leaders as company ambassadors and equip them with the necessary skills to foster employee performance, learning, and development, a leadership program was introduced in 2022 and remains in effect in 2024.
- In 2024, Aurobay launched a new leadership program "Leading without being a manager", designed to enhance the values, behaviors, and leadership competencies of employees who lead without formal personnel responsibility.

Outcome

- The Code of Conduct and People Policy training courses are now an integral part of the onboarding process and mandatory for all newly hired employees.
- Since its launch in 2022, the leadership program has been completed by 75 leaders and continued throughout 2024, with 14 participants currently enrolled in the program running from 2024 to 2025.
- Following the launch of the "Leading without being a manager" program, 28 participants have completed the first two programs held during 2024.

Diversity, Equity, Inclusion & Belonging (DEIB)

We take a proactive and structured approach to Diversity, Equity, Inclusion, and Belonging (DEIB) throughout the year, ensuring it is embedded in our culture and business practices.

Strengthening Leadership & Employee Awareness

In 2024, we conducted multiple leadership workshops focused on DEIB awareness, cultural competence, mitigating bias, inclusive recruitment, psychological safety, feedback, and active listening. Our leadership program also includes dedicated training on DEIB awareness and bias mitigation tools, equipping our leaders to foster inclusive workplaces.

To establish a strong foundation from day one, DEIB awareness and unconscious bias in the workplace are key components of all company onboarding sessions. Recognizing the importance of early exposure to these topics, we also incorporate them into onboarding sessions for high school students interning at our factory, ensuring that inclusivity is embedded at every level of our organization.

Promoting Inclusive Hiring & Industry Representation

We continuously refine our recruitment practices to ensure fair and unbiased hiring. In 2024, we adjusted our job advertisements by reducing excessive requirements and reviewing the language used, making them more inclusive and accessible to a broader talent pool.

To attract more women to the industry, we hosted events such as Women in Engineering Day and International Women's Day, showcasing career opportunities and promoting engagement with underrepresented groups.

Additionally, we partnered with Jobbsprånget, an organization that connects employers with foreign-born talent through internships. In 2024, we welcomed our first intern through this program and plan to expand our collaboration to provide more opportunities in the future.

Creating a Safe & Inclusive Workplace

We are committed to fostering a workplace free from discrimination and harassment. In 2024, we launched digital training on unwelcome behaviors, discrimination, and harassment to ensure all employees and managers understand their rights and responsibilities. To support a culture of accountability and psychological safety, we provide multiple reporting channels for employees to confidentially report concerns or incidents. We proactively encourage employees to use these channels, reinforcing our commitment to a safe, inclusive, and respectful work environment.

Social – Employees in the company's value chain

Policy

The company's Code of Conduct for Suppliers is guided by internationally recognized principles that it strongly supports. These include internationally proclaimed human rights conventions, particularly the International Bill of Human Rights, the eight core conventions of the International Labor Organization and Article 32 of the United Nations Convention on the Rights of the Child, the United Nations Declaration on the Rights of Indigenous Peoples, International Covenant on Economic, Social and Cultural Rights, as well as the United Nations Guiding Principles on Business and Human Rights. The company's Code of Conduct for Suppliers further upholds the principles laid out in the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the OECD Guidelines for Multinational Enterprises. In addition, the company supports the United Nations Global Compact Initiative, which is a strategic initiative for businesses committed to align with ten universally accepted principles in the areas of human rights, labor, environment, and anti-corruption.

The Code of Conduct for Suppliers is the company's most important instrument for addressing social and environmental risks in its supply chain, and that are connected to the well-being of suppliers' employees. The Code of Conduct for Suppliers sets out requirements for the company's suppliers with regards to working conditions and human rights, health and safety, care for the environment, responsible sourcing of parts and raw materials, and business ethics. Business ethics covers topics such as business integrity, anti-corruption, counterfeit parts, conflict of interests, audit rights, grievance mechanism, as well as cooperation and consequences of violations.

Activities

The Code of Conduct for Suppliers is reviewed continuously by the company.

Outcome

All our direct material suppliers have accepted the Code of Conduct for Suppliers. Adherence is followed up via supplier self-assessments, as well as on-site supplier audits to be initiated in 2026.



Governance

Directed and supported by the corporate governance structure, the company's sustainability organization is set up with the ambition to ensure that sustainability related decisions are made on the appropriate level, and that the decisions are executed by the organization.

Policies

With regards to sustainability governance, the company has issued and communicated a few key policies to the organization to ensure all employees have the prerequisites necessary to comply to legal and regulatory requirements, and to perform their work properly.

The Code of Conduct sets the scene in terms of outlining preferred behaviors and is further drilled down to a range of area specific policies. In addition to the above-mentioned ESG-related policies, the company has also issued an Anti-Corruption Policy which is part of the Code of Conduct, a Data Protection Policy, and a Cookie Policy.

Anti-corruption Policy gives directives related to the company's prohibition of all forms of bribery and corruption; in all countries it operates. For reporting potential or identified incidents related to the policy, it refers to the Internal Reporting Policy.

The Data Protection Policy and the Cookie Policy give directives related to the safeguarding of current, former, and potential customers', employees', and business partners' privacy and others who are in contact with the company sharing personal data, in all countries the company operates.

Activities

The policies are available to the employees by being communicated on the intranet. To further strengthen awareness, and to support adherence to the Code of Conduct, of which the Anti-Corruption Policy is part, all employees were requested to take mandatory online trainings during 2024.

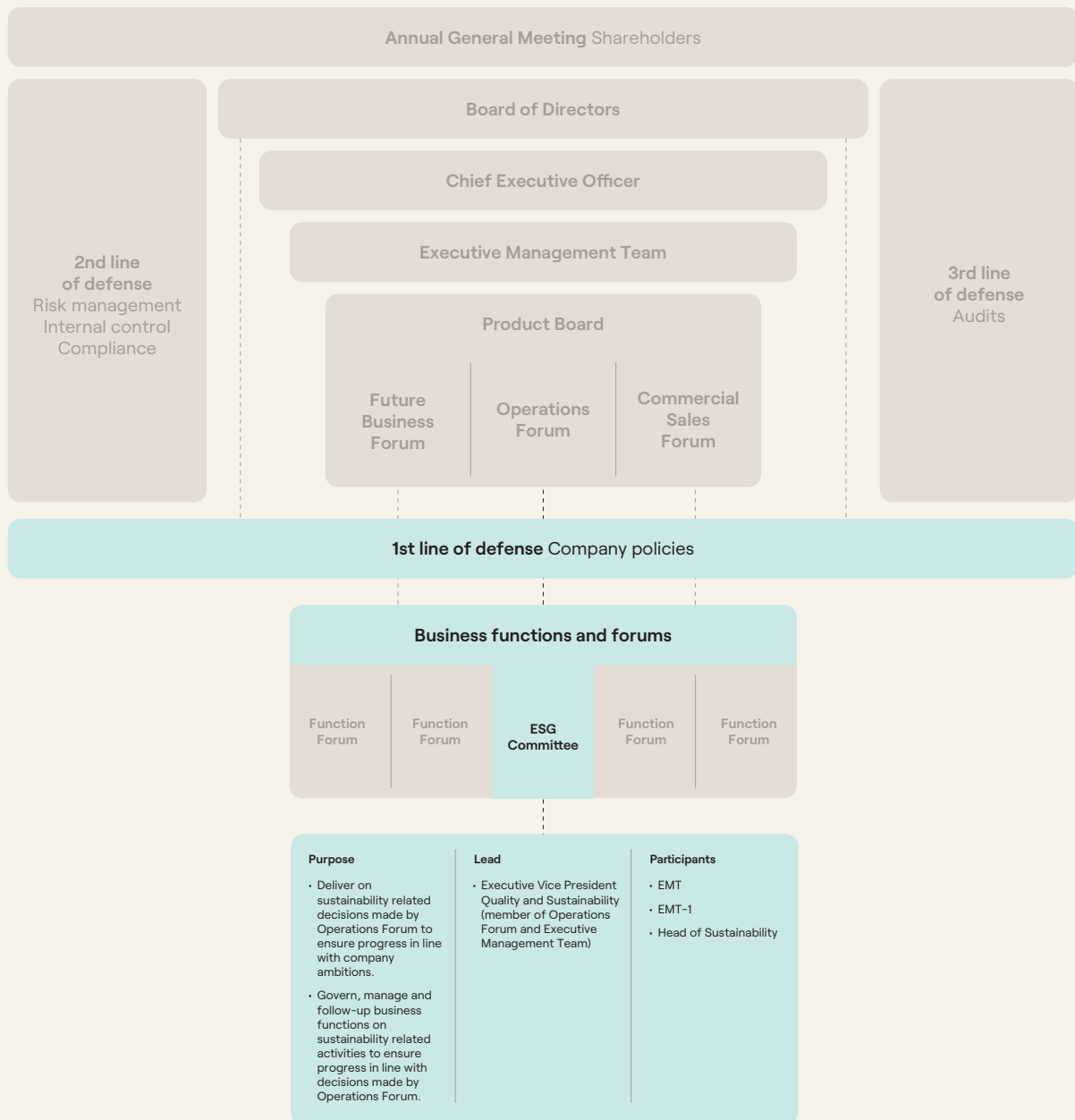
Outcome

The mandatory Code of Conduct training was completed by almost 50% of the employees during the year, and the remaining gap to reach full completion, is planned to be closed during 2024.

There were no identified incidents of bribery or corruption during 2024.



Organizational structure



**The organisation structure after the establishment of the ESG Committee.*

Enterprise risk management report

Managing risks is critical to Aurobay Sweden's success. Risks are managed according to the company's principles of Enterprise Risk Management (ERM). These are reflected in the Risk Management and Internal Control Policy. The directives outlined in the policy are further defined in the daily working processes and instructions issued by the Executive Management Team (EMT) and the company's operations. The overall objective of ERM is to support decision-makers at all levels in the company, including the EMT as well as the BoD.

ERM governance

The ultimate responsibility for ensuring that Aurobay Sweden's risks are sufficiently managed lies with the BoD. The BoD has delegated to the CEO to ensure that the internal controls provide for an adequately managed risk landscape. The CFO is responsible for supporting the CEO in all ERM and internal control related matters and has appointed the ERM and Internal Control (IC) department to carry out such duties.

The ERM reporting process is a key prerequisite for designing and establishing adequate internal controls. It is carried out on a yearly basis, or more frequently if required by the BoD, the CEO, or the CFO. The process is initiated by gathering risk reports from the whole organization via a cross-functional team consisting of process managers from all areas of the company. The outcome results in a consolidated risk report for the whole company from which the EMT prioritizes risks for the business to focus on. The EMT decision is reflected by updating the consolidated risk list which is communicated by the ERM and IC department to the process managers for further actions.

The company's top risks are pulled out from the EMT approved risk list, further refined to ensure that the macro-perspective is addressed and presented to the BoD. The top risks are presented in relation to the yearly filing of the statutory annual and sustainability report. With that, the yearly ERM process is closed, and forms the base for the upcoming year's ERM process and reporting.

Key risk drivers

To identify the top risks of the company, focus has been directed to the external business environment in which Aurobay Sweden and its current as well as potential customers operate. The impacting factors are summarized below as key risk drivers:

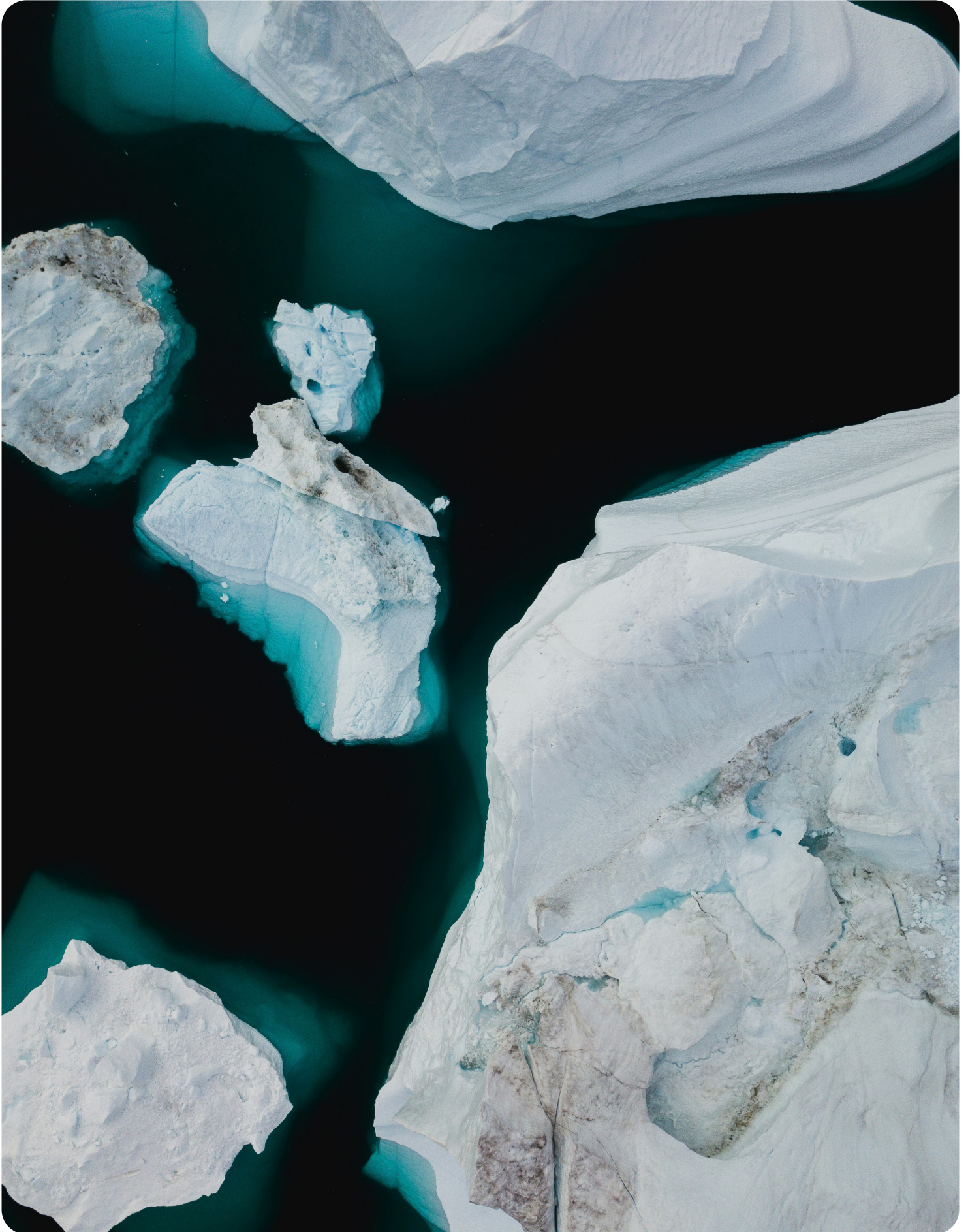
- Macro-politics and -economics
- Customer behaviour and demand
- Competitive environment and technological development
- Climate change
- Legal and regulatory requirements

Top risks

Described in the table below are the identified top risks confronting Aurobay Sweden. All risks are defined and categorized according to the principles of Committee of Sponsoring Organizations of the Treadway Commission (COSO), an internationally accepted framework for ERM and IC.

A risk is defined as any future event that, directly or indirectly, is anticipated to threaten Aurobay Sweden's ability to deliver on its strategy to reach the objectives, mission and vision. The risks are categorized as below.

- **Strategic** – risks directly impacting strategic deliveries and fulfilment of objectives.
- **Operational** – risks impacting operational deliveries.
- **Financial** – risks impacting financial results, financial position, cash flow and/or valuation.
- **Compliance** – risks impacting the ability to comply with legal and regulatory requirements.



Strategic risks

Description	Objective areas at risk	Mitigation	Outlook
Prioritization challenges To meet customer demand for more sustainable products and services, Aurobay Sweden is continuously reviewing its strategic prioritizations. Potential business opportunities may arise in business segments and countries that Aurobay Sweden is not currently operating in. Addressing these opportunities may come with the risk that the strategic prioritizations and efforts do not lead to the anticipated success.	• People • Sustainability • Innovation • Growth • Profitability	Aurobay Sweden's governance model and strategic framework have been carefully tailored to support the company's rapidly evolving business, where sustainability-related objectives and actions are key. The steering of Aurobay Sweden is expected to strengthen its ability to make the right strategic decisions, with an increased focus on future business areas.	The risk is expected to remain. The risk level will depend on how well Aurobay Sweden's governance model and strategic framework support the prioritization process, ensuring flexibility in addressing changes in customer demand.
Lack of strategic competencies To compete in an increasingly sustainability-focused industry, Aurobay Sweden must attract and retain the necessary competencies to develop, manufacture, and sell sustainable products and services that address its strategic priorities. Competition for talent, particularly in key areas such as R&D, is fierce. As a relatively new brand with a historical association to being a provider of combustion engines, Aurobay Sweden may face challenges in attracting the right talent.	• People • Sustainability • Innovation • Growth • Profitability	Aurobay Sweden's people strategy is designed to attract talent critical to its strategy. Through strong employer branding, the company aims to position itself as a dedicated transformer with a sustainability-focused mindset, creating curiosity among key talents. Employee satisfaction is continuously measured to maintain high retention rates.	The risk is expected to remain. The risk level will depend on how well Aurobay Sweden balances its efforts to attract and retain strategic competencies, ensuring competitiveness in the continuous battle for talent.
Too low emission-cuts Climate change necessitates a range of actions to improve global environmental conditions. Given its industry's significant contribution to global emissions, Aurobay Sweden plays a key role in making a difference. Most of the emissions occur in the use-phase of the company's products. However, since factors such as vehicle OEMs, fuel providers, and end-users influence total emissions, Aurobay Sweden has limited control over this part of the value chain. This may pose a risk to the company that it may not reach its emission-cutting ambitions.	• Sustainability	Aurobay Sweden continuously investigates and addresses product hybridization and alternative fuel compatibility as key strategies to minimize emissions during the use-phase.	The risk is expected to remain. The risk level will depend on Aurobay Sweden's ability to deliver solutions that offer high compatibility with overall use-phase emission reduction targets.

Financial risks

Description	Objective areas at risk	Mitigation	Outlook
Tariffs The tariffs implemented by the US government put pressure on companies all over the world – strategically as well as operationally and financially. Aurobay Sweden will most probably be affected since the company's largest customer sells and exports vehicles to the US – vehicles into which Aurobay Sweden's engines are installed. The customer's sales strategy will impact Aurobay Sweden's sales forecast, and the company's risk exposure in terms of sustainable profitability.	Profitability	Aurobay Sweden conducts market intelligence regularly to forecast and monitor anticipated and realized effects from global tariffs. In addition, the company has re-occurring reviews with its largest customer to understand its US sales projections, as well as to ensure that Aurobay Sweden carries out proper short- and long-term mitigation actions to minimize the impact.	The risk is expected to remain. The risk level will depend on Aurobay Sweden's ability to respond to the company's largest customer's sales strategy and projections to ensure continued profitability.
Currency fluctuations By being subject to macro-economic conditions, currency fluctuations are part of, and impact, the monetary value of transactions throughout Aurobay Sweden's value chain. Therefore, Aurobay Sweden's financial strength may be at risk.	Profitability	Aurobay Sweden's approach to managing financial risks is outlined in the company's Finance and Tax Policy, which is further reflected in the relevant working processes. To avoid negative currency effects, Aurobay Sweden's ambition is to the largest extent possible to apply the principle of natural hedging, i.e., sell and source in the same currency.	The risk is expected to remain. The risk level will correspond to how well Aurobay Sweden manages the means available on the financial markets, as well as through natural hedging – to ensure currency effects are balanced towards having a neutral or positive financial impact.
Supply and price volatility The consequences of climate change and macro-political and economic decisions impact companies' financial health in many ways. Uncertainty in emission tax levels, as well as fluctuations in energy and water supply and price, are all subject to the attention of companies worldwide. The volatility may pose a risk to Aurobay Sweden in terms of ineffective operations and decreased profitability.	- Profitability - Sustainability	Aurobay Sweden's continued focus on reducing emissions throughout its value chain, including by finding solutions to reduce use-phase emissions, as well as running operations on renewable energy, recycling water, etc., is expected to balance out part of the volatility.	The risk is expected to remain. The risk level will correspond to how well Aurobay Sweden manages to balance its counteractions to the impacting factors – to ensure effective operations and continued profitability.

Operational risks

Description	Objective areas at risk	Mitigation	Outlook
Supply chain disruptions Increased raw material cost and costs related to labor, transportation, and energy costs, as well as increased frequency and severity of natural disasters due to climate change or even lack of supply, may have a negative impact on suppliers' ability to continue business. Macro-political and economic factors continue to put pressure on Aurobay Sweden's suppliers. Fluctuations in customer demand also bring potential inefficiencies to the supply chain. Therefore, the company's ability to deliver sustainable products and services timely and with the right quality may be at risk.	• Sustainability • Growth • Profitability	Aurobay Sweden is continuously monitoring the financial status of its suppliers. This is complemented with working processes designed to ensure that disruptions due to eventual supplier insolvency are kept to a minimum. In addition, Aurobay Sweden works closely with its customers and R&D to prepare for and mitigate worst-case scenarios to ensure continued sustainable deliveries throughout the supply chain. The risk of raw material shortages is partly addressed by increasing the share of recycled content in products.	The risk is expected to remain. The risk level will correspond to how well Aurobay Sweden manages its supply chain to ensure maintained and sustainable deliveries.
Cybersecurity threats The increased tensions in the macro-political environment have contributed to a rise in cyberattacks globally. Cyberattacks put pressure on Aurobay Sweden's information security and ability to protect its data, and the reliability of its overall IT environment. As the attacks become increasingly sophisticated, they may be difficult to foresee. If realized, the consequences may be costly.	• Profitability	Aurobay Sweden is continuously evaluating its resilience against cyberattacks. Mitigating actions include IT intelligence, infrastructure and security updates, testing, backups, training, and organizational support. Insurance covering the consequences of potential cyberattacks is evaluated continuously. These combined actions help minimize the occurrence and impact of cyber threats.	The risk is expected to remain. The risk level will correspond to how well Aurobay Sweden manages its IT environment to ensure business continuity.

Compliance risks

Description	Objective areas at risk	Mitigation	Outlook
Non-compliance Aurobay Sweden is managing its business in accordance with a wide range of legal and regulatory requirements. With climate change, sustainability-related international and national laws have increased significantly. In addition, extensive requirements related to current and upcoming certifications necessary to run the business must also be complied with. As the company grows, complexity increases, and with that, the risk of being non-compliant.	• People • Sustainability • Innovation • Growth • Profitability	Aurobay Sweden has a policy framework in place that shall ensure the relevant compliance-related actions are implemented throughout the working processes. Adherence is ensured by executing the company's principles for ERM reporting, as well as support by internal and external audits from which areas for improvement are gathered and addressed.	The risk is expected to remain. The risk level will correspond to how well Aurobay Sweden communicates the legal and regulatory requirements to the organization and how well the company supports ensuring adherence – efforts to ensure compliance throughout the company.
Legal disputes Aurobay Sweden is growing its business, and with that, the risk of legal disputes (related to e.g., warranties, product liability, and intellectual property) may appear.	• People • Sustainability • Innovation • Growth • Profitability	Aurobay Sweden's Legal and Compliance department supports the organization in all matters that may confront the company with the risk of legal disputes.	The risk is expected to remain. The risk level will correspond to how well Aurobay Sweden manages its business relations, including the preparation, execution, and follow-up of business cases – efforts to ensure that legal disputes are avoided to the largest possible extent.
Lack of supply chain transparency Due to limited transparency higher up the supply chain, there may be a risk that directives in Aurobay Sweden's Code of Conduct, Code of Conduct for Suppliers, and requirements from customers are not always adhered to. Primary risks are connected to the people involved in mining Tin, Tantalum, Tungsten, and Gold (3TGs), also known as conflict minerals. These metals are often associated with human rights abuse if originating from Conflict-Affected or High-Risk Areas (CAHRAs). The lack of transparency also poses risks to other areas covered by the Code of Conducts, such as anti-corruption, health and safety, and environmental protection.	• Sustainability	Aurobay Sweden works with supply chain risk management by setting and following up supplier requirements on parts containing 3TGs. This includes requirements to only use smelters conformant with the Responsible Minerals Assurance Process (RMAP) Standards, declaration of supplier due diligence measures, and disclosure of smelters in a Conflict Minerals Reporting Template (CMRT) provided by the Responsible Minerals Initiative (RMI).	The risk is expected to remain however decrease over time as Aurobay Sweden's supply chain sustainability due diligence process undergoes improvements. The ambition is to only source components containing 3TGs from supply chains with third-party validated, conflict-free smelters and refiners and to always comply with the customers' and Aurobay Sweden's Code of Conduct for Suppliers. The risk level will correspond to Aurobay Sweden's ability to identify and mitigate actual and potential issues in suppliers' processes related to mining and refinement of conflict materials – to ensure that Aurobay Sweden conducts a caring and responsible business.

Board of Directors

Aurobay Sweden AB



Rui Ping Wang

Chairman of the Board · Nationality: Canadian

Rui Ping has worked at the Zhejiang Geely Auto Group Co. Ltd. in China since 2011 where she currently holds the position as Senior Vice President. Other significant engagements in Geely's group of companies are carried out also in Aurobay Holding Ltd., Aurobay Sweden AB, as well as Zhejiang Geely Powertrain Co. Ltd. Prior positions include General Manager of the powertrain business unit at Great Wall Motor Co. Ltd. in China, Researcher at the Center for Advanced Vehicle Research in Canada, as well as Senior Technical Manager at Zhengzhou Nissan Motor Co. Ltd. in China. In addition, she is the Chairman of Advanced Propulsion System (APS), China SAE, as well as President of Specialist Committee on Powertrain of Passenger Car (SCP), CSICE. Rui Ping holds a Master's degree in Vehicle Engineering from the Concordia University in Canada, as well as a Bachelor's degree in ICE from the Xi'an Jiatong University in China.



Michael Fleiss

Board member · Board Member and Chief Executive Officer of Aurobay Sweden AB · Nationality: German and Swedish

Michael set up Aurobay Sweden AB as a unit within Volvo Cars in 2019. He has 25 years of experience in product development. He started his career at Volkswagen in Germany, before moving to Bentley Motors in the UK and then to Volvo Cars in Sweden. Michael holds a Master in Mechanical Engineering from the University of Lübeck.



Ingo Scholten · Board Member · Nationality: German

Ingo holds the position as Vice President of Alliances & Synergies at Aurobay Holding. He is an engineer by training and has led the planning and execution of key strategic projects within Geely Holding and General Motors in Asia, Europe and globally. Throughout his career, he has been responsible for numerous powertrain innovations. In 2018, he joined Geely Powertrain, where he led R&D including the next-generation engine and LeiShen hybrid system development.



Xufeng Zhu · Board Member until 2024-12-19 · Nationality: Chinese

Xufeng has worked at Geely since 2021, currently holding the position as Executive Deputy General Manager. Prior to that, he held the position as CFO of PATEO, as well as Partner at Grant Thornton. Xufeng holds a Master from the Chinese University of Hong Kong.



Tihua Huang · Board Member · Nationality: American

Tihua has worked at Geely Holding Group since 2017. Other engagements are carried out also at Zhejiang Wisdom Puhua Financial Leasing Co. Ltd., Zhongjian Carbon (Shanghai) Management Consulting Co. Ltd., Zhejiang Jizhi Green Ethanol New Energy Technology Co. Ltd., as well as Hangzhou Green Jixing Science and Technology Co. Ltd. Prior to working at Geely Holding Group, she held positions at several U.S. law firms, including Jones Day, Cadwalader, Wickersham & Taft LLP, and Morrison Foerster LLP. Prior to that, she served as a Judicial Intern at the U.S. Court of Appeals for the Federal Circuit.



Robert Gong · Board member from 2024-12-20 · Nationality: Chinese

Robert is a Board Member and the Chief Financial Officer of Aurobay Holding and holds a Bachelor's degree in Vehicle Engineering from Chongqing University in China. He has extensive experience in finance and management within the automotive industry. His career includes roles at Nanjing FIAT, Changan Ford, and Chery Auto in China, where he held various senior finance positions. Since joining Geely Group, he has held several key roles, including Finance Director and CFO at Geely Auto R&D Institute in China, Lotus Cars in the UK, LYNK & CO in China, and now Aurobay Holding.

Employee Representatives

**Joakim Dahlin**

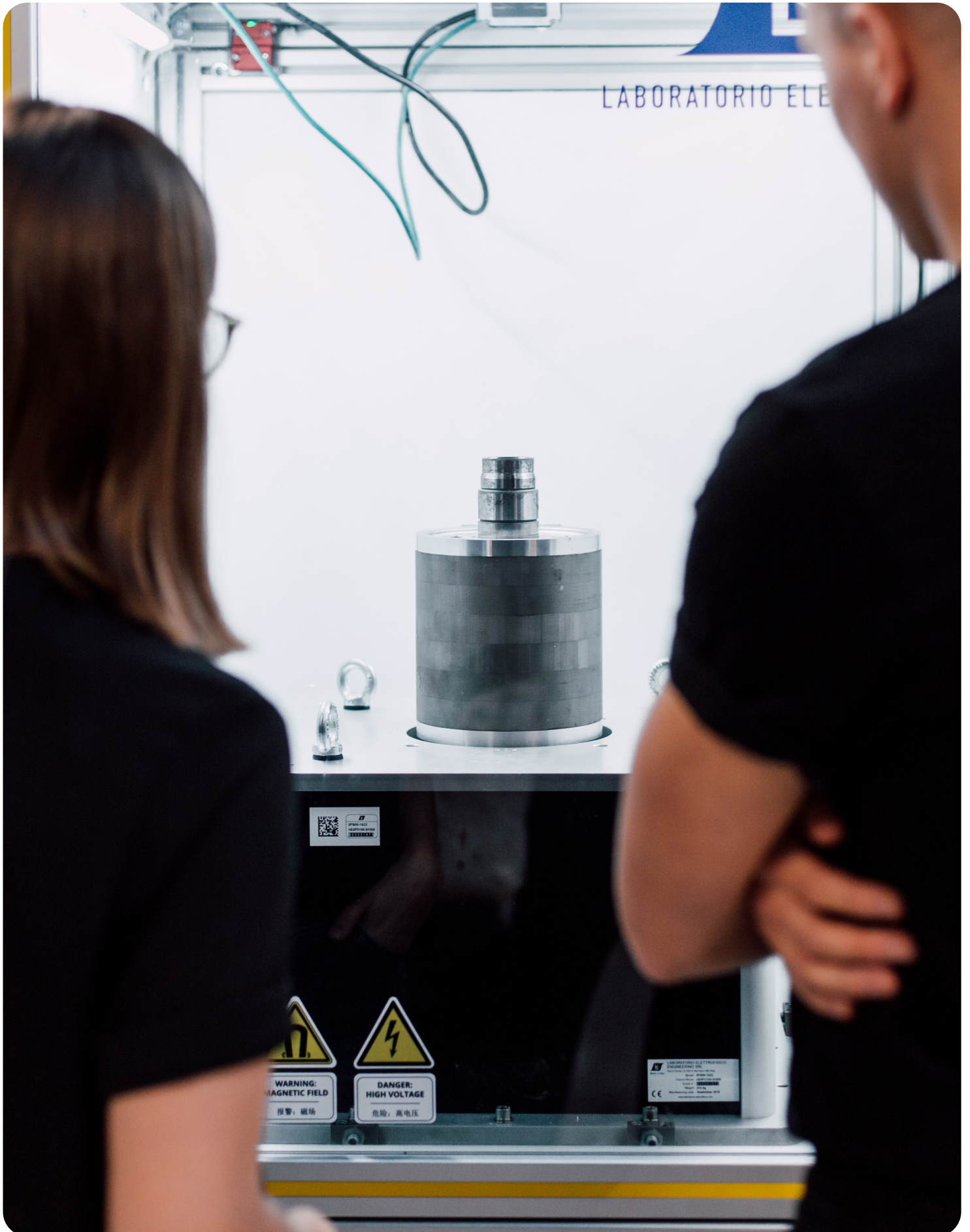
Board Member and Representative of Unionen
Nationality: Swedish

Joakim is Chairman of the Unionen Club at Aurobay Sweden AB and is a full-time union representative. He previously worked as a Productivity Engineer on projects at the Skövde engine plant.

**Marko Borg Peltonen**

Board Member and Representative of the
blue-collar union
Nationality: Swedish

Marko is Chairman of the blue-collar union at Aurobay Sweden AB and is a full-time union representative. He previously worked at Volvo Cars with manufacturing and machining cylinder blocks.



Executive Management Team

Aurobay Sweden AB

**Michael Fleiss**

Chief Executive Officer and
Executive Vice President
Sales and Market
Nationality: German and Swedish

Michael set up Aurobay Sweden AB as a unit within Volvo Cars in 2019. He has 25 years of experience in product development. He started his career at Volkswagen in Germany, before moving to Bentley Motors in the UK and then to Volvo Cars in Sweden. Michael holds a Master in Mechanical Engineering from the University of Lübeck.

**Daniel Alvarsson**

Executive Vice President
Manufacturing Engineering
Nationality: Swedish

Daniel came to Aurobay Sweden AB after over 20 years of leading and managing industrial projects and production operations within Volvo Cars. He holds a M.Sc. in Automation from Chalmers University of Technology in Gothenburg, and an MBA from the University of Gothenburg.

**Mats Andersson**

Executive Vice President
Research and Development
Nationality: Swedish

Mats held Research and Development leadership roles at Volvo Cars before joining Aurobay Sweden AB. At Volvo Cars he heads up Short I6 Engine programs (2003–2007) and built-up the Electrical Propulsion Systems (2014–2017). He holds a Ph.D. from Chalmers University of Technology in Gothenburg and was an Associate Professor in Microelectronics there during the 1990s.

**Mattias Berglund**

Executive Vice President
Strategy and Alliances
Nationality: Swedish

Mattias joined Aurobay Sweden AB from Volvo Cars, where he was Manager for Powertrain Product Strategy. Mattias holds an M.Sc. in Mechanical Engineering and Industry Analysis from Chalmers University of Technology in Gothenburg and comes with more than 20 years of experience in the automotive industry.

**Helene Carlson**

Executive Vice President
Communications and Public Affairs
Nationality: Swedish

Helene has 20 years of strategic marketing and communications leadership experience in automotive and healthcare. Before joining Aurobay Sweden, she was Head of Communications and Investor Relations, and a member of the Executive Management Team for the listed company, Opus Group AB. She holds an M.A. in Strategic Marketing Communication and Media Studies from the University of Gothenburg, and Leeds Beckett University in the UK.

**Maria Elm Olsson**

until 2025-03-31,
replaced by new CFO 2025-06-01
Chief Financial Officer
Nationality: Swedish

Maria is an experienced financial leader, with expertise in business planning, financial analysis and modelling, and mergers and acquisitions. Prior to joining Aurobay Sweden, Maria worked at SKF, Volvo Cars, Latour Industries AB and Capio Proximity Care. She holds a B.Sc. in Business and Economics from Kalmar University.

**Per Engler**

Executive Vice President
Corporate Functions
Nationality: Swedish

Per joined Volvo Cars in 2017 as Head of HR Digital and Consumer Experience, before moving to Aurobay Sweden AB. Previously, he was Head of HR at Latour Industries for eight years, also serving as CEO of Specma Seals. He holds a Master in Marketing Management from Griffith University, Australia.

**Bjarne Hammar**

Executive Vice President
Manufacturing, Skövde Plant
Nationality: Swedish

Bjarne joined Volvo Cars in 2017 before transferring to Aurobay Sweden AB. He has had several senior positions in supply chain, Research and Development and project management within Husqvarna Group, and also worked as CEO for a tech company. He holds a M.Sc. in Engineering and Finance from Chalmers University of Technology in Gothenburg.



Anette Hansson Ahl
Executive Vice President
Legal and Compliance
Nationality: Swedish

Anette has more than 25 years of experience in Swedish and international business law. Before joining Aurobay Sweden AB, she was Founding Partner and previously also Managing Director at a Stockholm-based law firm for many years. Prior to that, she worked as an in-house Legal Counsel for Hewlett Packard. Anette holds a Master of Law from both Lund University and Université Panthéon-Assas (Paris II).



Annica Johannsson
Executive Vice President
Quality and Sustainability
Nationality: Swedish

Annica moved to Aurobay Sweden AB after over 20 years of global leadership experience at Volvo Cars, in Research and Development and Quality. She holds a B.Sc. in Innovation Engineering from Halmstad University and a certification in Combustion Technology from Chalmers University of Technology.



Jonas Leo
Chief Information Officer
Nationality: Swedish

Jonas supported with driving Volvo Cars' digital transformation and online consumer experience before joining Aurobay Sweden AB, starting as Director of Enterprise Digital Transformation, and continued as CTO Volvo Online Digital, Care by Volvo. Other roles within the company included Director Global Application Services and Head of Enterprise Digital APAC. He has an M.Sc. in Mechanical Engineering.

**Niclas Hjerdin**

Executive Vice President

Procurement

Nationality: Swedish

Niclas has more than 20 years of experience in Swedish and international industries and business in transformational and dynamic value chains, with expertise in global procurement and supply management. Prior to joining Aurobay Sweden AB, he held senior positions at CEVT, TTS Group and SKF. He holds a Master of Business Finance and Systems Development from the University of Borås.

**Terry Zhang**

Executive Vice President

Manufacturing, Zhangjiakou Plant

Nationality: Chinese

Terry is supporting Aurobay Sweden AB's transition to the Aurobay Sweden brand. He has extensive experience in manufacturing engineering, production and project management at FIAT as well as Volvo Cars. He holds a Bachelor's Degree in Engineering and an MBA.

Signatures

Gothenburg

2025-06-09

Rui Ping Wang

Chairman of the Board of Directors

Michael Fleiss

Chief Executive Officer

Ingo Scholten

Robert Gong

Tihua Huang

Joakim Dahlin

Marko Borg Peltonen

My audit report has been submitted

Gothenburg

2025-06-09

Niclas Åberg

Authorized Public Accountant Deloitte AB

6. Sustainability guidelines, facts and tables

Approach to sustainability reporting

The Aurobay Sweden Sustainability Report 2024 is a stand-alone sustainability report. The scope of the sustainability reporting includes Aurobay Sweden AB (corporate identity number 556830-5964), its wholly owned subsidiary Aurobay Sweden Real Estate AB (corporate identity number 559140-6425), and additionally, where applicable, and for comparison to last year's report showcasing the operations at the manufacturing plant in Zhangjiakou, China, sister company to Aurobay Sweden AB.

The sustainability reporting is based on inspiration from the voluntary framework GRI however, no reference to the GRI Standards is disclosed.

The company's calculations on greenhouse gas emissions are based on the Greenhouse gas Protocol.

Double materiality assessment identifying our material topics

To understand how and where Aurobay Sweden's own operations and value chain impacts, and is financially impacted by, environment and society we conducted a double materiality assessment in 2023, inspired by the principles outlined in the Corporate Sustainability Reporting Directive (CSRD), for Aurobay Sweden, including Zhangjiakou plant. This was an important first step in finding efficient ways towards creating a more sustainable value chain and business model. The 2023 Double Materiality Assessment provided the foundation for ongoing progress and serves as the backbone of the disclosures featured in this report.

To conduct this exercise:

Firstly, an assessment was made where past, current and future potential and actual impacts on the environment and society made by the company were quantified. A lifecycle approach was taken, where upstream, downstream and direct company activities were taken into account.

Secondly, different sustainability topics that have (or can have) a material financial impact on Aurobay Sweden were assessed based on likelihood and severity. Combined, the output of these activities acted as key input to the final conclusions of which sustainability topics should be considered material sustainability topics for Aurobay Sweden.

An important input to the double materiality assessment is the views of our key stakeholders. In 2022, Aurobay Sweden conducted a thorough stakeholder analysis where clients, owners, employees and suppliers were asked about their expectations on Aurobay Sweden's sustainability work, along with other sustainability related questions. This stakeholder information has been used as input for the materiality assessment done in 2023, in combination with new input from the Executive Management Team (EMT), as well as employees from the Central Sustainability team. The Sustainability team conducted a risk and opportunity assessment, along with an impact assessment, during 2023. This assessment was reviewed by the EMT. The final analysis was later presented to the EMT, which decided the sustainability topics to be considered material.

Stakeholder input

Primary Stakeholder Groups, Communication Methods, and Sustainability Expectations

Primary Stakeholder Groups	Ways of Communicating About Sustainability	Primary Sustainability Expectations
Owners	Owner directive and sustainability interviews	• Reduce GHG-emissions and energy efficiency • Increase circularity • Reduce water use • Reduce pollution • Good employment conditions • Ethical business
Costumers	Dialogue in product development and sales Sustainability interviews	• Reduce GHG-emissions and energy efficiency • Increase circularity • Good employment conditions
Employees	Ongoing input and sustainability survey	• Reduce GHG-emissions • Increase circularity • Reduce pollution • Good employment conditions • Competence development
Suppliers	Ongoing dialogue and sustainability survey	• Reduce GHG-emissions • Good employment conditions • Ethical business practices • Social sustainability in the value chain
Governments	Permits	• Follow permits and legislation

Shortlisted Sustainability Impacts for Aurobay Sweden

On the External Environment and Society:

- CO₂e emissions
- Employees (employment conditions and health and safety)
- Material use and waste
- Social impact in our supply chain
- Energy use
- Water use

Increased Risks Identified:

- Increased frequency of extreme weather
- Increased risk of pandemics
- Decreased water supply
- Increased energy prices and/or limited access
- Lack of material availability
- Lack of sustainability competence

Final List of Material Topics:

- Climate change (CO₂e emissions and energy use)
- Resource use and circular economy (material, water and waste)
- Our own workforce
- Employees in our value chain

(not reviewed by Aurobay's auditors).

Preparing for the CSRD

As we continue working towards compliance with CSRD in 2024, we have built upon the work done in 2023 by enhancing our processes and further integrating sustainability into our operations. We have also advanced the necessary actions to ensure compliance. To deepen our understanding of our interactions, we have developed a more analytical version of our value chain mapping, which can be found on page 17 of this report. Additionally, we maintained an active dialogue with stakeholders to align with their evolving priorities.

As part of our compliance preparations, we also updated the Double Materiality Assessment for Aurobay Sweden, aligning it with the CSRD framework. A detailed disclosure of the assessment process and results is scheduled for inclusion in the Sustainability Report for the reporting year 2025.

While the full outcomes of the double materiality assessment will be shared in future reporting, the high-level results—presented in the table below—highlight the priority material topics identified across the Environmental, Social, and Governance dimensions. Please note that this recent assessment has not yet been reviewed by our auditors.

- **Environmental**
 - Climate Change
 - Pollution
 - Biodiversity and Ecosystems
 - Resource Use and Circular Economy
- **Social**
 - Own Workforce
 - Workers in the Value Chain
 - Affected Communities
- **Governance**
 - Business Conduct

Identified material topics in recent DMA

GENERAL	ENVIRONMENT	SOCIAL	GOVERNANCE
General requirements	Climate change	Own workforce	Business Conduct
General disclosures	Pollution	Workers in value chain	
	Water and marine resources	Affected communities	
	Biodiversity and eco systems	Consumers and end-users	
	Resource use and circular economy		

Throughout 2024 and continuing into 2025, Aurobay has been actively working to ensure CSRD compliance. Key initiatives include completing a gap analysis to identify areas requiring improvement and taking steps to close those gaps. Additionally, Aurobay remains committed to closely monitoring and adapting to ongoing regulatory changes

proposed by the EU Commission, ensuring our sustainability practices are aligned with the evolving landscape of corporate responsibility.

These efforts reflect Aurobay’s dedication to integrating sustainability deeper into our operations and strategy, creating value for both the planet and our stakeholders.

Carbon footprint disclosures

We have developed our climate targets based on Science Based Target initiative's (SBTi), using their calculation tool to find target levels that are aligned with the Paris Agreement. All CO₂e emissions represented in this report are calculated according to the Greenhouse Gas Protocol (GHG Protocol). Aurobay Sweden has carried out carbon footprint calculations since 2021 and has focused on continuously improving the data quality and level of detail. Supplier collaboration has enabled the use of increased primary data for upstream activities, improving the accuracy of the calculations. To further improve, the methodology has been updated as we have gained more knowledge about the lifecycle of our products.

The calculations rely on primary data as well as estimations using the operational control consolidation approach. For scope 2 emissions we report both a location-based and a market-based figure. The climate impact has been calculated in the form of carbon dioxide equivalents. The emissions are reported in three scopes:

- **Scope 1** refers to direct emissions from the organization.
- **Scope 2** refers to indirect emissions that occur during the generation of purchased electricity, district heating, district cooling, and process steam.
- **Scope 3** refers to other indirect emissions, upstream and downstream in the value chain, which arise from, among other things, use of sold products, purchased business journeys, transports in the production of purchased goods and services and employees' commuting.

Scope 1 and 2 – Emissions linked to our own operations

The emissions linked to our own operations (scope 1 and 2) are a minor contributor to our total climate emissions. The Scope 1 and 2 emissions decreased in 2024 as a result of continuous improvements in our operations and continuing to only use renewable electricity in our operations.

Scope 3 – Upstream emissions

The materials we use to produce our products are our second largest contributor to climate emissions in our value chain. General emission factors are used for the calculations, together with primary carbon footprint data from our suppliers on the largest components in our products. The reduction can be explained by the implementation of aluminum produced with hydroelectricity for our largest primary aluminum part, the improved data in the new reporting system and an increased understanding of where the raw materials in our engines are being produced.

Scope 3 – Downstream emissions

Downstream scope 3 emissions constitute more than 80% of our total value chain emissions. The calculations are based on the number of engines produced each year, which cars they are installed in, what market they are sold to and an assumed lifetime length of 200,000 kilometers. The downstream scope 3 emissions were reduced in 2024 despite increased production volumes. This is a result of the introduction of our MP Miller engine with increased efficiency as well as an increased share of plug-in hybrid engines sold. Improved accuracy in the underlying data used from our new reporting system also influences the emissions in this category. This also led to an increase in the emissions from downstream transportation and distribution.

Carbon footprint

GHG Protocol reference	Aurobay Sweden 2024 (ton CO ₂ e)	Aurobay Sweden 2023 (ton CO ₂ e)	Aurobay Sweden 2021 (ton CO ₂ e)	Zhangjiakou 2024 (ton CO ₂ e)
Scope 1	1 676.4	1 650.9	2 595.86	787.2
Company owned vehicles	55.3	48.6	60.32	0.04
Energy and facilities	147.85	127.2	139.1	661.82
Fuel use in operations	1473.2	1 475.2	2 396.4	125.3
Scope 2	538.1	659.3	667.4	0
Energy and facilities (market based)	538.1	659.3	667.4	0
Energy and facilities (location based)	946.0	4 873.94	4 351.7	9 445.2
Scope 3 upstream	241 646.6	303 340.9	187 785.705	120 761.3
Purchased goods and services	210 025.2	263 067.2	148 633.365	110 824.3
Capital goods	1169.8	17 709.9	19 055.7	383.02
Fuel and energy related activities	725.8	677.2	1 164.3	368.72
Upstream transportation and distribution	25 440.6	171 87.0	151 77.5	8 410.7
Waste generated in operations	223.4	221.3	1 906.2	25.9
Business travel	1 972.9	2 835.4	0.0	0
Employee commuting	2 089.0	1 642.8	1 848.7	748.6
Upstream leased assets	N/A	N/A	N/A	N/A
Scope 3 downstream	1 167 630.1	1 218 619.2	1 140 224.437	434 662.7
Downstream transportation and distribution	39 763.1	24 962.98132	14 534.025	17 155.5
Processing of sold products	N/A	N/A	N/A	N/A
Use of sold products	1 127 483.4	1 192 481.0	1 124 655.498	417 300.3
End-of-life treatment of sold products	327.9	111.2	1034.914026	206.8
Downstream leased assets	55.8	64.0	N/A	N/A
Franchises	N/A	N/A	N/A	N/A
Investments	N/A	N/A	N/A	N/A
Total (market based)	1 411 491.2	1 524 270.2	1 331 273.4	556 211.1
Total (location based)	1 411 899.1	1 528 484.9		565 656.3

Other sustainability disclosures continuing

Waste diverted from disposal	Aurobay Sweden 2024	Aurobay Sweden 2023	Zhangjiakou 2024	Notes
Total weight of hazardous waste diverted from disposal in metric tons:	107	105	13	
i. Preparation for reuse	0	0	0	
ii. Recycling	107	105	13	
iii. Other recovery operations	0	0	0	
Total weight of non-hazardous waste diverted from disposal in metric tons:	4 125	2 691	2 109	All waste diverted from disposal off-site
i. Preparation for reuse	163	107	0	
ii. Recycling	3 900	2 522	2 109	
iii. Other recovery operations	62	62	0	
Waste directed to disposal				Notes
Total weight of waste directed to disposal in metric tons	5 151	4 849	165	Data provided by waste contractor and from scales on-site
Total weight of hazardous waste directed to disposal in metric tons:	3 716	3 820	123	All disposed of off-site
i. Incineration (with energy recovery)	577	453	0	
ii. Incineration (without energy recovery)	0	0	115	
iii. Landfilling	0	1	8	
iv. Other disposal operations	3 139	3 366	0	
Total weight of non-hazardous waste directed to disposal in metric tons:	1 435	1 029	42	
i. Incineration (with energy recovery)	1 432	1 023	0	
ii. Incineration (without energy recovery)	0	0	17	
iii. Landfilling	0	0	25	
iv. Other disposal operations	3	6	0	

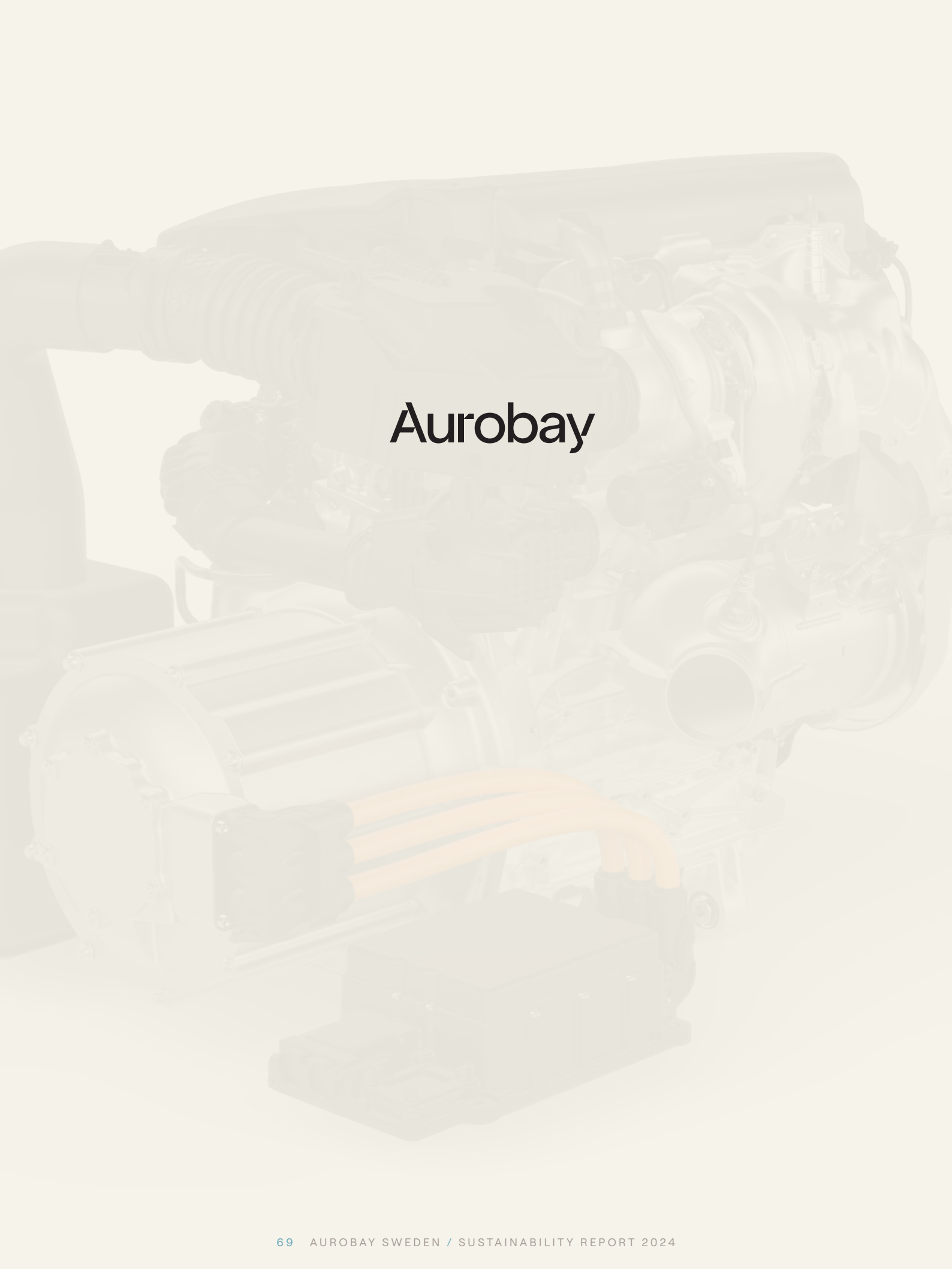
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