



CEVT
Sustainability
Report 2018



CEVT
A Geely Auto Group Company

Content

The year in brief	2
CEO Comment	3
About CEVT	4
The world around us	5
Sustainability for CEVT	6
Customer Value – Sustainable innovation	7
Company impact and development	11
Society engagement – Responsible relations	15
Sustainability governance and risk management	18



We redefine
automotive engineering

The year in brief

- This year three more cars based on the Compact Modular Architecture, that we developed for Geely Group, were launched. Including the first hybrid developed by CEVT.
- Very well received cars on the market with not only fantastic sales results but also in safety as well as quality tests. Five star in Euro NCAP, New Car Assessment Programme, – for Volvo XC40 and 5 star in China NCAP for Lynk & Co 01. Lynk & Co also ranked top three in China Initial Quality study.
- We signed a 10-year agreement with Chalmers and started using their electrical lab.
- Joined Swedish Electric Transport Laboratory – SEEL.
- Other cooperation's with Uppsala University, Vattenfall and IVL to name just a few.
- Innoscout – We started scouting for startups, where the smaller company or startup gets a platform for the development and access to our competences, backed by an organisation of 2000 people, and we in return get innovative ideas and fantastic creative people into our business. Win-Win.
- Developed our first ever clutch for Geely's flying car company Terrafugia.
- CEVT celebrated one year anniversary and the first success story together with MobilityXLab. MobilityXLab is a platform that offers young companies with pioneering ideas within mobility and connectivity the opportunity to accelerate through the possibility to strategic partnership with six global players. CEVT is one of the players. The goal is to stimulate innovation and grow and to reinforce Sweden's and Lindholmen's position as a important hub in the world for mobility and connectivity.
- 2018 CEVT celebrated five years anniversary. Employees and consultants were invited to an evening that celebrated the achievements and people who work or worked for CEVT during this five years.

3 cars

Three cars based on CMA were launched

5 star

Ratings for Volvo XC40 in Euro NCAP and for Lynk & Co 01 in China NCAP.

5 years

CEVT celebrated 5 years

CEO comment

Dear Reader

CEVT has now been in operation for the past five years. We have grown from just six people to over 2000 people in a short period of time. 2018 has been the year when we have adapted our professionalism and processes to be as effective as possible while keeping our entrepreneurial spirit. The results of our hard work and dedication can be seen on the roads across China and Europe, the first of which has just celebrated its first year on the market with strong results and a series of well-deserved awards and industry accolades.

One element of our success has been 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 bring value to the entire Geely Holding Group and at the same time contribute to sustainable mobility for the future.

But CEVT's engineering excellence shouldn't just be in developing hardware, but also software and services. As the speed at which we move towards electrification accelerates we must further our capabilities and investments towards an electrified future. To facilitate this transition,

CEVT has entered into several promising partnerships, building a network of relationships that will serve us well in the future. These include signing a 10-year agreement with Chalmers University, co-founding the Swedish Electric Transport Laboratory (SEEL) and collaborations with Vattenfall and Uppsala University, to name a few, as well as cooperating with many other companies and academia, from established players to start-ups. The global automotive industry is undergoing a series of monumental changes that we must keep up with and we intend to continue to move the industry towards a more sustainable future, where we are one step ahead by being strong in innovation while always delivering today.

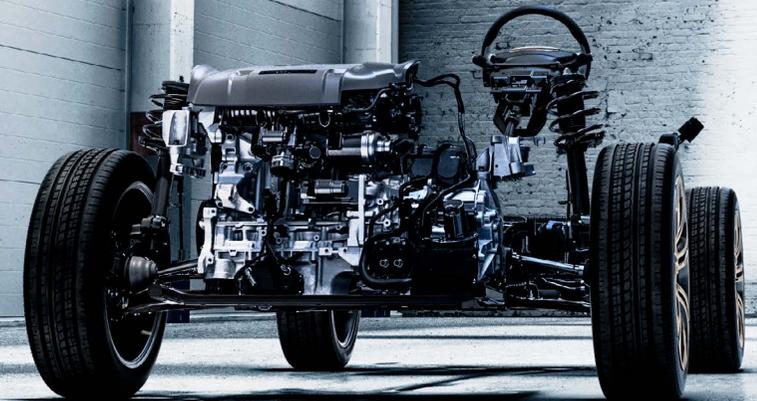
This report describes our sustainability focus areas, ambitions and achievements during 2018.

Happy reading!

Mats Fägerhag, CEO



“The global automotive industry is undergoing a series of monumental changes that we must keep up with and we intend to continue to move the industry towards a more sustainable future.”



About CEVT

CEVTs vision is to be a world leading innovation center, creating mobility solutions for a different tomorrow.

CEVT is an innovation and development center for future technologies of the Geely Group with the purpose of being at the forefront of new developments in mobility. We are a fast growing, fast moving and exciting company where no day is like the other – where the challenges of tomorrow is on our working table today.

CEVT's business is about product development and innovation for future vehicles that will contribute to sustainable mobility and connectivity. The company vision is to be a world leading innovation center 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.

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.

CEVT was established in 2013 and is located in Gothenburg and Trollhättan, Sweden. CEVT is a fast-growing organization, with around 2,000 staff, both employees and onsite consultants. The company primarily works on projects for the car brands Volvo Cars, Geely Auto and Lynk & Co. The annual turnover for 2018 was 4,2 billion SEK.

AUTOMOTIVE BRANDS OF THE GEELY GROUP

CEVT is fully owned by the Zhejiang Geely Holding Group. The group encompasses a range of renowned global car brands with different characteristics and audiences. The consumer car brands include Geely Auto, Lynk & Co, Volvo Cars, Polestar, Proton and Lotus. Commercial vehicle brands include London Electric Vehicle Company (previously known as London Taxi) and YuanCheng Auto.



THE GEELY GROUP

Zhejiang Geely Holding Group (ZGH), is a global automotive group based in the city of Hangzhou in south-east China's Zhejiang Province. The group was established in 1986 and launched its automotive business in 1997.

ZGH consists of many well-known international automotive brands including Geely Auto, Lynk & Co, Volvo Cars, Polestar, PROTON, Lotus, London Electric Vehicle Company, Yuan Cheng Auto, and TerraFugia with global operations spanning the automotive value chain, from research, development and design to production, sales and servicing. Zhejiang Geely Holding Group is devoted to becoming one of the top 10 world-leading automotive groups through "creating safe, environmentally-friendly and energy efficient automobiles."

<http://www.zgh.com/the-group-at-a-glance>

The world around us

CEVTs aim is to be a world leading innovation center, contributing to sustainable mobility and connectivity. To achieve this, it is necessary to act proactively on trends, new legal requirements and changing expectations from stakeholders regarding environmental, social and ethical responsibility and performance. CEVT has defined a number of trends affecting the business.



Premiumization

The post-financial crisis landscape has permanently altered the rules of premiumization, as consumers seek higher levels of service, personalization and connection. Premiumization is as much about value preservation as creation.

Experience focus

Experiences are the new luxury over owning things. Experiences can be digital as well as in real life but experiences as a daily escapism is going digital.

Connected life

Connectivity has a profound effect on people, affecting for example communication and consumption of goods and entertainment.

New ways of working

People work in new ways, as entrepreneurs, as employees from home and beyond traditional pension ages. Advances in technology replaces humans in more and more areas.



Circular economy

Environmental pressures push actors in the market to lessen waste, reuse materials and repair products instead of the linear model of produce, use and dispose.

Sharing economy

Sharing the access to goods and services instead of ownership, is growing across industries, business to consumer and peer to peer or a mix of the two.

Healthy living

Awareness about the environment, fears of welfare-related diseases and environmental issues gives consumers a wish for a healthy life.

Ethical living

The ethical consumer is trying to make positive decisions about what they buy and look for a solution to the negative impact consumerism is having on the world. Awareness, availability and affordability drive consumers' interest in ethical living.



Shifting market frontiers

The economic center in the world is moving, east to Asia but also south to the Middle East and Africa, developing new markets and new demands. Given the vast potential in terms of income growth, Asia is set to become the backbone of consumer markets over the coming decades.

Smart megacities

A smart city is the result of urbanization together with increased importance of cities as hubs for economy where technology is used to solve urban problems.

Middle class squeeze

The middle class in mature markets has not gained any income increases for a long time, and consumers are trading down in some product categories to be able to go up in others.

Multiculturalism

Migration leads to multiculturalism growing in primarily the mature markets. Risk of conflicts between different groups in society and the rise of far-right movements are realities.

Modern family

The growth of single households, different constellations of people raising children in new ways compared to the old "married couple with children" is emerging.

Sustainability for CEVT

CEVT's responsibility and contribution to sustainable development includes the entire value chain. Innovation is the core of CEVT's business, and the ambition is to focus on sustainability in design and development considering the whole life cycle of the company's products, through the choice of design and material specification, considering production methods, energy consumption, and waste disposal.

To define and prioritize the company's significant sustainability-related aspects, a materiality analysis was conducted in 2017, and the results were verified in 2018. The materiality analysis was done through an internal process, based on internal as well as external knowledge and information sources, for example guiding frameworks such as the United Nations' Sustainable Development Goals, the UN Global Compact principles as well as trend reports of the automotive industry. Existing knowledge and documentation regarding CEVT's impact and various stakeholder perspective was also considered.

CEVT has identified the following main stakeholder groups: Geely Holding Group (owner), internal customers, end-consumers, employees and local authorities.

The relevant aspects, which were identified during the materiality analysis can be categorized in three areas: Customer Value – Sustainable Innovation; Company Impact and Development; and Society Engagement – Responsible Relations. This report describes the work that is done in these focus areas.

During the year work has also started to define KPIs, targets and follow-up procedures for the focus areas. More information regarding specific policies, management approach and activities can be found in the following chapters. Information about sustainability governance and risk management can be found in the last chapter of this report.

CUSTOMER VALUE – SUSTAINABLE INNOVATION <ul style="list-style-type: none">• Product innovation• Quality• End consumer preference <i>Read more on pages 7–10</i>	COMPANY IMPACT AND DEVELOPMENT <ul style="list-style-type: none">• Company culture• Attractive employer• Tech knowledge leadership• Resource efficient operations <i>Read more on pages 11–14</i>	SOCIETAL ENGAGEMENT RESPONSIBLE RELATIONS <ul style="list-style-type: none">• Supplier relations• Business ethics and integrity• Local society contribution <i>Read more on pages 15–17</i>
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UN SUSTAINABLE DEVELOPMENT GOALS

A process has been initialized to analyse how CEVT can contribute to the UN Sustainable Development Goals. The goals that so far are deemed to be of most relevance are:

8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	17 PARTNERSHIPS FOR THE GOALS
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Customer Value – Sustainable innovation

The search for innovative ways of working is central for CEVT's operations, to make the most of resources and ultimately enable the company's partners to build cars in smarter ways. CEVT is continuously looking to improve all parts of the innovation process, and create new value for future customers.

Car markets are evolving faster than ever. New ways of living create different customer desires – with a focus on convenience and services, as well as growing demand for decreased environmental footprint and increased interest in leasing, shared ownership, and more streamlined ways to buy a car. Changing laws and regulations along with new technology drive demand and opportunities for environmental responsibility and electrification.

CEVT designs and develops vehicle and technologies to meet the demands of tomorrow. An important aspect of this is the thorough work with physical and virtual testing and complete verification of products until delivery to the manufacturing line.

End consumer preference

The way people think of a car and its values is changing. The new generation of drivers focuses more on experience and additional services than the vehicle alone. Sustainable and safe mobility, connectivity, resource efficiency and shared economy are important trends affecting the business.

One example how to address changing consumer preferences is Lynk & Co, a new brand in the automotive industry, which recognises the preferences of a global connected generation and therewith challenges car industry conventions. 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, and it has been very well received. The Lynk & Co model 01 is based on Compact Modular Architecture platform developed by the CEVT team in Sweden, incorporating world-class safety and driving dynamics. During 2018 models 02 and 03 have also been launched in China.

Another example on how expectations related to resource efficiency are addressed is the 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 in 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 and emissions are reduced. It is modular and provides both conventional and hybrid versions. The hybrid versions enable different level of vehicle electrification.

Innovation in focus

CEVT's innovation process has been further developed during the year, and is mainly focused on three areas:

- My Sustainable Mobility explores new energy and material solutions for a sustainable future.
- My Smart Mobility develops intelligent solutions keeping the need of individualization in the context of new mobility.
- My Autonomous Journey explores the possibilities that opens up when the journey becomes autonomous.

Part of the innovation process aims to develop sustainable materials with reduced fossil content and high-tech features that add customer value. Focus is on finding new materials that are more environmentally friendly, with lighter weight, and increased recyclability to decreased carbon dioxide emissions. The materials used should be human friendly and comply with laws and regulations to minimize allergens and material emissions.

All components should be designed for disassembly and recycling. Through smart design, a large part of a car can be recycled or reused. To reflect on the company mission, and further emphasize the focus on innovation, a new organizational sub-unit for Innovation was formed in 2017.

Modularity enables smarter development

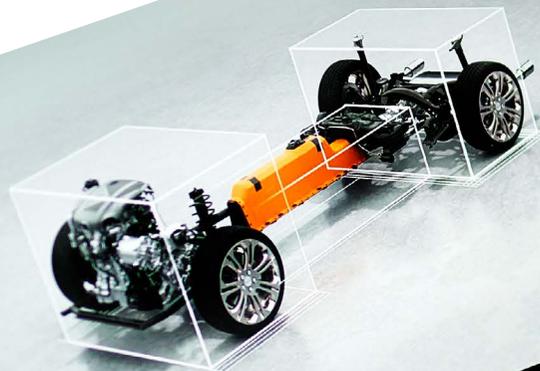
One approach to this is to build cars through modular development, which creates several advantages. These include for example the flexibility necessary to meet different brands and different car models, highly streamlined manufacturing processes and significant economies of scale.

CEVT's modular vehicle architecture meets the toughest demands on the global market. It is fully scalable and accommodates a wide range of propulsion systems and technologies of varying complexity. The new Volvo XC 40 that is based on the Compact Modular Architecture received five stars and top ratings in its 2018 Euro NCAP tests. The modular approach enables product customization while generating a highly streamlined manufacturing process and significant economies of scale.

Developing improved technical solutions for shared components and common interfaces is also within the company's expertise. The principles of modularity always apply – all major modules can be combined in different ways with the architecture.

CEVT's 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. This means that the architecture can 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 features 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.



The Volvo XC40 achieved maximum rating in Euro NCAP safety rating.



Digitalization – virtual product development

Improving designs includes many tests and simulations. At CEVT virtual product development techniques and simulation using computer aided engineering are used as far as possible.

Virtual development and verification is an integrated part of CEVTs product development process. Sophisticated calculations, simulations and virtual testing early in the process enable faster, more innovative development with more precisely targeted physical testing.

The company has 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 tests: road safety, aero dynamics, fuel efficiency and climate performance, sound etc. Above this, these new calculation methods and combined analysis also support the optimization of weight and fuel economy. Altogether, virtual simulations have replaced several hundred physical tests. In 2018, 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.

Electrification and carbon footprint

Environmental legislations and related customer requirements are developing fast. For example, many countries define their action plans 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 environmentally friendly vehicles. This impacts technology development on powertrains such as

engine and transmission efficiency as well as electrification of the powertrain. CEVT is 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.

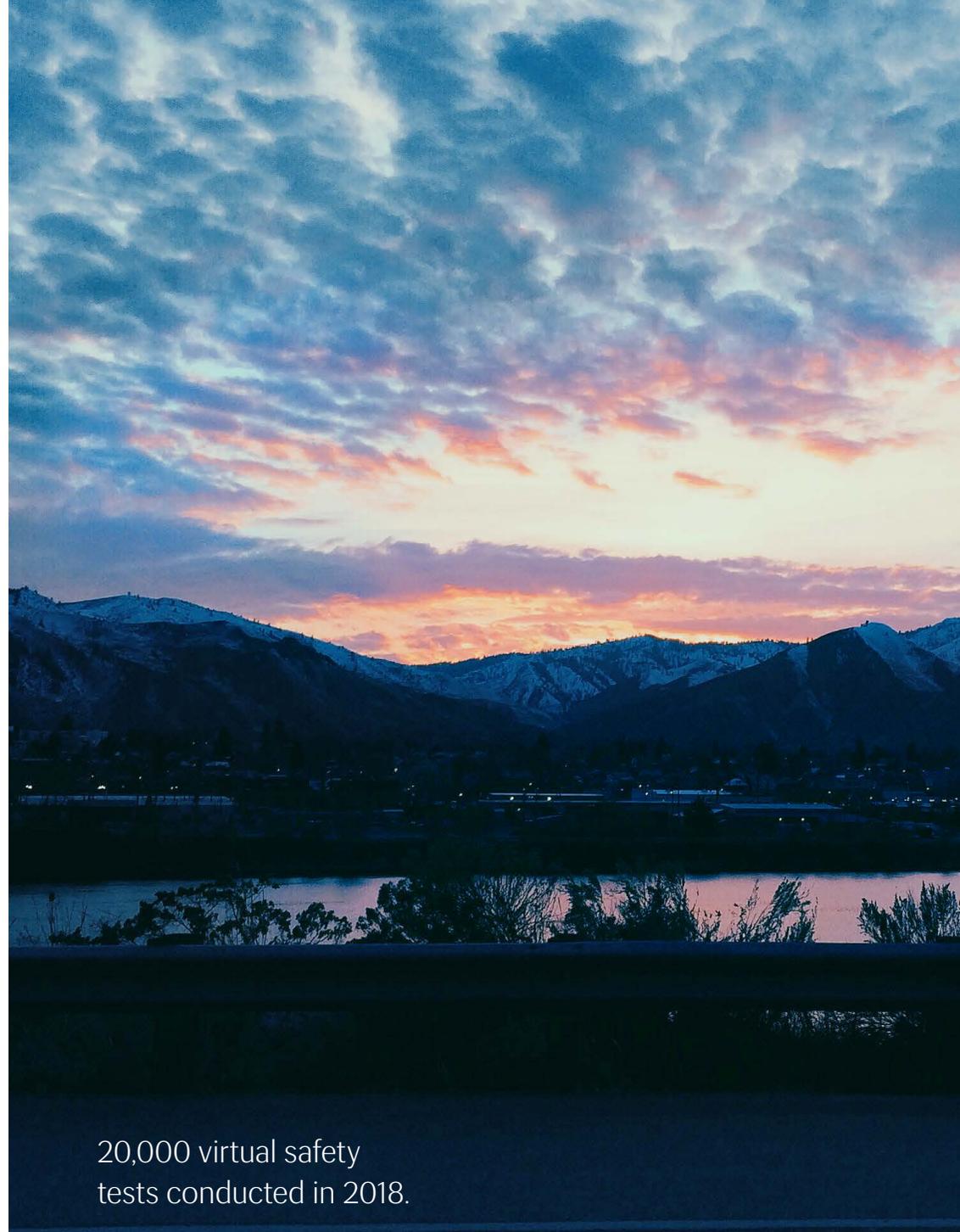
One of CEVT’s prioritised product innovation areas is electrification of cars, with the objective to reduce carbon footprint from driving. The current focus is to reduce fuel consumption through development of high quality hybrid vehicles.

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, the next step will also focus on carbon footprint of the production of batteries.

This work is done in partnership and cooperation with other organizations, for example through co-funded projects together with universities and research institutes. One example is the contribution to the development of a new testbed for electromobility, which is developed through a cooperation between RISE and Chalmers.

CEVT is one of the industrial partners to the Swedish Electric Transport Laboratory, SEEL, which aims to strenghten the competitiveness of the Swedish automotive industry, to help Sweden remain at the forefront of innovations in the transport sector, and to accelerate the shift towards a fossil-free Swedish society.

During 2018, a Plug-in Hybrid Powertrain was introduced in Lynk & Co 01 PHEV. Intense work is also ongoing to introduce the full range of electrified powertrains. Besides this, CEVT is continuously pursuing increased engine and transmission efficiency on existing products.



20,000 virtual safety tests conducted in 2018.

Sustainable materials

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. The design and manufacturing of the car components in turn affects the environmental impact of the waste vehicles.

CEVT is always searching for innovative ways to work to make the most of the resources and ultimately enable the company’s partners to build cars in smarter ways. This allows us to achieve strict targets like the European Directive 2000/53/EC which sets clear quantified targets for "reuse and recycling" (85%) and "reuse and recovery" (95%) of the end-of-life vehicles and their components.

In addition, design engineers also consider different national specific requirements regarding emissions and fuel consumption etc.

CEVTs research and development teams constantly work to find new and improved materials and components to use in the cars. When it comes to interior design focus is on finding new ways to use recycled materials, healthy materials and to reduce or replace materials with fossil content. Several projects are ongoing, for example in order to find alternative materials to use instead of leather and plastic, and also to find more environmentally friendly ways of producing materials, for example by using techniques that require less chemicals or energy.

An important aspect is also to find lighter materials like aluminium and composite materials instead of traditional steel for example. This reduces the fuel consumption, and thus the carbon footprint of the vehicle.

During 2018, a decision was taken to appoint an Attribute Leader for Sustainability in Vehicle Integration, in order to drive the sustainability work and set requirements connected to the components.

Collaboration for innovation

In December 2017, CEVT joined the MobilityXlab collaboration together with Lindholmen Science Park, Veoneer, Ericsson, Volvo Group, Volvo Cars and Zenuity. MobilityXlab is a platform for collaboration between partners and start-ups to accelerate the development of future mobility.

Other examples of collaboration for innovation are two research projects in “Sustainable technique”, running over three years, in which CEVT cooperates 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.

Together with Chalmers Tekniska Högskola CEVT has started a research project called iTEM, integrated Transmission and Electric Machine. The project has a strong focus within the field of power electronics and will strengthen the collaboration, as well as raise knowledge between the automotive industry and the university domain. The project will develop a transmission with an integrated e-drive with strongly integrated controls. The main goal is to contribute to a better environment globally by developing a hybrid driveline, which makes electric propulsion both affordable and attractive to a wide range of drivers.

Ongoing are also research projects with Chalmers, KTH and Swerea to reduce the environmental footprint of electric drive systems by more efficient production methods and design for recycling.

OVERVIEW OF EXTERNAL COLLABORATIONS WITH INNOVATION FOCUS						
<p>MobilityXlab Common projects with five members (Veoneer, Ericsson, VCC, AB Volvo, Zenuity) and startups. First Board and working meetings were held in January 2018. www.mobilityxlabs.com</p>	<p>Swedish Electromobility Center Centre of Excellence for electric and hybrid vehicles and infrastructure – Swedish Energy Agency, industrial and academic partners (Scania, AB Volvo, VCC, CTH, KTH, Uppsala etc).</p>	<p>Drive Sweden Strategic Innovation Program launched by the Swedish government (Swedish Energy Agency, Formas och VINNOVA) with focus on next generation travel and transport. www.drivesweden.net</p>	<p>SEEL, Swedish Electric Transport Laboratory A research cooperation between Chalmers and RISE, with industrial partners CEVT, Scania, Volvo Cars and Volvo Group. Mats Frågerhag sits on research council of RISE.</p>	<p>Swedish Software Center Improvements of inhouse software development methods. www.software-center.se</p>	<p>Chalmers University of Technology Strategic partnership signed. Chalmers complete excellence in research, education and innovation is made accessible in a cross-disciplinary mode. Focus on: • Vehicle engineering (NVH: Noise, Vibration and Harshness in vehicles, ride comfort, aerodynamics etc) • Autonomous drive • Sustainable and light material • Data science (AI-machine learning, deep learning, big data etc) • Connectivity and cyber security www.chalmers.se www.mynewsdesk.com/se/cevt/news/cevt-tests-lynk-och-co-01-phev-in-chalmers-hybrid-lab-334047</p>	<p>SECRETAS CEVT partners in EU project SECRETAS - developing future technologies around safety, security and privacy of automated systems. http://www.mynewsdesk.com/se/cevt/news/cevt-partners-in-eu-project-secretas-developing-future-technologies-around-safety-security-and-privacy-of-automated-systems-311464</p>

Company impact and development

CEVT is a dynamic organization under continuous development, and the employees are the most important asset for the company's success. CEVT strives to create a healthy and attractive working environment, with minimized environmental impact.

The people and values of CEVT

The people of CEVT bring together first-rate talent from across the globe. The company's pioneering Chinese-European cooperation enables inspiring meetings between different cultures every day, and the interchange brings new perspectives to both the Swedish and Chinese offices. It all comes together in the company values: think big, find a way, get inspired.

The corporate values illustrate CEVT's role and company culture. They are an integrated part of the internal development and evaluation processes, for example in individual development plans and performance evaluation, and as a platform in leadership programs. The implementation of the corporate values is an ongoing process. For example, there is a potential to use them as a tool and criteria to find the best candidates when recruiting.

During 2018 CEVT hosted a company culture game called the Guanxi Paradox. This was an initiative for the employees to start to live and feel the values. The first part was digital where the participants were asked to join the game in Loops, a digital platform, where there were different problem-solving exercises as well as clues to solving the mystery. The second part of the game was two live events to try to solve the Guanxi Paradox.

Employee engagement

As an innovative and fast-growing company, CEVT depends on strong and adaptive leadership and employee engagement. As an innovative and fast-growing company, CEVT depends on strong



Find a way

We encourage initiative and rely on everyone doing their part to develop groundbreaking solutions.

CEVT'S VALUES:

Think big

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

Get inspired

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

and adaptive leadership and employee engagement. Since the end of March 2018 CEVT HR has implemented a new tool called Winningtemp. It's a tool that in real time measures organizational health and can guide us to do the important things in order to reach the company vision. During 2018, the process to implement missing structures and management systems has also started.

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

Inclusiveness and diversity

At CEVT, diversity and inclusiveness are promoted. To be leading in innovation, CEVT needs to attract and develop the best talents with a wide spectrum of perspectives and backgrounds. As a global company, recruitment is done not only from Sweden but from all over the world to find the right competences.

CEVT is also a part of IGE day, Introduce a girl to engineering day, with the aim to inspire girls between 12 and 19 years of age to choose a technical path.

The company's Diversity and Equality Policy states that CEVT has zero-tolerance to discrimination and that a diversity of people is welcomed. In 2018, there were more than 30 nationalities at CEVT employees. Primarily it is diversity of thought that help us succeed.

The objective is to have the same proportion of men and women among the employees, as among the students at the universities employees are recruited from. For engineers this means approximately 70 percent men and 30 percent women. In 2018 the proportion of female employees at CEVT was 26,7 percent.

Intercultural exchange China-Sweden

CEVT works actively to contribute to the cultural exchange between Sweden and China. Besides

the core business, which includes different partnerships and business travel between the two countries, CEVT also promotes internal exchange of employees. During 2018, about 50 Geely employees had working positions in Sweden, so called International Service Employees (ISEs), and 9 CEVT ISEs based at Geely in China. There were also about 50 Geely employees in the Geely Global Rotation Program between Geely Design Sweden and China, which is a 3-month assignment that is offered to individuals for information sharing purposes.

When hiring people from Geely Holding Group and from other countries, the Global International Service Employee 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.

CEVT supports the ISEs regarding accommodation, language courses and schools for accompanying children etc. CEVT also works with different activities to promote Swedish and Chinese cultural exchange in the company. Examples are cultural training sessions, language courses, team activities with focus on cultural awareness and other informal events.

30
We are more than
30 nationalities at CEVT



Attractive employer

To grow and attract talented persons, CEVT actively works to develop a strong employer brand. The company has well-developed communication and cooperation with several universities, for example Chalmers University of Technology. Representatives from CEVT also visit many student fairs across Sweden and in other countries, for example in Sweden and Great Britain. The aim is to engage students already during their education through thesis projects and internships to create a relationship and a bridge between academia and industry. During 2018 more than 40 students did a thesis project in collaboration with CEVT and 25 students joined CEVT during the summer for the company's annual Summer Internship.

During 2018 CEVT was ranked as an attractive employer in several surveys. Randstad's "Employer Brand Research" ranked CEVT as number one in the categories "work life balance" and "work environment". In the survey "The Most Attractive Employers in Sweden" performed by Universum, CEVT ranks among the top 100 most attractive employers for both professionals and students. The survey ranks CEVT as number 25 among professionals with a BSc Engineering background. In Academic Works survey among Young Professionals (YPAI) CEVT ranked among the 100 most attractive employers in Sweden.

Dependency on consultants

To be able to grow this fast, CEVT has been dependent on flexible recruitment solutions including hiring many consultants. Many of CEVT's current employees were previously consultants.

As per the end of December 2018, CEVT had 1,214 employees and slightly fewer consultants. A transformation plan is currently being implemented, with the aim to further reduce the

dependency on consultants and thereby increase in-house competency and at the same time reduce costs.

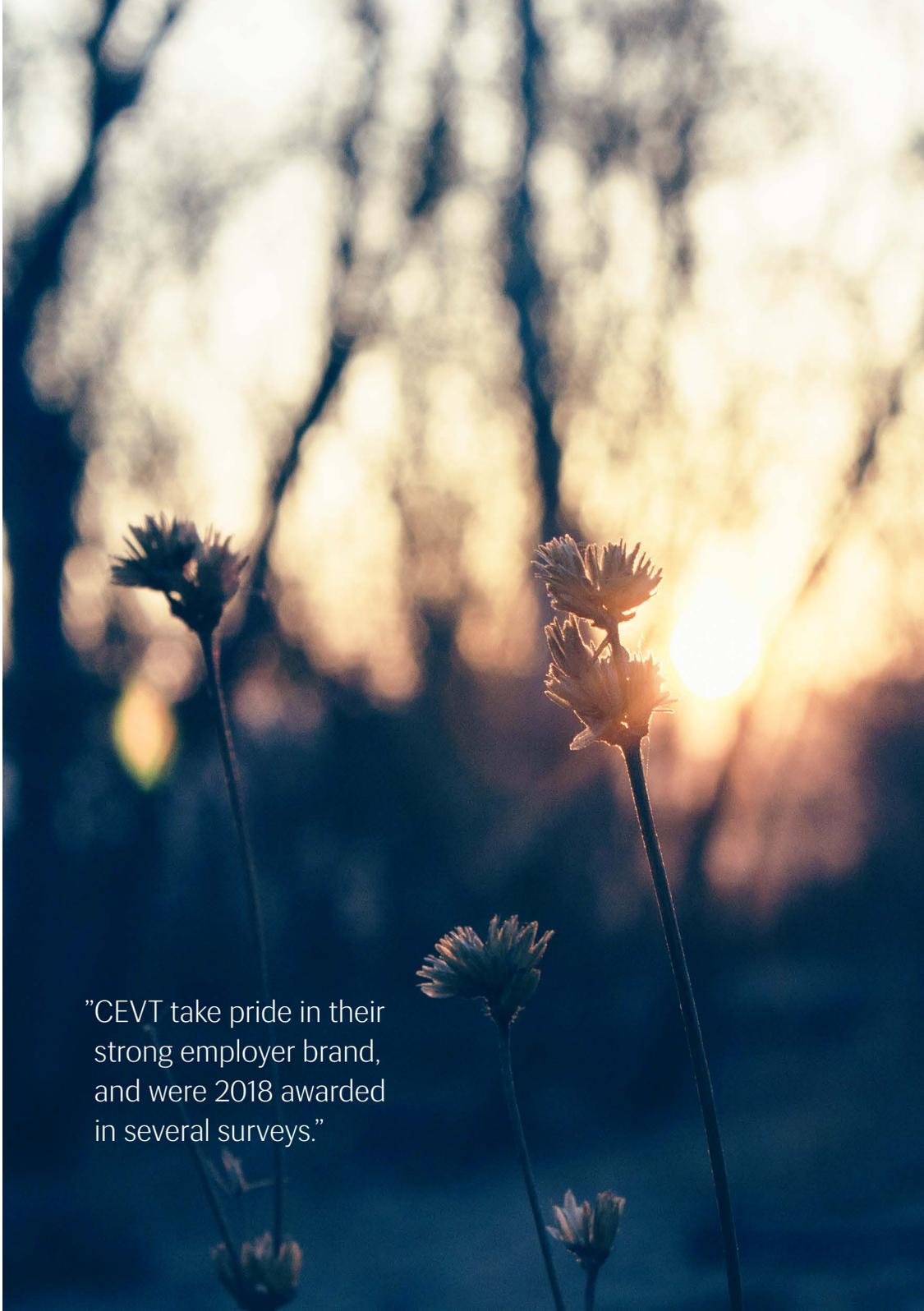
Wellness allowance

Every year, each employee is entitled to a non-taxable wellness allowance of SEK 2 500. The employee may use this money for wellness-, sport- and health activities. CEVT is committed to offer a safe and healthy working environment that meets or exceeds legislative requirements and standards. Several 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 policy.

All incidents and accidents regarding Physical and Psycho-Social work environment at CEVT, shall be reported to the Health and Safety Specialist by mail in order to be followed up and take actions and mitigations to prevent the future appearance of the similar incidents and accidents.

The company also takes support from health-care partner Feelgood (www.feelgood.se) to develop proper routines and to give advice regarding health to employees. Further, CEVT offers subsidized training and wellbeing opportunities to its employees.

A fair balance between work and personal life is an important aspect of employee wellbeing as well as a pre-requisite for talent attraction. At CEVT, the ambition is to allocate resources effectively and at the same time offer flexibility regarding working hours and workplace. The employee survey includes questions regarding work/life balance and resource allocation. To further progress in this area, CEVT offers mindfulness activities and includes stress handling as part of the CEVT New Leader Program. The result in the employee



"CEVT take pride in their strong employer brand, and were 2018 awarded in several surveys."

effectiveness survey has improved to 63 compared to 54 in 2016.

Sick leave of employees 2018 was 2,2 percent (percentage of total standard working hours).

CEVTs Code of Conduct states freedom of association and collective bargaining. All CEVT employees are covered by collective agreement. The company has 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

Artificial Intelligence and Machine Learning, AI/ML related technologies has significant impact on the automotive and future mobility industry. These technologies are paving the way to innovative products and services, that enhances the product but also enriches the user experience.

To facilitate and coordinate Artificial Intelligence and Machine Learning related technologies and application CEVT has created Artificial intelligence virtual organisation (AIVO). The scope of AIVO activities are to provide the future strategies as well as explore new ideas and product solution. AIVO will also facilitate the competence building within CEVT and support AI/ML related project centrally.

A learning organization

During 2018 a new LMS, Learning Management System, was implemented to support the organization in developing and exploring more digital ways of learning. The transition from traditional courses and training sessions has started, where CEVT will work in different ways to support an innovative and exploring attitude to learning. As part of this, a system with so called "learning

loops" has been developed, which is an interactive digital platform where employees can gain knowledge and share insights and expertise with their colleagues.

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 learning development such as Project Planning.

GROW

Grow is a development program for our managers. The program consists of several workshops concerning different topics, focusing on leadership, learning and innovation. 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. During 2018 CEVT hosted six GROW programs with a total of 100 leaders in various positions and departments.

Leadership Manifesto

During 2018 a leadership manifesto has been developed to highlight the type of leadership wanted at CEVT. The focus is on three words; Courage, Trust and Care. The Leadership Manifesto program has finalized Pilot 1 during 2018, Pilot 1 contained 2 half day workshops as well as individual and team work in between the two sessions. Two management teams from Quality and Vehicle Integration participated. Full roll out to all CEVT management teams is planned for autumn 2019.

CEVT Innovation Idea lab

In December 2017, the first "CEVT Innovation Idea lab" was arranged, 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.

Resource efficient operations

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

Active work is done to reduce the climate footprint from energy consumption, vehicle tests and business travel etc. At CEVT waste is sorted for recycling, including all redundant technical equipment. During 2018 CEVT recycled 77,8 ton waste. Through our recycling CEVT have enabled that recycled materials can be used instead of virgin material which saves both resources and energy. Our recycling corresponds to the following emission savings 96,4 ton CO₂. Environmental aspects are also taken into account when buying products and services.

A large proportion of used electronic equipment is recycled or sold to be re-used. During 2018 a new lease contract for computers and screens was signed, which means that all equipment will be handled by the supplier at the end of the lease period. A similar contract already exists for telephones. The new contract regarding computers also states that the computers supplied shall be produced with recycled material as far as possible. CEVT also accepted the challenge of ATEA 100% club, which has the goal that all companies shall recycle 100 percent of their IT equipment.

In 2018, a new computer hall was built in connection to one of the office buildings, where the heat generated is captured and used for

heating of the offices.

The close cooperation with colleagues in China and being part of a multinational holding group implies much interaction outside Sweden. Travel is one of the most important aspects when it comes to the company's environmental impact. CEVTs Travel policy states that virtual meetings should always be considered as alternative to physical meetings, and technologies for conducting meetings via video conference or Skype are provided and continuously improved.

Another example how CEVT is aiming to reduce environmental impact through travel is the new shuttle bus for employees between the CEVT office in Gothenburg and the test facility at Säve, which runs four times a day. The shuttle bus was launched end of 2017, and has significantly reduced individual travel by car. This resulted in reduction of CO₂ emissions by 46,8 tons in relation to individual transportation with own cars.

To implement a more systematic approach for resource efficient operations in the value chain, an environmental management system according to ISO 14001:2015 will be implemented. This work started 2018, with the objective of being certified in 2019.

Societal engagement

– Responsible relations

Positive, responsible relationships with suppliers, business partners and local communities, as well as good relations with other stakeholders, are of great importance to CEVT. The company is an important local player in Gothenburg, and contributes to society by using local suppliers and by supporting relevant events and youth activities etc.

Business ethics

CEVT's commitment is to conduct business fairly and honestly, and to act ethically in the everyday work at all times and circumstances. The aim is to be professional and trustworthy with high credibility among the stakeholders.

CEVT is a company with increasing global presence, and it is vital to conduct business fairly and honestly and to comply with applicable laws in each country where the company operates.

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 the 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.

CEVT updated the Code of Conduct in 2018 and integrated an anti-money laundering section to declare that the company condemns supporting money laundering or terrorist financing in any form. Responsibilities for the organization have been determined in the anti-money laundering policy.



Anti-corruption

As stated in the Code of Conduct, CEVT objects to all forms of corruption and bribery, and is determined to always comply with applicable 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, data protection and customer integrity

CEVT is an innovation center, developing state of the art mobility solutions for the automotive industry. The company value resides in the information assets produced. These assets can exist in many different forms and can be anything that contains information and all that carry information. Typically, these assets are manifested through drawings, models, specifications, designs and similar which are later used in the manufacture of goods and products. In the line of business, CEVT both produces sensitive information and are entrusted with sensitive information that must be safeguarded. Consequently, the preservation of confidentiality, integrity and availability becomes a high priority task for CEVT as an organization.

Everyone working at or representing CEVT must ensure that they use and handle sensitive and business-critical information in compliance

with applicable legislation and CEVT policies. All suppliers and business partners are required to sign Non-Disclosure Agreements.

CEVT has embarked on a mission to improve the security posture, basing efforts on well recognized international standards such as ISO/IEC 27001. During 2017–2018, the company has had a clear focus on technical security measures, e.g. securing mobile devices, introduced solutions for encryption of files and emails, data loss prevention measures, enforces stronger and securer passwords and much more.

In 2018, all computers were updated with a program aimed at discovering child pornography. The system is called NetClean, and is connected to a global network and the police authorities.

CEVT implemented the European Union's General Data Protection Regulation (GDPR) requirements into the business operation in 2018 and appointed a Data Protection Officer (DPO) who takes the responsibility for data privacy matters on behalf of the organization. CEVT takes all privacy matters seriously and ensures that all employees, including consultants, are aware of the applicable data privacy requirements.

A comprehensive education program was rolled out before the GDPR came into effect, both online training and classroom training to ensure that all employees and consultants, people managers, including the corporate management team and the CEVT CEO has an adequate level of awareness and knowledge about the requirements.

Follow up – breach of policy

Employees are encouraged to report experienced or potential violations of the Code of Conduct, accidents and incidents. This can be done to the closest manager, to another close manager or to CEVT's Human Resources, Legal or Security departments. The guidelines for whistle blowing and a new incident reporting system ensure clarity about the topic and a simple way of reporting. Furthermore, the Ethical Committee at CEVT

makes recommendations for how to act in alignment with the CEVT Code of Conduct in situations of uncertainty.

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 suppliers and sub-contractors. This requires a purchasing process that is efficient and responsive, while taking ownership and responsibility.

CEVT is responsible for all so called indirect



purchases, where the most important categories are related to facilities, transportation and consultant services. All goods and services that are directly related to production are purchased at Group level.

Business terms and conditions are well balanced, taking both CEVT and the suppliers' business needs into account, to create a healthy and sustainable business climate. This is to ensure that requirements in ethics and business conduct are met.

The CEVT Code of Conduct states that business partners are expected to be governed by the same or similar principles as expressed in the Code. The CEVT Code of Conduct for Suppliers safeguards that business partners live up to the CEVT Ethics & Compliance principles, such as regulations and international conventions and standards for a sustainable future.

CEVT is committed to treat all business partners fair and with good faith. The business partnership shall be built on objectiveness and fairness, with special focus on quality of products and services, competitive price and compliance with applicable laws and standards.

CEVT will only cooperate with business partners with good reputation and integrity management which have a strong financial position to execute contracts with CEVT and who accept the CEVT compliance requirements and ensure that the principles are communicated and followed by their employees and consultants.

Local society contribution

CEVTs community engagement is focused on promoting Gothenburg as an attractive region to live and have a career in. For example, CEVT is 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.

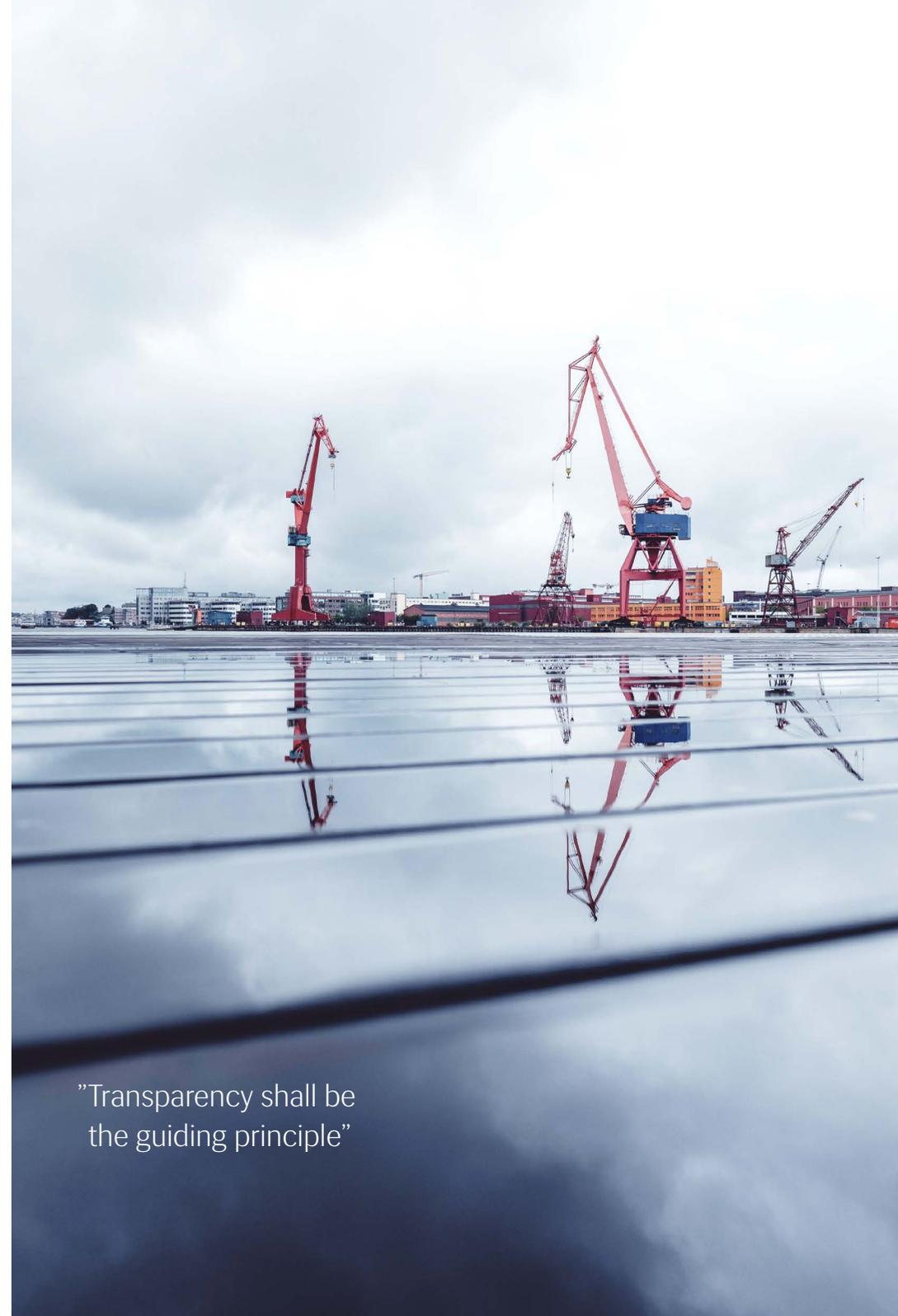
In 2018, CEVT participated in the festival and showcased how virtual engineering and simulation technology is used to develop new technologies for the Geely Holding Group.

Proper tax payments

Corporations' approach to local tax payment has become a matter of responsibility. CEVT is committed to comply with applicable tax laws and regulations in Sweden and countries where the company is present. 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 does not engage in artificial tax structures.

Social sponsoring

As part of CEVTs corporate responsibility the company also supports chosen youth activities and events. During the year this included for example a youth football tournament and a youth fundraiser for cancer research. CEVT welcomes requests for sponsoring, and has a structured process to evaluate and decide what to support.



“Transparency shall be the guiding principle”

Sustainability governance and risk management

CEVTs approach is to integrate environmental, social and ethical perspectives as part of daily operations and decision making. The corporate values and the Code of Conduct are important guiding principles for employees.

There are also a number of corporate policies and directives covering different areas giving more detailed guidelines. CEVT continuously works with implementation and employee education regarding corporate policies and values. Since CEVT is a young and fast-growing company, acting in a changing market, it is necessary to continue to develop, implement and adapt the systematic work.

In 2018 a Sustainability forum was started, with participants from different parts of the organisation. The forum will work with the salient sustainability issues for CEVT, and how these issues are handled in processes such as design and product development. This includes setting structures, goals and KPIs.

Corporate values

CEVT's corporate values guide employees to take individual responsibility, be innovative and future focused: Think big, Find a way, Get inspired. See page 11 for more information about our values.

Code of Conduct

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

To ensure compliance with all principles in the Code of Conduct, CEVT has a robust Ethics and Compliance program for all employees and consultants about the Code itself as well as specific areas, such as anti-bribery and corruption, conflict of interest and ethical leadership.



Integrated management system

An integrated management system, covering all parts of CEVT, is under implementation. This management system is a fundamental platform in the systematic work in order to continuously transform and improve the business, to reach set targets and to be cost efficient. The system is compliant with the ISO 9001 standard for management systems and is certified according to ISO 9001 since June 2018.

Process and performance quality is monitored and evaluated using a scorecard structure. At top level, half of the scorecard consists of project quality and risk parameters, and the other half includes other strategic areas such as strategic transformation and development of process and organization and employees. Corporate scorecard follow-up is done by CEVT management twice a 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 or the risk source eliminated.

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

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

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

SUSTAINABILITY RISKS		
<p>Society Engagement – Responsible Relations</p> <p>Examples of risks</p> <ul style="list-style-type: none"> • Breaching human rights and/or other legislation by suppliers • Breaching privacy legislation and commitments <p>Risk mitigation</p> <ul style="list-style-type: none"> • Code of Conduct for suppliers is under development and will be included in supplier contracts • Close collaboration with trade unions • Policies and procedures regarding customer privacy and information security 	<p>Company Impact and Development</p> <p>Examples of risks</p> <ul style="list-style-type: none"> • Lack of in-house competence to become a leading innovation center • Dependency of consultants • Health and safety risks at work <p>Risk mitigation</p> <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 	<p>Customer Value – Sustainable Innovation</p> <p>Examples of risks</p> <ul style="list-style-type: none"> • Changing end-consumer behaviour • New legislation with impact on CEVT's business and products <p>Risk mitigation</p> <ul style="list-style-type: none"> • Risk tool for project management • Organizational focus on innovation • External innovation collaboration and partnerships

Board of Directors



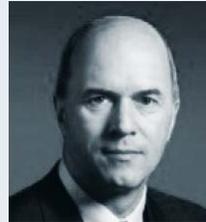
Håkan Samuelsson
CEO Volvo Cars



Daniel Li
Vice president and
CFO Geely Group



Conghui An
CEO GeelyGroup
Chairman



Carl-Peter Forster
Advisor to
Chairman Li



Mats Fägerhag
CEO CEVT



Maria Wiese
Chairman of CEVT
Academic Union

CEVT management

(as of 2018)



Mats Fägerhag
CEO CEVT



Albert Pettersson
Powertrain (acting)



Fredrik Hedfors
Quality



Jo Zhou
HR



Gang Wei
Business Office



Andreas Nilsson
Senior Vice
President Design



Nicklas Raask
Digital/IT



Jens Schöenberg
Architecture



Conny Olsson
Vice President
Connected Car & UX



Dacheng Yang
Vehicle



Didier Schreiber
Innovation



Pernilla Fornbäck
Finance



Kitty Muffolini
Purchasing

This is CEVT's statutory sustainability report. 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

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SE-417 55 Göteborg • Sweden • info@cevt.se

Revisorns yttrande avseende den lagstadgade hållbarhetsrapporten

Till bolagsstämman i China-Euro Vehicle Technology AB, org.nr 556922-7639

Uppdrag och ansvarsfördelning

Det är styrelsen som har ansvaret för hållbarhetsrapporten för år 2018 (räkenskapsåret som avslutas 31 december 2018) och för att den är upprättad i enlighet med årsredovisningslagen.

Granskningens inriktning och omfattning

Vår granskning har skett enligt FARs rekommendation RevR 12 *Revisorns yttrande om den lagstadgade hållbarhetsrapporten*. Detta innebär att vår granskning av hållbarhetsrapporten har en annan inriktning och en väsentligt mindre omfattning jämfört med den inriktning och omfattning som en revision enligt International Standards on Auditing och god revisionssed i Sverige har. Vi anser att denna granskning ger oss tillräcklig grund för vårt uttalande.

Uttalande

En hållbarhetsrapport har upprättats.

Göteborg den

2 maj 2019



Fredrik Jonsson
Auktoriserad revisor