



CEVT

Sustainability Report 2017

CEVT

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CEVTs statutory sustainability report comprises the following chapters: About CEVT; Electrification and Carbon footprint; Quality – focus on end-consumer and value chain perspective; Company Impact and Development; Supplier Relations; Business ethics; Sustainability Governance and Risk Management. Respect of Human Rights, as required by the regulation is not described in a separate chapter, but included in chapters describing how CEVT prevents discrimination, respects freedom of association, promotes diversity, respects customer privacy and focuses on health and safety aspect at work and of products.

For more information on how the Geely Holding Group addresses sustainability please visit http://geelyauto.com.hk/en/corporate_governance.html



Dear Readers

Welcome to CEVTs first sustainability report. At CEVT we redefine automotive engineering and are developing cars for a different tomorrow. One element of our success is to integrate environmental, social and ethical perspectives as part of our daily operations and decision making. By doing so we create competitive technical solutions which brings value to the entire GEELY Holding Group and at the same time contribute to sustainable mobility and connectivity for society.

Sustainable development is about dialogue and partnerships. Our employees share passion for engineering and innovation. An important part of our corporate culture is to involve employees from different departments to explore new ideas and product solutions -we appreciate the competence and experience all our employees bring to table. At CEVT we are proud of a pioneering Chinese-Swedish cooperation. The interchange brings new perspectives every day and enables innovation of ground-breaking solutions. Externally we partner and cooperate with peers and research institutions to accelerate the development of future mobility, to better understand the preferences of end-consumers and to adapt to changing legislation. Further, we engage locally in Gothenburg where we participate in events and support chosen youth activities.

CEVT is a fast growing, fast moving organization under continuous development. This required continuous optimization of organizational structures and management systems during 2017. We will continue adapting our systematic way of working during 2018. Our ambition is to have a robust organization including specific sustainability targets in place by end of the year.

This report describes our sustainability focus areas, ambitions and achievements during 2017. We welcome your thoughts on our work and what we could improve together to be a world leading innovation centre in the automotive industry.

Happy reading!



Mats Fägerhag, CEO

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CEVT

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About CEVT

China Euro Vehicle Technology AB, CEVT, is an innovation centre for future mobility in the Geely Holding Group. The company's business operations consist of research, development and design of components, systems, architectures and other solutions for automotive applications. CEVT also executes assignments in these areas for stakeholders in the Geely Holding Group. The annual turnover for 2017 was 3,9 billion SEK.

CEVT is a Swedish registered company, fully owned by Zhejiang Geely Holding Group. CEVT was established in 2013 and is located in Gothenburg, Sweden. CEVT is a fast-growing organization, with around 2000 fully occupied staff, both employees and onsite consultants.

Organization and Governance



Brand structure within Geely Holding Group 2017



CEVT AB Board of Directors



CEVT AB Company organisation

Sustainable development for CEVT

The vision of CEVT is to be a world leading innovation centre in the automotive industry, contributing to sustainable mobility and connectivity. In order to secure that we continue to “develop mobility for tomorrow”, we need to act proactively on trends, new legal requirements and changing expectations from our stakeholders regarding environmental, social and ethical responsibility and performance.

Materiality analysis and sustainability focus areas

CEVT's responsibility and contribution to sustainable development include our whole value chain. To define and prioritize our significant sustainability-related aspects, a materiality analysis was conducted in 2017. This work was done through an internal process, based on internal as well as external knowledge and information sources: Guiding frameworks such as the 2030 Agenda and the Sustainable Development Goals; the UN Global Compact principles; trend reports of the automotive industry. Existing knowledge and documentation regarding CEVT's impact and various stakeholder perspective was also considered. CEVT have identified the following main stakeholder groups: Geely Holding Group (our owner), internal customers, end-consumers, employees, local authorities.

The material challenges/aspects, which were identified during the materiality analysis can be categorized in three areas: Society Engagement – Responsible Relations; Company Impact and Development; and Customer Value – Sustainable Innovation. This report describes how CEVT work in these focus areas. CEVT have the ambition to define KPIs, targets and follow-up procedures for these areas during 2018. See respective chapters for more information regarding specific policies, management approach and activities. Information about sustainability governance and risk management can be found in the last chapter of this report.

SOCIETY ENGAGEMENT – RESPONSIBLE RELATIONS	COMPANY IMPACT AND DEVELOPMENT	CUSTOMER VALUE – SUSTAINABLE INNOVATION
Supplier relations Supply chain responsibility and risk management (environmental, ethical, social)	Company culture Values, inclusiveness and diversity Leadership and employee involvement Intercultural exchange China - Sweden	Product innovation - Connectivity - Electrification - Digitalization - Carbon footprint
Business ethics and integrity Information security, Customer integrity Anti-corruption	Attractive employer Talent recruitment, Career development Health and safety, Worklife balance	Quality Quality and brand perception Customer satisfaction
Local society contribution Local employment, Tax payments Community engagement and partnerships	Tech knowledge leadership Knowledge creation and exchange Research partnerships Resource efficient operations Carbon footprint Environmental compliance	End consumer preference Driver experience Ease of ownership

Significant sustainability focus areas and challenges for CEVT, based on sustainability impact, stakeholder perspective and business objectives.

Customer Value – Sustainable Innovation

CEVT's business is about product development and innovation for future cars that will contribute to sustainable mobility and connectivity. Our vision is to be a world leading innovation centre in the automotive industry. That means to take a leading position in the ongoing transformation driven by factors such as climate change and resource scarcity, digitalization and changing consumer behaviour and preferences.



Innovation in focus

At CEVT we always search for innovative ways of working, to make the most of our resources and ultimately enable our partners to build cars in smarter ways. One approach is to build cars through modular development. Modular technology creates several advantages. For example, the flexibility necessary to meet different customer needs, highly streamlined manufacturing process and significant economies of scale. Our Compact Modular Architecture (CMA) is scalable in length and height and can be used for both higher and lower cars, it can be made with 3-cylinder or 4-cylinder gasoline or diesel engines with Front or All-wheel Drive, as well as hybrid drivelines. The architecture can therewith be tailored to the specific customer demands and brand values of different car brands. The CMA is developed with a focus on world-class safety in every aspect, including use of extra strong steel and innovative crumple zones to protect both passengers and pedestrians. It also supports a range of advanced active safety feature such as 360-degree surround view and blind spot detection. Its high performance is coupled with great energy efficiency, ensuring that the architecture meets all the latest emission standards.

To reflect on our mission, and further emphasize our focus on innovation, a new organizational sub-unit for Innovation was formed in 2017. A concrete example on how we foster an innovative organization is the first CEVT Advanced Engineering Review event, which was arranged in September

2017. Around 140 Advanced Engineering projects ideas were presented in an internal exhibition. Most of them within the areas Autonomous Drive, Connectivity and Electrification.

Collaboration for innovation

In December 2017, CEVT joined the MobilityXIabs collaboration together with Lindholmen Science Park, Autoliv, Ericsson, Volvo Group, Volvo Cars and Zenuity. Exciting innovation collaboration will take place through this forum. MobilityXlab is a platform for collaboration between partners and start-ups to accelerate the development of future mobility.

Another example of collaboration for innovation are two 3-years research projects in “Sustainable technique” in which we cooperate with Chalmers University of Technology. These projects received partial funding from Vinnova and the Swedish Energy Agency. One of the projects has the objective to optimize the combustion engine for hybrid vehicles. The other project called “Electrical motors in circular economy”, is about constructing more sustainable powertrains, where the material can be recycled in an easy and cost-efficient way.

Examples of collaboration	Focus
MobilityXIabs (www.mobilityxlab.com)	A platform for collaboration between partners and start-ups to accelerate the development of future mobility.
Drive Sweden (www.drivesweden.net)	Strategic Innovation Program launched by the Swedish government with focus on next generation travel and transport
Chalmers University of Technology (www.chalmers.se)	Chalmers complete excellence in research, education and innovation are made accessible in a cross-disciplinary mode.

Electrification and carbon footprint

One of CEVT’s prioritised product innovation areas is electrification of cars, with the objective to reduce carbon footprint from driving. Our current focus is to reduce fuel consumption through development of high quality hybrid vehicles. New legislations and requirements put demands on energy efficiency, increased driving distance, guarantees for battery quality etc.

To work with carbon footprint from a value chain perspective, we will in a next step also focus on carbon footprint of the production of batteries.

We do this in partnership and cooperation with other organizations, for example through co-funded projects together with universities and research institutes (see above).

Challenging legislation and requirements

Environmental legislations and related customer requirements are developing fast. For example, many countries define their action plans to implement the 2030 Agenda for sustainable development, and how to contribute to the Paris agreement for climate impact. China’s plan to ban the production and sale of fossil fuel cars will boost the demand for environmental friendly vehicles. This sets new drivers to all companies for technology development on powertrains such as engine and transmission efficiency as well as electrification of the powertrain. CEVT are committed to support the Geely Holding Group in achieving this. That means a challenging journey to establish engineering and manufacturing competences within a few years, at the same time as delivering the complete program.

Innovation is absolutely necessary to meet demands for electrification, environmental responsibility and the new requirements of rapidly changing global markets.

Every year, end-of-life vehicles generate large amounts of waste, which should be managed correctly. Various legislations push producers to manufacture new vehicles without hazardous substances (in particular lead, mercury, cadmium and hexavalent chromium), and are promoting the reuse, recyclability and recovery of waste vehicles. At CEVT we always search for innovative ways to work to make the most of our resources and ultimately enable our partners to build cars in smarter ways. When designing car components, we aim for 90 % recyclable material. In addition, our design

engineers also consider different national specific requirements regarding emissions, friction and fuel consumption etc.

Consumer preferences and behaviour

The way people think of a car and its values is changing. The new generation of drivers/user groups focuses more on experience and additional services than the vehicle alone. Sustainable and safe mobility, connectivity, resource efficiency and shared economy are important trends we need to understand and deliver on.

One example how to address changing consumer preferences is Lynk & Co, a new car brand in the automotive industry, which recognises the preferences of a global connected generation and therewith challenges car industry conventions. For more information see www.lynkco.com. The first models were successfully on display on Shanghai Auto Show in April 2017. In November 2017, the first Lynk & Co car was launched for sale in China. The Lynk & Co model 01 is based on Compact Modular Architecture platform developed by the CEVT team in Sweden. The Lynk & Co 01 fuses Chinese and European influences in a design incorporating world-class safety and driving dynamics.

Another example on how we address expectations related to resource efficiency is our 7-speed Dual Clutch Transmission. It is an automatic transmission designed to achieve world-class levels of fuel efficiency. It has been developed by CEVT in a unique cooperation with Geely China and Volvo Cars. The driving experience it provides is the same as for a conventional automatic transmission. At the same time, transmission losses are lower. It is modular and provides both conventional and hybrid versions. The hybrid versions enable different level of vehicle electrification.

Digitalization – virtual product development

The true edge of CEVT is the utilization of modern ways of working, with high-tech virtual simulations and faster, less costly project execution with maintained quality.

Improving designs can be a tedious, manual, time-consuming process, including many tests and simulations. At CEVT we use virtual product development techniques and simulation using computer aided engineering as far as possible. We have several different software solutions for virtual product development. This results in new types and more tests but at lower costs. At the same time digitalization reduces the need of raw material and physical prototypes. The technique for virtual tests has developed rapidly and now includes almost all kinds of our tests: road safety, aero dynamics, fuel efficiency and climate performance, sound etc. Above this, these new calculation methods and combined analysis also support us in optimizing weight and fuel economy. Altogether, virtual simulations have replaced several hundred physical tests. In 2017, nearly 20 000 virtual safety tests were conducted.

One area where it is still necessary to use physical tests, is when testing software – this must be done in the actual hardware environment.



Sustainable vehicle design

In the design phase is where everything starts. We shape and define the product by balancing all the different value properties and technical aspects in consideration of the customers wants and needs. We recognize the growing importance of focusing on sustainability and efficiency in the design process.

When considering sustainable vehicle design, we try to work smart already in the early design development phase to reduced materials used and save recourses. We also see good relationships to partners and suppliers as a crucial step in achieving this. Therefore, we set demands on the quality of the material choices, where sustainability is an aspect of that quality assessment. In our process with surface materials, we aim for a process where we are able to control properties, quality and sourcing of our design all the way to production.

In our design process, we have dedicated specialists for the different materials and focus areas, to always be in the forefront of, and to further develop, new techniques and applications. We aim to be better and better with each project and to raise the awareness of sustainability aspects.

For sustainable considerations of surface materials, factors that need to be raised are; the raw material used, production method and place, scrap rate, allergy aspects and weight, as well as other product strengthening arguments like look, feel, smell, functionality, durability and the life cycle analysis.

Quality –focus on end-consumer and value chain perspective

Customer focus and quality in delivered projects and products are crucial to CEVT. Cornerstones for implementation are the CEVT Quality Policy and our new organization and management system for quality. Quality is measured and evaluated in every project, through defined milestones and gateways.

CEVT Quality Policy is a guiding document for all employees to integrate quality and in daily work, projects and decision-making. The policy is customer-focused and encompasses the complete business. The policy is complemented by a number of concrete instructions and guidelines.

Compliance with the policy is followed-up through an organization and management system for quality, which was implemented during 2017. Process and performance quality is measured in a scorecard structure, and followed up at top management level on a regular basis, four times per year.



Company Impact and Development

Company culture

The reason why CEVT exists is to be an enabler and innovator in the Geely Holding Group. This means CEVT needs to be a dynamic organization under continuous development.

CEVT Heart and Soul - Corporate values



Think big:
We'll meet the demands of tomorrow's global market by doing something entirely new.



Find a way:
We encourage initiative and rely on everyone doing their part to develop ground-breaking solutions.



Get inspired:
We're people who want to do great things and enjoy doing it – that's the CEVT team spirit.



Our corporate values illustrate CEVT's role and company culture – who we are and what we do. They are an integrated part of our internal development and evaluation processes, for example in individual development plans and performance evaluation, and as a platform in leadership programs.

The implementation of our corporate values is an ongoing process. For example, we see a potential for using them as a tool and criteria to find the best candidates when recruiting.

The CEVT Annual Awards reward those who have excelled a little extra during the year, both individually and teams. CEVT Annual Awards is CEVT's way of bringing forward employees who live and act by our values.

Employee engagement

As an innovative and fast-growing company, CEVT depend on strong leadership and employee engagement. We measure this through a yearly employee survey, covering all parts of the organization. In the survey for 2017, CEVT scored high on engagement (index 71) but lower on parameters for leadership, company structure and strategy (e.g. confidence in leaders, index 64 compared to 71 2016). This can be explained by CEVT's quick development during the last years, going from below 10 in 2013 to nearly 2000 persons and not yet having proper structures and management systems in place. Our ambition is to implement missing structures and management systems during 2018.

Inclusiveness and diversity

CEVT is proud of its pioneering Chinese-Swedish cooperation. The interchange brings new perspectives every day and enables innovation of groundbreaking solutions.

We promote diversity and inclusiveness. To be leading in innovation, CEVT needs to attract and develop the best talents with a wide spectrum of perspectives and backgrounds. We look at ourselves as a global company. We therefore are recruiting not only from Sweden but from all over the world to find the right competences.

Our Diversity and Equality Policy states that CEVT has zero-tolerance to discrimination and that we welcome a diversity of people to join us. In 2017, there were more than 30 nationalities among CEVT employees.

Our objective is to have the same proportion of men and women among our employees, as among the students at the universities we recruit from. For our engineers this means approximately 70 percent men and 30 percent women. In 2017 the proportion of female employees at CEVT was 28 percent.



Intercultural exchange China-Sweden

We work actively to contribute to the cultural exchange between Sweden and China. Besides our core business, which includes different partnerships and a lot of business travel between the two countries, CEVT also promote internal “exchange” of employees. During 2017, we had 78 Chinese employees with working positions in Sweden, so called International Service Employees (ISEs). There were also eight Swedish ISEs working in China.

When hiring people from Geely Holding Group and from other countries, the Global International Services Policy (owned by HR) is to be followed. This ensures offering competitive and cost-effective packages as well as consistency in the administration of ISEs.

Yaru Li, Chinese ISE positioned in Gothenburg, Sweden, at Legal and IP:

I am quite happy for working at CEVT, which gives me the opportunity to learn more about a Swedish company. CEVT is also a multi-cultural company, which gives me the chance to do more challenging tasks. There are a lot of colleagues with advanced skills and diversified views around me, which makes my experience in CEVT even more valuable“.

Claes Hammarson, Swedish ISE positioned in Luqiao, China, as Launch Leader for Interior:

“I think it is a fantastic experience and a great challenge in life to work in another country, in another culture“.

CEVT support the ISEs regarding accommodation, language courses and schools for accompanying children etc. CEVT also work with different activities to promote Swedish and Chinese cultural exchange in the company. Examples are cultural training sessions, language courses, “intercultural cafes” and other informal events.

Attractive employer – Employer branding

Talent recruitment

To grow and attract talented persons CEVT actively works to develop a strong employer brand. We have well-developed communication and cooperation with several universities, for example Chalmers University of Technology. Geely Design are exploring new ways to attract excellent designers to our studios. During 2017 Geely Design held presentations at Linz University in Austria and led a 7 weeks project with Design Students from Umeå University. We also visit many student fairs across Sweden. In 2017, we visited academic institutions from Luleå in the very north of Sweden to Lund in the very south. The plan for 2018 also includes visits to universities in other countries, for example Germany and Great Britain. For students CEVT offer opportunities for master thesis projects (40-50 per year), as well as temporary jobs during summer vacation (24 in 2017).

In 2017 CEVT ranked 36 in the annual public survey of “Sweden’s best employer”. The ranking is administrated by the company Universum, which collects assessments of CEVT employees (for details, see www.universumglobal.se)

Also, in 2017 CEVT reached a top-three position in the “disruptors” category in Randstad Employer Brand research, a nationwide survey done annually that keeps track of the 150 largest companies in Sweden and their corporate brands in terms of employer attractiveness (for details, see www.randstad.se/employer-brand-center/randstad-award-2017/). According to this survey, the main drivers for CEVT as an attractive employer is stimulating work followed by latest technologies and career progression opportunities.

Dependency on consultants

To be able to grow this fast, CEVT has been dependent on flexible recruitment solutions including hiring many consultants. Many of the previous consultants have with time got employed by CEVT.

As per end of December 2017, CEVT had 1082 employees and as many consultants. A transformation plan is currently being implemented. It aims to further reduce our dependency on consultants and therewith increase in-house competency and at the same time reduce costs.

CEVT's policy is to treat our employed people and hired consultants equally.

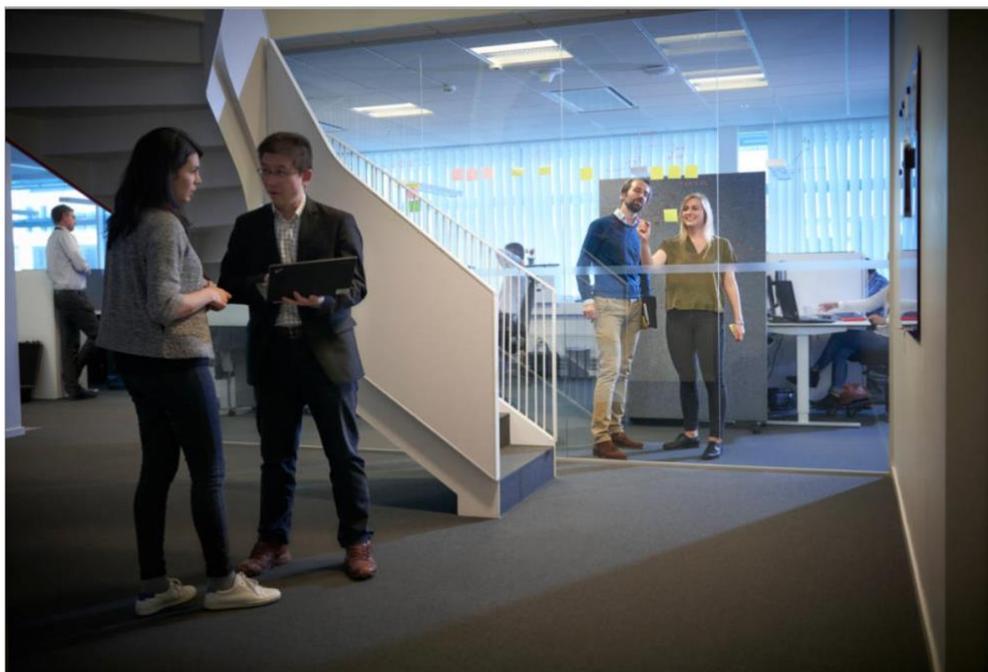
Wellbeing, health and safety

CEVT are committed to offer a safe and healthy working environment that meets or exceeds legislative requirements and standards. A number of processes, policies and directives are in place to minimize health and safety risk. These policies range from protective clothing, ergonomics, working alone, victimisation/harassment to alcohol and drug. Every incident or accident regarding physical work environment at CEVT, shall be reported to the Health and Safety Specialist by mail so that we can follow up and prevent that it will be happening again. We also take support from our partner Feelgood (www.feelgood.se) to develop proper routines and be able to give advice regarding health to our employees. Further, CEVT offer subsidized training and wellbeing opportunities to its employees.

A fair balance between work and personal life is an important aspect of employee wellbeing and also a pre-requisite for talent attraction. At CEVT we strive to allocate resources effectively and at the same time offer flexibility regarding working hours and work place. Our employee survey includes questions regarding work-life balance and resource allocation. To further progress in this area CEVT has during 2017 offered mindfulness activities and included stress handling as part of the CEVT New Leader Program. We see that the result in the employee effectiveness survey has improved to 63 from compared to 54 in 2016.

Sick leave of our employees 2017 was 1,9 percent (percentage of total standard working hours).

Our Code of Conduct states freedom of association and collective bargaining. All CEVT employees are covered by collective agreement. We have a close cooperation with the labour unions in Sweden (Ledarna, Unionen, IF Metall and Sveriges ingenjörer), with representation in the company Board.



Tech knowledge leadership – competence development

A learning organization

Our approach to competence development is to be a learning organization. Instead of traditional courses and training sessions, CEVT work in different ways to support an innovative and exploring attitude. As part of this, we have developed a system with so called “learning loops”, an interactive digital platform where employees can gain knowledge and share insights and expertise with their colleagues. The platform is now under implementation, starting with test material and with the goal to be up and running for managers and employees in the beginning of 2018. This new e-learning platform will be used both for mandatory education, such as certification needed to use specific technical software, as well as for voluntary competence development for example language courses in Mandarin.

GROW

Grow is a development program for our managers. The program consists of several workshops concerning different topics, focusing on leadership, change management and continuous improvement. Each workshop is typically two full days off site with six weeks between. In between the workshops the participants work with individual actions, and share and reflect together with the other group members. In 2017, two GROW programs were kicked-off.

CEVT Innovation Idea lab

In December 2017, our new Innovation department arranged the first “CEVT Innovation Idea lab” - an internal forum with the aim to explore new ideas and product solutions. During this workshop, 50 participants brainstormed on how artificial intelligence will shape vehicles of tomorrow. The winning idea is used as input in our innovation processes.

Resource efficient operations

CEVTs main contribution to environmental sustainability is through our product development and innovations towards sustainable, climate smart mobility and vehicles. Still, our own operations also have an environmental impact.

We actively work to reduce our climate footprint from energy consumption, vehicle tests and business travel etc. At CEVT we sort waste for recycling, including all redundant technical equipment. We also take environmental aspects into account when buying products and services.

The close cooperation with our colleagues in China and being part of a multinational holding group implies much interaction outside Sweden. As per our Travel policy, virtual meetings should always be considered as alternative to physical meetings.

Another example how CEVT is aiming to reduce environmental impact through travel is the new shuttle bus for employees between CEVT office in Gothenburg and the test facility in Säve, which runs four times a day. The shuttle bus was launched end of 2017. We already see that individual travel by car is reduced.

To implement a more systematic approach for resource efficient operations in our value chain, we are planning to implement an environmental management system according to ISO 14001. This work will start 2018, with the objective being certified in 2019. This will also include calculating the base-line of our environmental impact. In 2017 CEVT started performing an energy assessment, which is a legal requirement for big companies.

Society Engagement – Responsible Relations

Positive, responsible relationships with our suppliers and business partners, the local communities where we act, as well as good relations with other stakeholders, are of great importance to CEVT. We are an important local player in Gothenburg, which contributes to society by using local suppliers, by paying taxes properly and by supporting relevant events and youth activities etc. We also promote the intercultural exchange between China and Sweden (see page 12).

Supplier relations

Good business acumen is a corner stone to create sustainable and long-term business development and profitability. CEVT's business is constantly generating demand for special products and services from our suppliers and sub-contractors. This requires that we have a purchasing process that is efficient and responsive, while taking ownership and responsibility.

CEVT are responsible for all so called in-direct purchases, where the most important categories are related to facilities, transportation and consultant services. All goods and services that are directly related to our production, are purchased at group level.

We work with business terms and conditions that are well balanced, taking both CEVT and our suppliers business needs into account, to create the business climate that will take us forward for the future. This is to ensure that we are meeting requirements in ethics and business conduct.

The CEVT Code of Conduct states that we expect our business partners to be governed by the same or similar principles as expressed in the Code. We always evaluate and choose our suppliers carefully.

Business ethics

CEVT's commitment is to conduct business fairly and honestly, and to act ethically in our everyday work at all times and circumstances. We want to be perceived as professional and trustworthy with high credibility among our stakeholders.

Code of conduct

With a wide spectrum of different business relationships, locally as well as internationally, it is important to have clear guidelines of how to handle situations and behave correctly. The CEVT Code of Conduct is our guiding framework that translates company values into actions. It covers responsibility areas regarding workplace and human rights, quality and environment, and business ethics. The code applies to all CEVT employees, CEVT affiliates, members of the Board, consultants and personnel from agencies, who work under the direction of CEVT. The code is communicated to all employees, and also to our business partners.

Since environmental, social and ethical perspectives are part of our daily operations and decision making, CEVT is perceived as a professional and trustworthy business partner and local player in Gothenburg.

Anti-corruption

As stated in our Code of Conduct, CEVT objects to all forms of corruption and bribery. We are determined to always comply with relevant legislation and generally accepted codes of business conduct for the jurisdiction in question. In Sweden, CEVT shall comply with the *Swedish Code on Gifts, Rewards and other Benefits in Business*.

Information security and customer integrity

At CEVT we work with front-end knowledge, innovation and technical development. This includes handling a lot of valuable and/or sensitive information and other intangible assets. Everyone working at or representing CEVT must ensure that they use and handle sensitive and business-critical information in compliance with legislation and CEVT policies. All suppliers and business partners are required to sign Non-Disclosure Agreements.

We are also continuously implementing policies, regulations and procedures based ISO/IEC 27002 to safeguard customer information and integrity. These are currently being reviewed and updated to ensure conformity with the EU General Data Protection Regulation (GDPR).

Follow up – breach of policy

Employees are encouraged to report experienced or potential violations of the Code of Conduct, and accidents/incidents. This can be done to closest manager, or to CEVT's Human Resources, Legal or Security functions. During 2017 new guidelines for whistle blowing and a new incident reporting system was launched. Furthermore, an Ethical Committee has been formed within CEVT, which makes recommendations for how to act in alignment with the CEVT Code of Conduct in situations of uncertainty.

Local society contribution

Promoting Gothenburg

We want to play an active role in the society where we operate. Our community engagement is focused on promoting Gothenburg as an attractive region to live and have a career in. For example, CEVT support the initiative "Move to Gothenburg" driven by the local Chamber of Commerce and Business Region Gothenburg. The objective is to gather all information and all contact points to local authorities etc., at one place. For more information, visit www.movetogothenburg.com.



The International Science Festival in Gothenburg

CEVT is also a partner to scientific and professional forums and events, for example Lindholmen Open Days and The International Science Festival in Gothenburg.

With hundreds of activities and about 70,000 visits The International Science Festival in Gothenburg is one of Europe's leading popular science events and the only one of its kind in Sweden. The aim is to communicate science to schools and the general public in an easily accessible and stimulating way. The festival also provides a meeting place for the research community.

In 2017, the theme was "Trust". During the 10 days' programme, covering 30 locations in Gothenburg, researchers and experts from different disciplines participated to meet the public and school children

in varying settings. CEVT showcased how virtual engineering and simulation technology is used to develop new technologies for the Geely Holding Group.

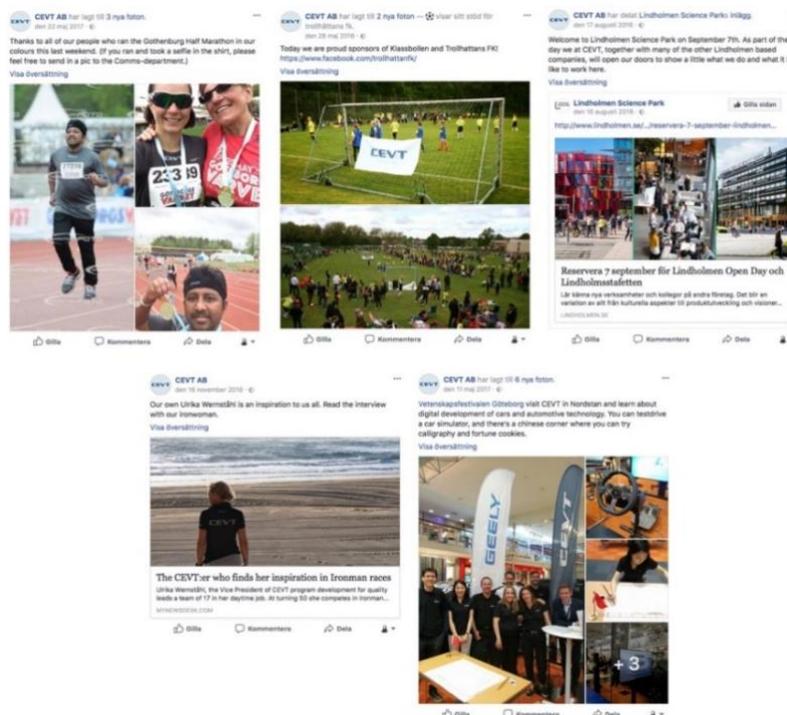


Proper tax payments

Corporations' approach to local tax payment has become a matter of responsibility. CEVT are committed to comply with applicable tax laws and regulations in Sweden and countries where CEVT has presents. Where tax laws and regulations do not give clear guidance, transparency shall be the guiding principle while observing the spirit of the laws and regulations. CEVT do not engage or seek for in artificial tax structures.

Social sponsoring

As part of our corporate responsibility we also support chosen youth activities and events. During the year we've sponsored for example a youth football tournament and a youth fundraiser for cancer research. CEVT welcome requests for sponsoring, and have a structured process for evaluate and decide what to support. Requests above 20 000 SEK are to be considered by the CEVT management team.



Sustainability Governance and Risk Management

Our approach is to integrate environmental, social and ethical perspectives as part of our daily operations and decision making. Our corporate values and the CEVT Code of Conduct are important guiding principles for our employees. We also have a number of policies and directives covering different areas giving more detailed guidelines. CEVT continuously work with their implementation and employee education. Since CEVT is a young and fast-growing company, acting in a changing sector/market, we need to continue to develop, implement and adapt our systematic work.

Corporate values

CEVT's corporate values guide our people to take individual responsibility, be innovative and future focused: Think big, Find a way, Get inspired. See page 10 for more information about our values.

Code of Conduct

The CEVT Code of Conduct sets the standards to guide our business practices, govern our behaviour and help to find directions in complicated areas with many complex laws, regulations and practices. See page 15 for more information about our Code of Conduct, which governs environmental, social, human resources, human-rights and anti-corruption aspects.

Integrated management system

A new integrated management system, covering all parts of CEVT, is under implementation. This management system is a fundamental platform in our systematic work in order to continuously improve, to reach set targets and to be cost efficient. The system is compliant with the ISO 9001:2015 standard for management systems and will be third party certified during 2018.

Process and performance quality is monitored and evaluated using a scorecard structure. At top level, 50% of the scorecard consist of project quality and risk parameters, and 50 % include other strategic areas as process development and talent acquisition. Scorecard follow-up by CEVT management are done regularly, four times per year.

Risk management

CEVT's definition of risk is a potential negative deviation from prerequisites, that can have a potential negative effect on business, cost, time, technique or quality. A risk shall be avoided, accepted (taken) or the risk source eliminated.

CEVT has a robust system for risk management, implemented at different levels in the organization for different risk categories. Our integrated management system based on ISO 9001:2015 is our main foundation for this. Process related risks are continuously governed by process owners.

CEVT Finance are responsible for identifying and handling financial risks. External financial audits are conducted on a yearly basis. Geely Holding also conduct internal risk audits, focusing on R&D project progress and delivery.

Product related risks are handled through FMEA, Failure Mode and Effects Analysis, test plans etc.

Risk list tool for project risk governance

A web-based risk list tool for reporting and administration of project-related risks has been developed and is now implemented in all parts of CEVT's organization. Identified risks are described, assessed and escalated to the right responsible function/role depending on the level of impact and probability.

Examples of critical risk categories for CEVT are related to the capacity to deliver projects and products in accordance with customer expectations, in time and at right cost, and to align innovation focus with market trends and demands.



Sustainability risks

The below table summarizes examples of risks for CEVT based on our materiality analysis and how we mitigate those risks. More information about policies, processes and KPIs to mitigate the risks can be found in the respective chapters above:

Sustainability area	Examples of risks	Risk mitigation
Society Engagement – Responsible Relations	<ul style="list-style-type: none"> • Reputational risk for being an irresponsible business partner/employer • Breaching human rights and/or other legislation by suppliers • Breaching privacy legislation and commitments 	<ul style="list-style-type: none"> • Code of Conduct included in supplier contracts • Close collaboration with trade unions • Policies and procedures regarding customer privacy and information security
Company Impact and Development	<ul style="list-style-type: none"> • Lack of inhouse competency to be a leading innovation centre • Dependency of consultants • Health and safety risks at work 	<ul style="list-style-type: none"> • Employer branding, talent acquisition and talent management • Being an inclusive and inspiring employer offering personal growth • Implementing transformation plan to reduce dependency of consultants • Compliance or over-compliance with health and safety legislation
Customer Value – Sustainable Innovation	<ul style="list-style-type: none"> • Changing end-consumer behaviour • New legislation with impact on CEVT's business and products 	<ul style="list-style-type: none"> • Risk tool for project management • Organizational focus on innovation • External innovation collaboration and partnerships