



SUSTAINABILITY REPORT 2025

Aurobay Technologies Division Sweden,
part of Horse Powertrain Limited

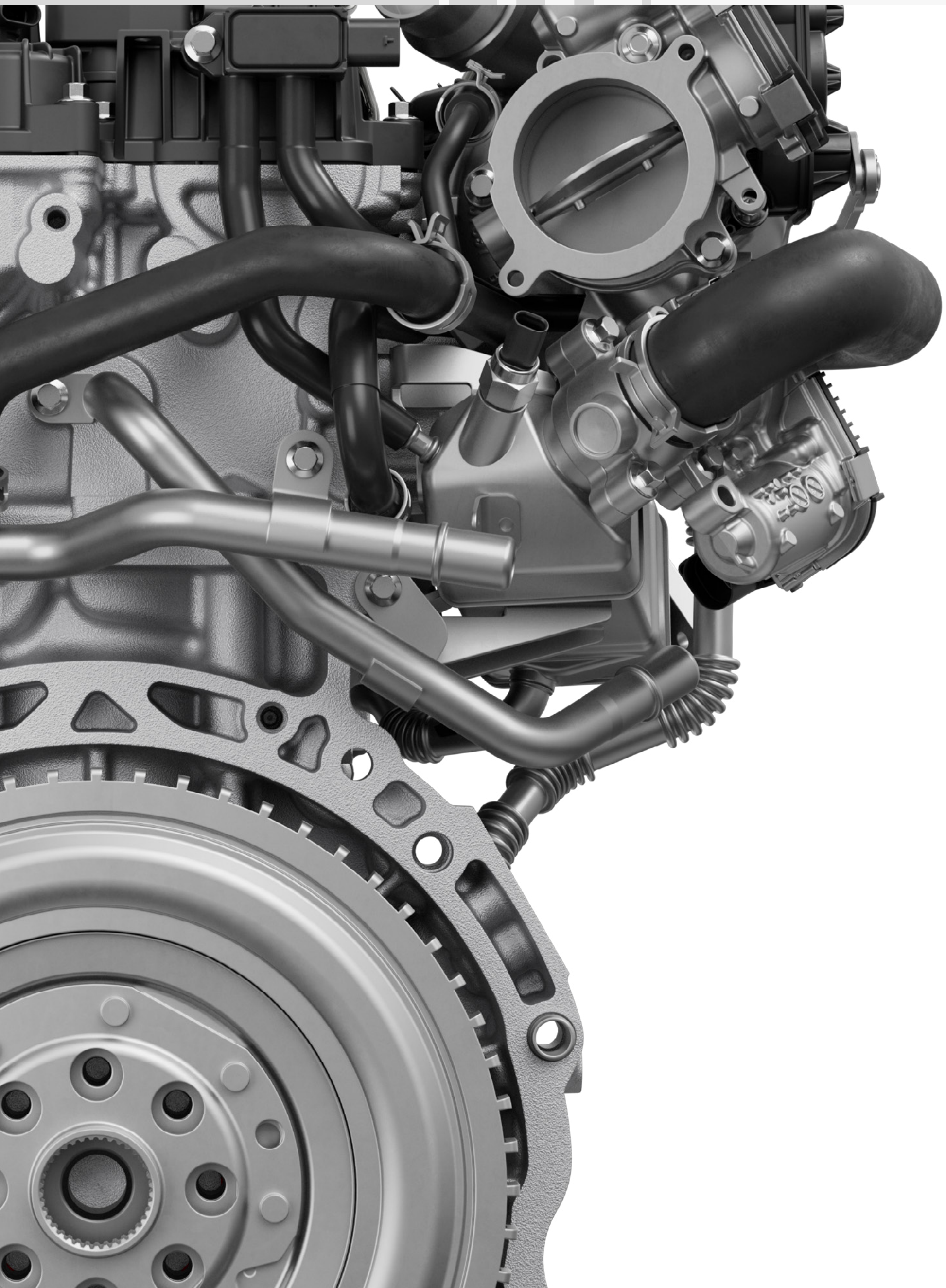
A detailed, high-contrast black and white photograph of a car engine and a portion of a wheel. The engine components, including hoses, belts, and the air filter housing, are visible on the left side of the image. The wheel, showing the spokes and the tire, is in the bottom left corner. The image is partially cut off on the right side.

Table of contents

1. OVERVIEW	02	4. HOW WE CREATE VALUE	26
Highlights from 2025	04	Our ESG strategy	28
Managing Director letter	05	Aurobay Sweden ESG targets	30
		Evolution of our ESG strategy within 2025	31
2. THE FOUNDATIONS OF OUR BUSINESS	06	Delivering on our ESG strategy	32
Aurobay Technologies Division	07	Progress in 2025	32
Sweden at a glance		Decarbonization	34
Our product line-up	08	More positive contribution	37
Our strategic framework	09	More positive contribution to people	37
Industry trends	10	More positive contribution to nature	39
Our objectives	11	Responsible business	41
		Responsible purchasing	41
3. GOVERNANCE	12	Ethics and governance	42
Board of Directors report	13		
Sustainability report	14	5. SUSTAINABILITY GUIDELINES, FACTS AND TABLES	45
Corporate governance	15	Double Materiality Assessment	46
Sustainability in corporate governance	18	Environmental disclosures	49
Enterprise Risk Management report	20		
ERM governance	20	6. CONTACT INFORMATION	53
Top risks	20		
Board of Directors	24		
Executive Management Team	25		

01

OVERVIEW

→ Highlights from 2025
→ Managing Director letter



Highlights from 2025

FUTURE HYBRID SYSTEM

At the IAA Summit, Horse Powertrain launched the Future Hybrid System, which is designed and developed in Sweden. The all-in-one hybrid powertrain integrates an engine, motor, transmission, and power electronics into a compact unit that enables the adaptation of battery electric vehicles into hybrids or range-extended vehicles, with minimal vehicle modification, and allowing for optimum energy efficiency.

ESG PLAN 2030

Our new unified ESG strategy was developed and rolled out, setting clear focus areas and targets for 2030 – focusing on decarbonization, more positive contribution to people and nature, and responsible business.

SCIENCE-BASED TARGETS

Our near-term and net-zero climate targets were validated by the Science Based Targets initiative (SBTi), showcasing our commitment to science-driven climate action.

LIFE CYCLE ASSESSMENTS FOR ALL OUR PRODUCTS

Life Cycle Assessments focusing on carbon footprint for our entire portfolio were finalized, revealing key insights we can act on to reduce our climate impact.

ENVIRONMENTAL POLICY

We rolled out e-training for our Environmental Policy, to ensure company-wide awareness.

INTERNATIONAL WOMEN'S DAY – 50 WAYS TO FIGHT BIAS

To mark International Women's Day 2025, all staff were invited to a digital, interactive workshop focused on recognizing and interrupting bias in the workplace.

GLOBAL ROLLOUT OF OUR SHARED POLICIES

We adopted the first twelve global Horse Powertrain policies, rolled out following a consolidation of existing divisional policies, supporting the journey toward One Company.



Managing Director letter

Ingo Scholten, Managing Director, Aurobay Technologies Division Sweden, part of Horse Powertrain:

Welcome to Aurobay Sweden AB's Sustainability Report for 2025, a year in which we made further progress in decarbonizing our powertrain solutions – while navigating one of the most dynamic regulatory landscapes in automotive history.

Engineering towards a more sustainable future

In pursuit of our vision – revolutionizing motion for all – we continue to advance technologies that support the global shift toward more sustainable and fairer mobility. At least half of the global vehicle fleet will still be powered by hybrid and combustion engines by 2040. As the world recognizes the continued need for highly efficient combustion engines, our goal is to provide lower carbon engines that meet the needs of customers wherever they are, without compromise.

Since 2024, when we joined Horse Powertrain Limited, as part of its Aurobay Technologies division, our potential impact has grown exponentially. With 19,000 employees and 17 plants on three continents, Horse Powertrain can make a more positive contribution, at an industrial scale.

A smarter approach to combustion technology

We see range-extended electric vehicles as a vital part of the future global mobility fleet. During the year, we revealed details of our Future Hybrid System, an all-in-one hybrid powertrain integrated engine, motor,

transmission, and power electronics in one compact unit. We also launched a real-world pilot with Scania in northern Sweden to test range-extended hybrid technology in heavy-duty timber transport. We have also been actively exploring e-fuels and other solutions.

New ESG strategy

2025 was shaped by our One Company strategy as we grew ever closer to our colleagues in Horse Powertrain. During 2025, we agreed a shared Horse Powertrain ESG plan, covering decarbonization, our contribution to people and nature, and responsible business. The plan builds on Aurobay Sweden's previous targets and priorities, and we have continued to make good progress in all areas.

Our decarbonization agenda

In September 2025, Aurobay Sweden's near-term and net-zero targets were validated by the Science Based Targets initiative (SBTi). This milestone clearly demonstrates our commitment to transparent and ambitious greenhouse gas reduction targets aligned with the latest climate science and the Paris Agreement. Our decarbonization roadmap to 2030 is now well-defined and targets significant reductions across Scope 1, Scope 2 and Scope 3 emissions – with our Skövde plant continuing to be powered entirely by renewable energy.

Social and governance highlights

One of our key targets is to obtain and maintain a globally recognized certification that reflects our commitment to people, equality and strong alignment

with our values. In 2024, Aurobay Sweden achieved Great Place to Work® certification. This externally validated program captures feedback from all employees and uses these insights to drive continuous improvement.

For Responsible business, we launched our first 12 global Horse Powertrain policies, following the consolidation of existing divisional policies. These include our Code of Business Ethics, Anti-bribery and Corruption Policy and Conflict of Interest Policy.

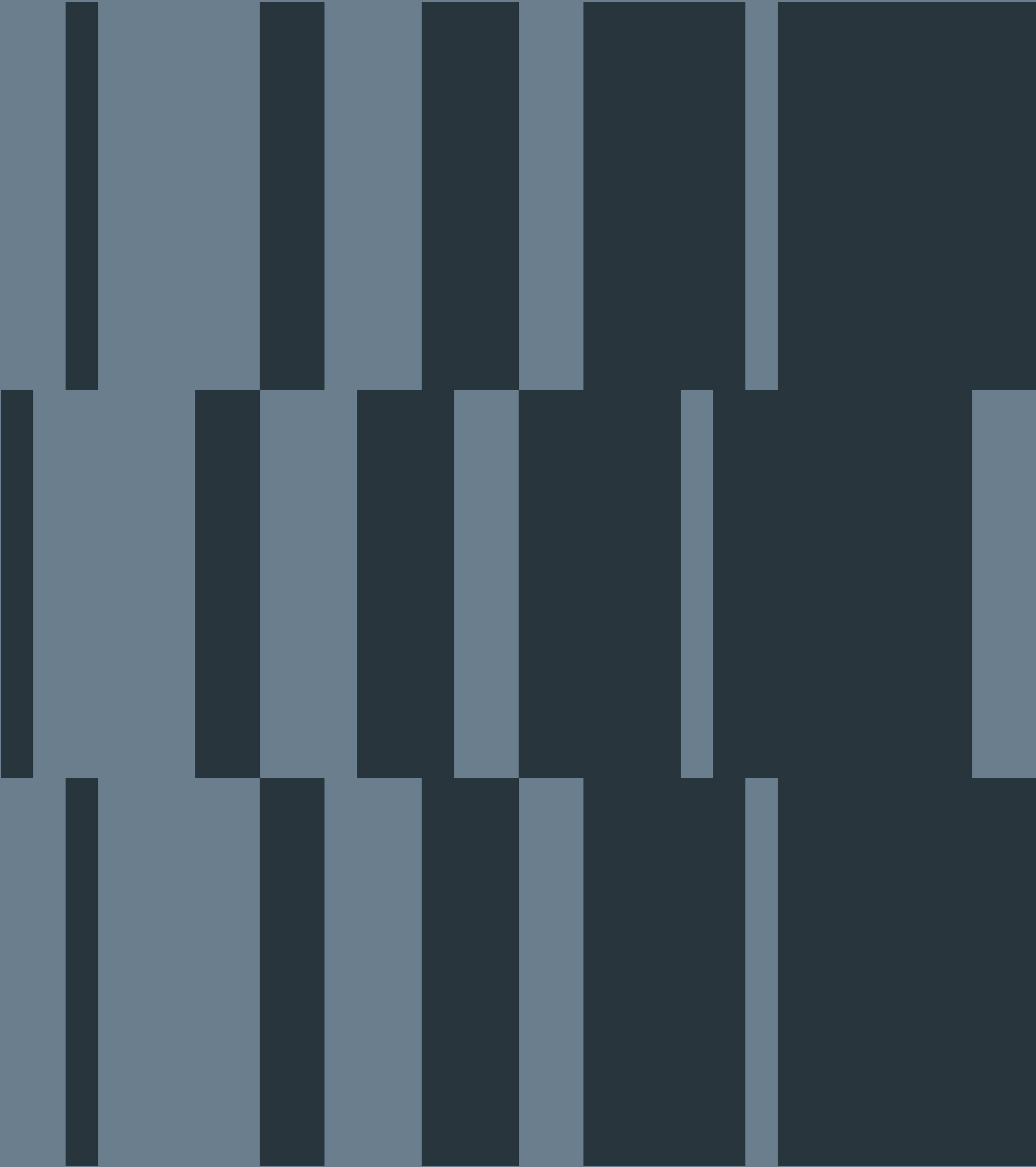
At Horse Powertrain and Aurobay Sweden AB, we are helping to shape a net zero future. Achieving this requires a range of solutions – of which electrification is just one – working together to drive the automotive transition. There is no single path to net zero and the journey will not be fast. We remain focused on driving down emissions through research, collaboration and technological innovation to improve efficiency.



Ingo Scholten
Managing Director,
Aurobay Technologies Division
Sweden, part of Horse Powertrain

THE FOUNDATIONS OF OUR BUSINESS

- Aurobay Technologies Division Sweden at a glance
- Our product line-up
- Our strategic framework
- Industry trends
- Our objectives





Aurobay Technologies Division Sweden at a glance

Aurobay Sweden, led by Ingo Scholten is part of Aurobay Technologies, a division of Horse Powertrain, which is led by Matias Giannini. Horse Powertrain is an independent powertrain technology leader, built on 125 years of heritage from Renault and Geely. We bring together expertise, innovation and global reach to offer innovative ICE and hybrid powertrain solutions for OEMs around the world.

We design and deliver highly efficient integrated powertrain systems and standalone powertrain products, from engines to transmissions to electric motors. With 19,000 people, 18 plants and 5 R&D facilities on 3 continents, we're equipped to serve global OEMs at scale. At the end of 2025, we had around 20 automotive customers globally, including Renault Group, Geely Auto, Volvo Cars, Proton, Nissan, and Mitsubishi Motors Corporation.

Our vision is to revolutionize motion for all. At least half the global vehicle fleet will still be powered by hybrid and combustion engines by 2040. As the world recognizes the continued need for highly efficient combustion engines, our goal is to provide powertrains that are scalable and diverse enough to suit the needs of different regions – and deliverable in the real world.

With our combustion engines, hybrid systems and range extenders, we can serve the needs of almost every customer, across every region, every fuel type, and every kind of vehicle. We aim to give OEMs the powertrain technology to cut emissions now and at scale – and help build a better world for the many, not the few.

HORSE POWERTRAIN IN NUMBERS

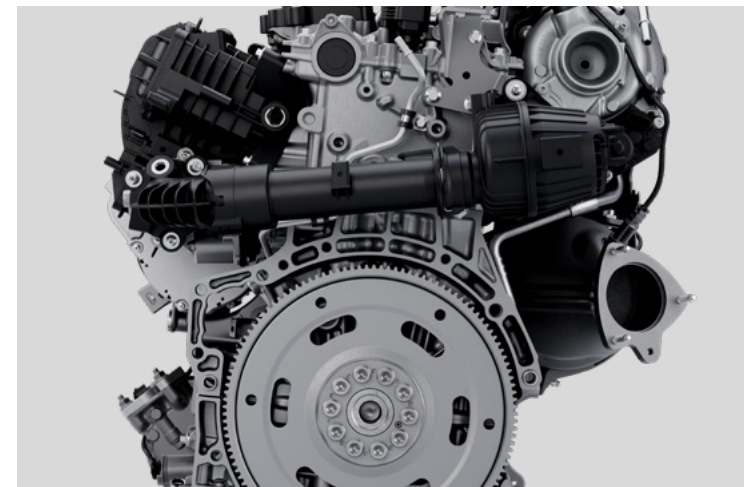
19,000	People
18	Plants
5	R&D centers
2	Divisions: Aurobay Technologies division, Horse Technologies division

AUROBAY SWEDEN IN NUMBERS

1,793	People
1	Plant in Skövde, Sweden
1	R&D center in Gothenburg, Sweden
12,451,686	MSEK revenue
419,360	Engines produced
12,458	Rotor shafts produced

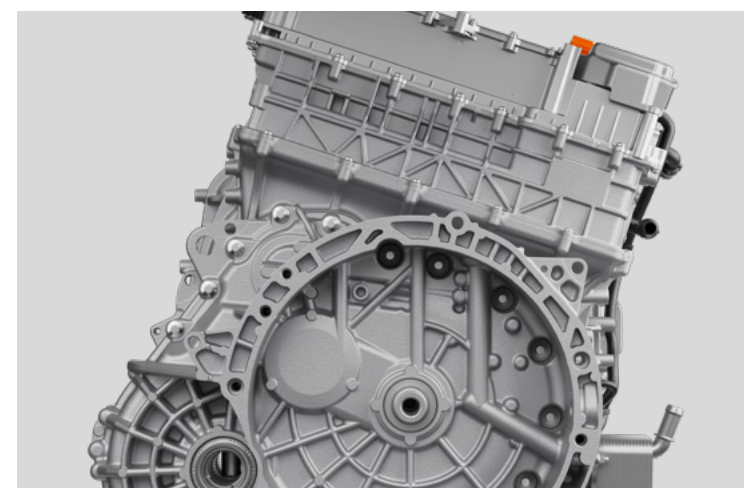
STANDALONE PRODUCTS

We design and deliver a broad range of combustion engines, transmissions, powertrain components and range extenders.



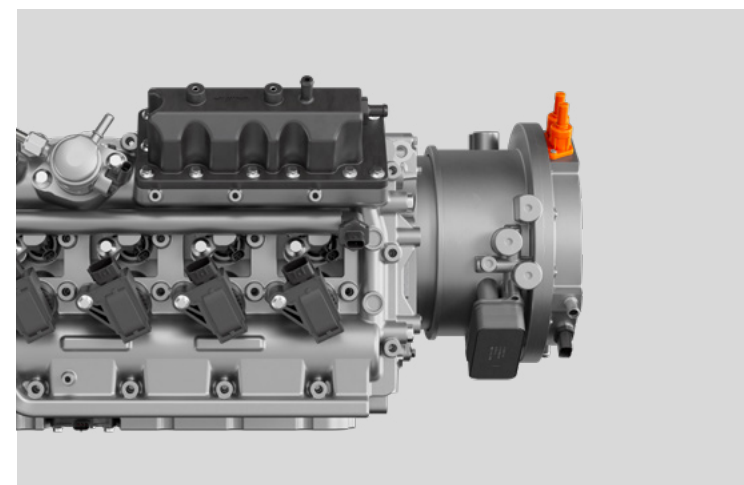
ENGINES

Customers can choose engines by fuel type, size, power, region of manufacture, emission regulations, and more. Many of our engines can be adjusted to suit different vehicle architectures.



TRANSMISSIONS

Integrated HEV and REEV solutions for dedicated EV platforms, enabling full flexibility – with all the benefits of electrification but no range limitation. Enabling OEMs to fully scale the usage of their EV platforms and follow market demand with the right solution.

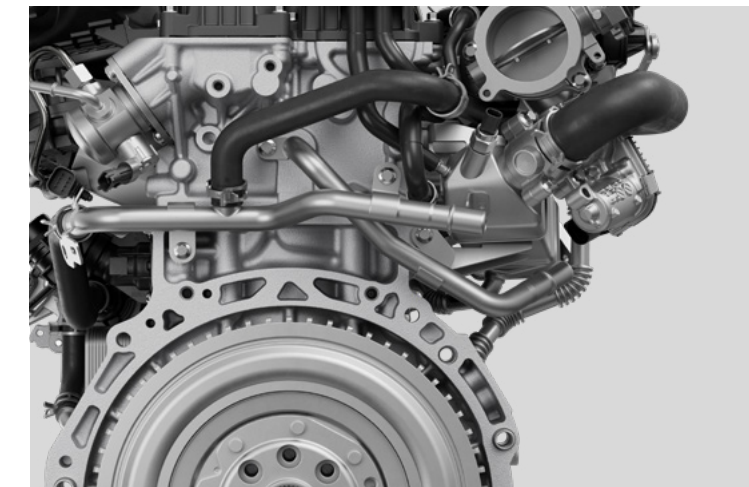


RANGE EXTENDERS

Integrated HEV and REEV solutions for dedicated EV platforms, enabling full flexibility – with all the benefits of electrification but no range limitation. Enabling OEMs to fully scale the usage of their EV platforms and follow market demand with the right solution.

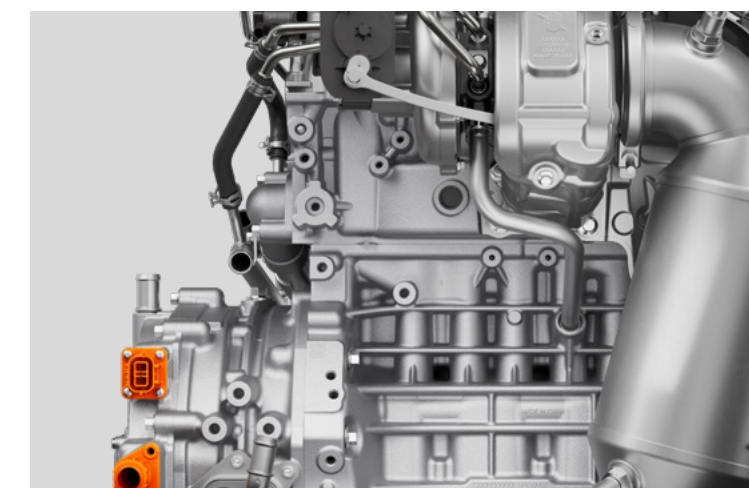
INTEGRATED POWERTRAIN SYSTEMS

Our integrated powertrain systems bring together powertrain components from across our portfolio, enabling customers to cost-efficiently broaden their offering and shorten time to market.



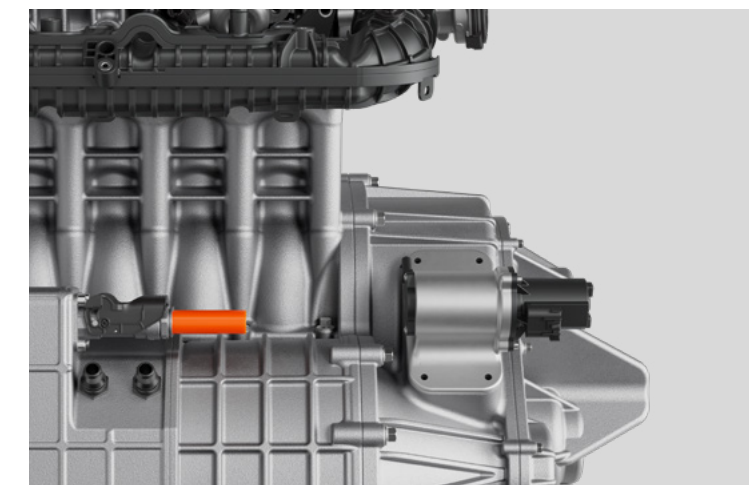
HORSE ONE COMBUSTION POWERTRAIN SYSTEMS

Our integrated powertrain systems bring together powertrain components from across our portfolio, enabling customers to cost-efficiently broaden their offering and shorten time to market.



HORSE FUSION HYBRID POWERTRAIN SYSTEMS

Integrated systems compatible with a variety of fuels – from traditional to synthetic, to meet local demand around the world.

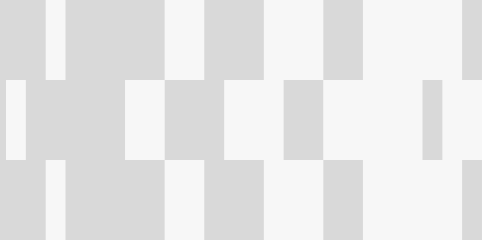


HORSE X-RANGE POWERTRAIN SYSTEM

Integrated HEV and REEV solutions for dedicated EV platforms, enabling full flexibility – with all the benefits of electrification but no range limitation. Enabling OEMs to fully scale the usage of their EV platforms and follow market demand with the right solution.

Our product line-up

At Horse Powertrain we offer a range of standalone and integrated powertrain solutions to meet the needs of almost every customer, in every region, across every fuel type.



Our strategic framework

The global automotive industry is in a process of transformation, putting original equipment manufacturers (OEMs) under pressure like never before. Although OEMs in some parts of the world are turning to electrification as part of their decarbonization strategy, combustion vehicles will not disappear in the near to medium term. The diversity of global mobility needs makes a single decarbonization solution unrealistic.

Horse Powertrain was set up as a joint venture to serve vehicle manufacturers at scale with hybrid and combustion powertrain solutions. Our long-term strategic framework reflects our mission and vision. We are continuously reshaping our goals in response to risks and opportunities from the world around us.

VISION

Revolutionizing motion for all.

MISSION

We will become the global leader in highly efficient ICE and hybrid powertrains, pioneering innovative solutions that make sustainable mobility accessible to all.

VALUES

**Caring
Collaborating
Creating excellence**

Industry trends

THE TRANSITION TO ELECTRIFICATION IS FRAGMENTED GLOBALLY

Many regions around the globe are experiencing an increase in electric vehicles on the roads. In the EU, the shift to EV portfolios among European OEMs is developing slower than anticipated: the regulator is reviewing the CO₂ regulation and has proposed changes to the previous full ICE ban requirement. In the US, forecasted EV sales are not being fully realized, and the current administration has removed the policy pressure driving the shift to electrification. In China, however, local competition is still intensive across all vehicle types, and Chinese-brand OEMs are now accelerating their international footprints.

HYBRID AND ICE POWERTRAINS EXPECTED TO DOMINATE THE GLOBAL MARKET

Different regions will aim to reduce their carbon footprint at different paces. Consumer demand for hybrid and traditional engines in Europe for example, is still significant. Of the 1 billion hybrid and ICE vehicles expected to be on the roads by 2040 worldwide, the majority are not yet built. Innovation in hybrid and ICE technology is urgently required to drive down emissions of the future vehicle fleet.

ACCEPTANCE OF RANGE EXTENDERS

Range extenders are emerging as an accepted solution to extend the autonomy of electric vehicles and ease the transition. They are designed to improve energy efficiency and offer greater operating flexibility, reliability and relief from range anxiety in the context of limited charging infrastructure.

INCREASED INTEREST IN ALTERNATIVE FUELS

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

REGULATIONS AROUND COMBUSTION TECHNOLOGY ARE CHANGING

In Europe, proposed updates to CO₂ regulations look likely to create opportunities for us as a Tier 1 powertrain supplier. In the US, on the other hand, regulatory updates will weaken the shift towards EVs and hybridized EVs. New regulations such as Euro 7 and China 7 are imposing stringent, investment-heavy

demands on OEMs, creating opportunity as we can produce powertrain trains compliantly and cost-effectively.

OEMs ARE RESTRUCTURING THEIR BUSINESSES

Electrification is capital intensive, and many OEMs are struggling to focus sufficiently on both combustion and electrified technologies, leading to an emerging need to balance efforts. In response, several OEMs have separated their combustion and EV divisions. Other OEMs, however, are refocusing on combustion, and writing off their EV investments.

Our objectives

- Innovation
- Financial performance
- Business growth
- People and brand
- Trusted partner to OEMs



GOVERNANCE

- Board of Directors report
- Sustainability report
- Corporate governance
- Sustainability in corporate governance
- Enterprise Risk Management report
- Board of Directors
- Executive Management Team





Board of Directors report

General information about the business

Aurobay Sweden consists of the parent company Aurobay Sweden AB (corporate identity number 556830-5964), and its wholly owned subsidiary Aurobay Sweden Real Estate AB (corporate identity number 559140-6425), collectively referred to as Aurobay Sweden. The company is a global supplier of complete powertrains including next-generation internal combustion engines and hybrid solutions. Headquartered in Gothenburg, Sweden, the company consists of the powertrain plant in Skövde, Sweden, as well as central functions that combine outstanding capabilities for manufacturing, research and development, and digitalization. We have over one hundred years of innovation in fuel technology and electrification, combined with a highly skilled workforce of 1,793 employees (average for 2025).

Aurobay Sweden is a wholly owned subsidiary of Aurobay International PTE. Ltd., itself a wholly owned subsidiary of Aurobay Holding PTE Ltd. At its highest level, Aurobay Holding PTE. Ltd. is owned by Horse Powertrain Limited, a strategic joint venture between Geely, Renault and Aramco, as further set out in the Joint Venture Agreement signed on December 2, 2024.

Expectations for the future

Horse Powertrain Ltd. is expected to become a global leader in developing, manufacturing, and supplying next-generation hybrid as well as highly efficient powertrain solutions.

Sustainability report

The Aurobay Sweden Sustainability Report 2025 is a stand-alone sustainability report. The report covers Aurobay Sweden as defined in the ‘General information about the business’ section above.

The Sustainability Report uses GRI as a reference, although the indicators are not detailed. In addition, it follows the previous version of the Swedish Annual Accounts Act (i.e. the version applied before July 1, 2024). Aurobay Sweden’s climate targets are developed in line with the latest climate science, validated by the Science Based Targets initiative, and fully embedded within Horse Powertrain’s overall decarbonization strategy. Calculations on greenhouse gas emissions are based on the Greenhouse Gas Protocol.



Corporate governance

Aurobay Sweden operates within a structured governance framework that emphasizes alignment with the overarching principles of Horse Powertrain Ltd. and Aurobay Technologies Division.

HORSE POWERTRAIN LTD. (HPL)

As the parent company, HPL maintains overall oversight of its affiliated entities through an established corporate governance framework. The Board of Directors (BoD) is the highest governing body below the owners of HPL. The BoD is supported by formally constituted committees, including the Strategy Committee, the Audit and Compliance Committee, and the Nomination and Compensation Committee, which convene as required in accordance with their respective mandates.

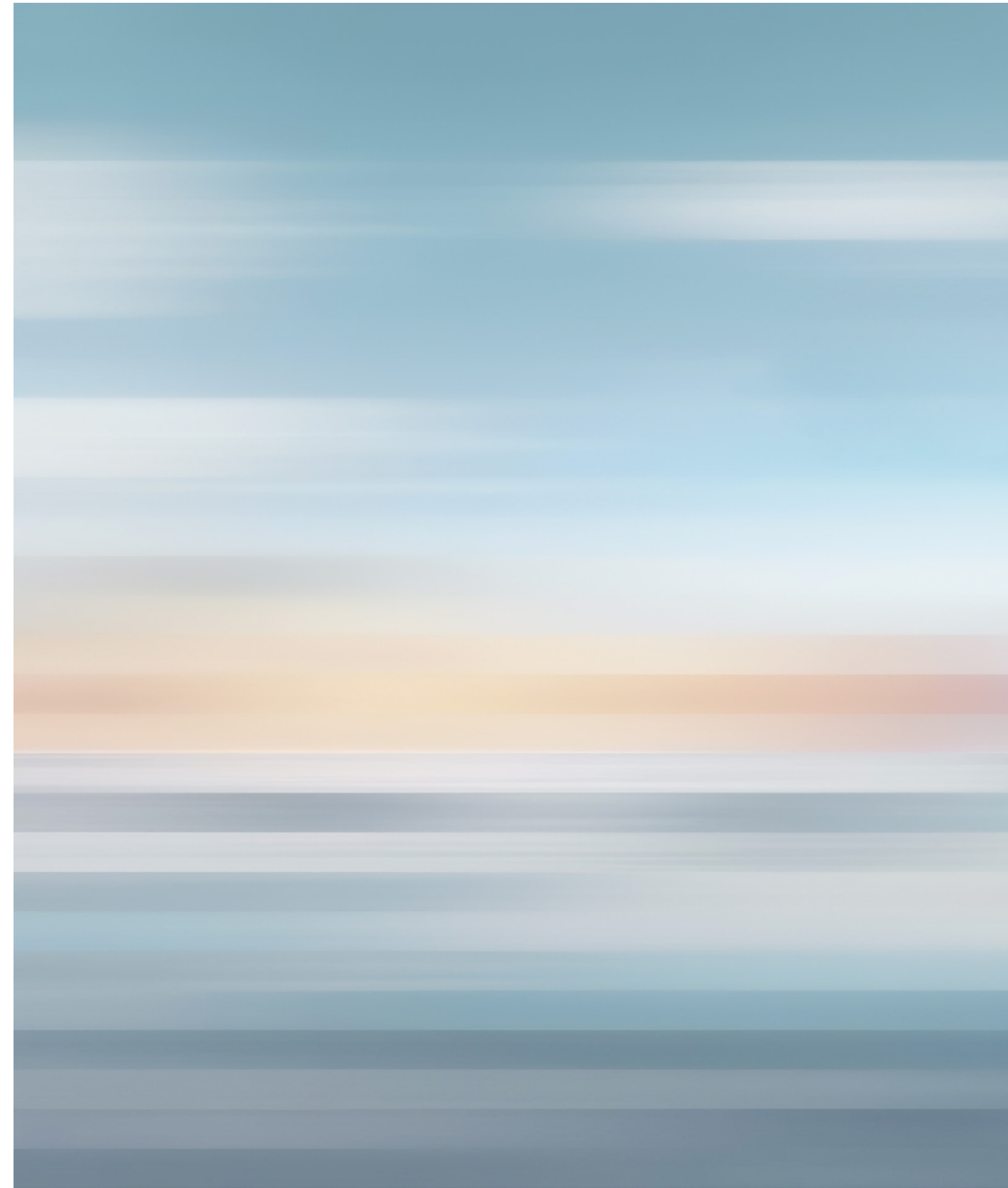
It is also supported by the CEO HPL committee, which comprises the Executive Management team (EMT) and Commercial Investment Committee. The HPL EMT is responsible for ensuring the organization implements the strategic objectives, policies and resolutions adopted by the BoD and its committees.

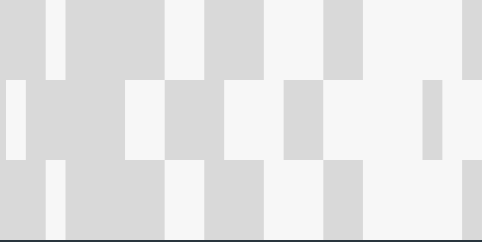
There are also specialized committees, including the ESG Committee, that meet periodically to support coordination, oversight and alignment within their respective areas of responsibility.

AUROBAY TECHNOLOGIES DIVISION (ATD)

ATD is structured in alignment with the overarching governance principles established by HPL, while reflecting the specific operational requirements of ATD's activities. ATD is governed by the Aurobay Holding Board of Directors and led by its MD. Decision-making is supported by the Business Decision Committee, including through weekly global leadership meetings, as well as by the Aurobay Holding Investment Committee (AHIC) within its defined mandate. ATD's governance framework further includes compliance with applicable HPL policies and oversight through the ATD Process Governance Meeting.

The Management team of Aurobay Sweden is responsible for operational management at the Aurobay Sweden level.





ATDS CORPORATE GOVERNANCE STRUCTURE



AUROBAY SWEDEN

Aurobay Sweden, internally also referred to as Aurobay Technology Division Sweden (ATDS), operates within the ATD Corporate Governance Structure, ensuring alignment with HPL policies and standards while maintaining operational autonomy.

Governance and control are anchored in corporate oversight, supported by dedicated functions for risk management, compliance and audits. Audits provide independent assurance that governance protocols are followed, supporting transparency and continuous improvement.

The company’s governance is overseen by the BoD, with operational management led by Managing Director (MD) Ingo Scholten, supported by the Management team (MT).

During 2025, leadership of Aurobay Sweden changed from Michael Fleiss to Managing Director Ingo Scholten. Following the close of the 2025 financial year, Fucheng Zhao was appointed as member and Chairman of the Board of Directors, succeeding Ruiping Wang.

From a governance perspective, Ingo Scholten is also responsible for the operations at the Zhangjiakou plant in China, for which he acts as MD. By legal structure, Zhangjiakou is formally directed by its BoD. The MT at Aurobay Sweden is divided into a Core MT and an Extended MT. The Core MT meets weekly, while the Extended MT meets monthly.

The MD and the MT within Aurobay Sweden are responsible for implementing strategic directives and adopting and ensuring adherence to the applicable governance policies, primarily steered from HPL, which pursues a unified set of policies for all divisions, including Aurobay Sweden. These policies form the foundation of operational governance, providing clear guidance and accountability across all functions.

Formal Aurobay Sweden Process Governance Meetings act as a forum where operational performance, compliance and improvement initiatives are reviewed. Outcomes from these meetings feed into the Aurobay Sweden Main Process Map, which defines the ‘how’ of the company’s operations, ensuring processes are standardized, measurable and aligned with corporate objectives.

Stemming from the ATD and HPL decision-making governance bodies, Aurobay Sweden emphasizes process-based governance through dedicated governance meetings and its main process map, ensuring that operations consistently align with corporate objectives and HPL’s strategic directives.

BOARD OF DIRECTORS (BOD)

The Aurobay Sweden BoD operates in accordance with written rules of procedure, revised as necessary and adopted at the statutory BoD meeting. These rules regulate the BoD’s practices and the allocation of

responsibilities between BoD members and the MD. In connection with the statutory meeting, the BoD also issues instructions to the MD, including the Financial Reporting Scheme. The BoD is further responsible for adopting company policies and ensuring compliance.

Overall, Aurobay Sweden BoD's role fulfills statutory governance requirements. Strategic direction is strongly governed by the HPL and operational decision-making, and are largely delegated to the MT and corporate governance forums within Aurobay Sweden, ensuring coordinated alignment with HPL policies and strategies.

THE COMPOSITION OF THE BOARD OF DIRECTORS

In 2025, the BoD consisted of six BoD members: four men and two women, corresponding to 33% women. Two of the male members were employee representatives appointed by the unions.

THE BOARD OF DIRECTORS' WORK IN 2025

In total, the BoD held one meeting in 2025. Minutes were kept for the meeting. The BoD has established rules of procedure that describe in detail the content and timing of the topics that shall be covered during the different BoD meetings throughout the year.

THE COMPANY'S ORGANIZATION

The MD is subordinate to the BoD, and responsible for the company's general administration and daily operations. Division of duties between the BoD and the

MD is set out in the rules of procedure for the BoD, and in the instructions to the MD. The MD is responsible for preparing reports and compiling information from the MT to the BoD meetings, as well as providing any other material relating to BoD meetings. According to the financial reporting instructions, the MD is also responsible for the financial reporting of the company and shall ensure that the BoD receives sufficient information to enable the BoD to assess the company's financial position on an ongoing basis. The MD is supported by relevant management roles in carrying out delegated tasks, in accordance with the company's Delegation of Authority. In 2025, the MT consisted of 15 members including the MD, of which 10 were men and 5 were women.

DESCRIPTION OF THE COMPANY'S INTERNAL CONTROLS

The BoD responsibility for internal controls is regulated by the Swedish Companies Act. The BoD adopts company policies and other governing documents and shall ensure that the contents are communicated to all interested parties. The objective of the company's internal controls is to ensure that significant risks are mitigated, to safeguard the company's assets, and to ensure compliance with legal and regulatory requirements.

THE FOUNDATION OF INTERNAL CONTROLS

The foundation of the company's internal controls includes how the BoD and the MT allocate responsibility

and authority within the organization, provide information on business objectives, and communicate the overall significance of internal controls. The MD has delegated Management Team members to appoint a Process Manager for each of the key processes. The Process Managers are responsible for reducing significant risks in the processes through appropriately designed and documented controls, which are subject to regular follow-ups. The Process Managers are also responsible for ensuring that there are flowcharts, documented risk assessments, and risk and control matrices.

RISK ASSESSMENT

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

INTERNAL CONTROL

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

INFORMATION AND COMMUNICATION

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

MONITORING

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



Sustainability in corporate governance

Aurobay’s sustainability initiatives are embedded within our corporate governance structure, ensuring a strong foundation for robust Environmental, Social and Governance (ESG) efforts. With both global and regional setups, our governance framework drives a common strategy while enabling effective implementation and monitoring across all levels of the organization.

At the global level, we focus on the development and monitoring of a unified HPL ESG strategy. This strategy is cascaded into specific targets and measurable KPIs, integrated into global operations, and actively coordinated across functions to promote synergies and resource optimization.

At the divisional level, divisions are further organized into regional setups, each actively contributing to the global strategy. In the regional setups, initiatives are implemented and monitored to align with overarching global goals while addressing specific operational needs and client requirements. Aurobay Sweden is part of the Europe and LATAM regional setup, actively supporting these efforts and contributing to the organization’s sustainability objectives. To strengthen these efforts, several dedicated committees and teams have been established:

HPL ESG COMMITTEE

At HPL’s global level, the ESG Committee leads the charge in defining and implementing the ESG strategy. Chaired by HPL’s ESG Lead, coordinating ESG topics at the HPL level, this HPL EMT-level committee consists of representatives from senior management of global functions and convenes monthly. Its purpose includes:

- Developing and rolling out the global ESG strategy
- Monitoring objectives and KPIs across divisions in a monthly and yearly basis.
- Promoting initiatives and following through their execution.
- Identifying trends in ESG, addressing barriers, and ensuring alignment with global sustainability goals.

ESG REGIONAL COMMITTEES

On a regional scale, ESG Committees provide a direct link between global strategy and local implementation. Within the Europe and LATAM setup, which includes Aurobay Sweden, an ESG Committee has been formed to further the sustainability mission. This committee is chaired by the Director of Sustainability for Europe and Latam and comprises senior management from divisional corporate departments, ESG team representatives from divisional functions, and ESG Ambassadors, who are delegates from the manufacturing plants. Meeting monthly, this body plays a key role in:

- Monitoring regional objectives and initiatives.
- Driving the follow-up and execution of sustainability measures.
- Detecting ESG trends and barriers specific to each region.

WORKING GROUPS

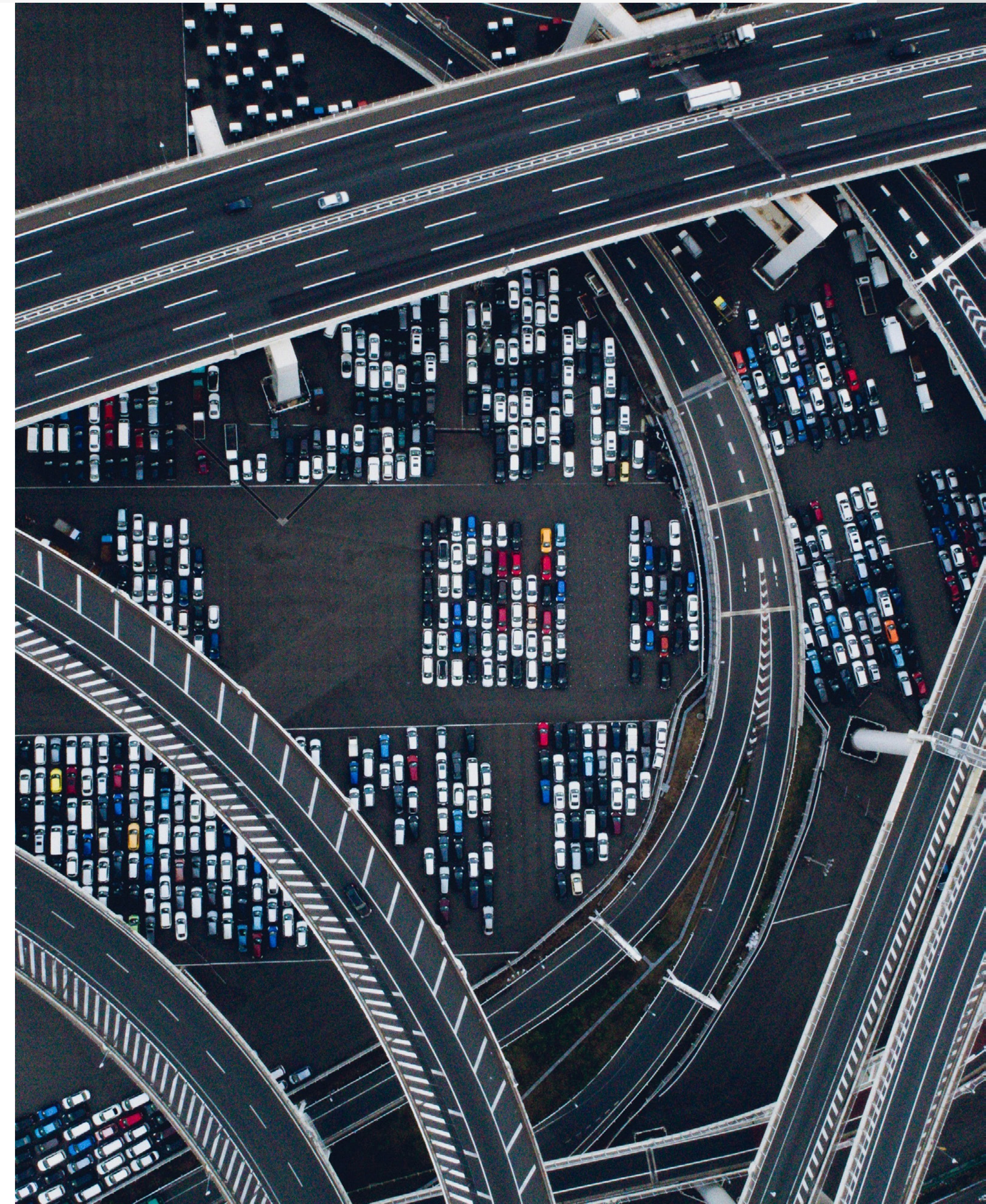
In 2025, collaboration across divisions led to the formation of specialized ESG working groups to accelerate progress toward HPL's sustainability goals. During the first half of 2025, these teams actively developed the ESG strategy and formulated the ESG

Plan 2030. In the latter half of the year, they began implementing the strategy to ensure momentum was maintained and will continue this work in 2026. These working groups incorporated representatives from all divisions and collaborated on:

- Definition and implementation of cross-divisional plans and initiatives to ensure that the objectives are achieved.
- Providing a global approach for ESG functions to leverage synergies and optimize resources.

REGIONAL SUSTAINABILITY TEAM

In response to the growing need for a more localized approach to ESG regulations and objectives, a dedicated Sustainability Team was established at the regional level in 2025. This team, led by the ESG Director for Europe and LATAM, coordinates sustainability efforts across the Europe and LATAM region. Sustainability representatives from the Aurobay Sweden division are included in this team, actively supporting the alignment with the global strategy, while contributing tailored solutions for regional requirements and opportunities. This shift from divisional to regional oversight facilitates deeper integration across regions and enables a streamlined execution of ESG initiatives.



Enterprise Risk Management report

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

ERM GOVERNANCE

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

The ERM reporting process is a key prerequisite for designing and establishing adequate internal controls. It is carried out on a yearly basis, or more frequently if required by the BoD, the MD or the CFO. The process is initiated by gathering risk reports from the whole organization via a cross-functional team consisting

of Process Managers from all areas of the company. The outcome results in a consolidated risk report for the whole company from which the Management Team prioritizes risks for the business to focus on. The Management Team decision is reflected by updating the consolidated risk list which is communicated by the ERM and IC department to the Process Managers for further actions.

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

Key risk drivers

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

- Macro-politics and -economics
- Customer behavior and demand
- Competitive environment and technological development

- Climate change
- Legal and regulatory requirements

TOP RISKS

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

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

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

Sustainability aspects are included in the corporate objective ‘Innovation’.

STRATEGIC RISKS

- Prioritization challenges

Description

To meet its parent company’s strategic direction including customer demand for more sustainable products and services, Aurobay Sweden is continuously reviewing its prioritizations. Potential business opportunities may arise in business segments and countries that Aurobay Sweden is not currently operating in. Addressing these opportunities may come with the risk that the strategic prioritizations and efforts do not lead to the anticipated success.

Objective areas at risk

- Innovation
- Financial performance
- Business growth
- People and brand
- Trusted partner to OEMs

Mitigation

Aurobay Sweden’s governance model and strategic framework have been carefully tailored to support its parent company’s strategic direction, in which sustainability-related objectives and actions are key. The steering of Aurobay Sweden is expected to strengthen its ability to make the right decisions.

Outlook

The risk is expected to remain. The risk level will depend on how well Aurobay Sweden’s governance model and strategic framework support the prioritization process, ensuring flexibility in addressing changes in customer demand.

- Lack of strategic competencies

Description

To compete in an increasingly sustainability-focused industry, Aurobay Sweden must attract and retain the necessary competencies to develop, manufacture, and sell sustainable products and services that address its prioritizations. Competition for talent, particularly in key areas such as R&D, is fierce. As a relatively new brand with a historical association to being a provider of combustion engines, Aurobay Sweden may face challenges in attracting the right talent.

Objective areas at risk

- Innovation
- Financial performance
- Business growth
- People and brand
- Trusted partner to OEMs

Mitigation

Aurobay Sweden’s ambition is to attract talent critical to its success. Through strong employer branding, the

company aims to position itself as a dedicated transformer with a sustainability-focused mindset, creating curiosity among key talents. Employee satisfaction is continuously measured to maintain high retention rates.

Outlook

The risk is expected to remain. The risk level will depend on how well Aurobay Sweden balances its efforts to attract and retain strategic competencies, ensuring competitiveness in the continuous battle for talent.

- Too low emission-cuts

Description

Climate change necessitates a range of actions to improve global environmental conditions. Given its industry’s significant contribution to global emissions, Aurobay Sweden plays a role in making a difference. Most of the emissions occur in the use-phase of the company’s products. However, since factors such as vehicle OEMs, fuel providers, and end-users influence total emissions, Aurobay Sweden has limited control over this part of the value chain. This may pose a risk to the eventual fact that the company may not reach its emission-cutting ambitions.

Objective areas at risk

- Financial performance
- Business growth
- Innovation

Mitigation

Aurobay Sweden continuously investigates and addresses product hybridization and alternative fuel compatibility as key strategies to minimize emissions during the use-phase.

Outlook

The risk is expected to remain. The risk level will depend on Aurobay Sweden’s ability to deliver solutions that offer high compatibility with overall use-phase emission reduction targets.

FINANCIAL RISKS

- Currency fluctuations

Description

By being subject to macro-economic conditions, currency fluctuations are part of, and impact, the monetary value of transactions throughout Aurobay Sweden’s value chain. Therefore, Aurobay Sweden’s financial strength may be at risk.

Objective areas at risk

- Financial performance

Mitigation

Aurobay Sweden’s approach to managing financial risks is outlined in the company’s Finance and Tax Policy, which is further reflected in the relevant working

processes. To avoid negative currency effects, Aurobay Sweden’s ambition is to the largest extent possible to apply the principle of natural hedging, i.e. sell and source in the same currency.

Outlook

The risk is expected to remain. The risk level will correspond to how well Aurobay Sweden manages the means available on the financial markets, as well as through natural hedging – to ensure currency effects are balanced towards having a neutral or positive financial impact.

- Supply and price volatility

Description

The consequences of climate change and macro-political and economic decisions impact companies’ financial health in many ways. Uncertainty in emission tax levels, as well as fluctuations in energy and water supply and price, are all subject to the attention of companies worldwide. The volatility may pose a risk to Aurobay Sweden in terms of ineffective operations and decreased profitability.

Objective areas at risk

- Innovation
- Financial performance

Mitigation

Aurobay Sweden’s continued focus on reducing emissions throughout its value chain, including by finding solutions to reduce use-phase emissions, as well as running operations on renewable energy, recycling water, etc. is expected to balance out part of the volatility.

Outlook

The risk is expected to remain. The risk level will correspond to how well Aurobay Sweden manages to balance its counteractions to the impacting factors – to ensure effective operations and continued profitability.

OPERATIONAL RISKS

- Supply chain disruptions

Description

Increased raw material cost and costs related to labor, transportation and energy costs, as well as increased frequency and severity of natural disasters due to climate change or even lack of supply, may have a negative impact on suppliers’ ability to continue business. Macro-political and economic factors continue to put pressure on Aurobay Sweden’s suppliers. Fluctuations in customer demand also bring potential inefficiencies to the supply chain. Therefore, the company’s ability to deliver sustainable products and services timely and with the right quality may be at risk.

Objective areas at risk

- Business growth
- Financial performance
- Innovation

Mitigation

Aurobay Sweden is continuously monitoring the financial status of its suppliers. This is complemented with working processes designed to ensure that disruptions due to eventual supplier insolvency are kept to a minimum. In addition, Aurobay Sweden works closely with its customers and R&D to prepare for and mitigate worst-case scenarios to ensure continued sustainable deliveries throughout the supply chain. The risk of raw material shortages is partly addressed by increasing the share of recycled content in products.

Outlook

The risk is expected to remain. The risk level will correspond to how well Aurobay Sweden manages its supply chain to ensure maintained and sustainable deliveries.

- Cybersecurity threats

Description

The increased tensions in the macro-political environment have contributed to a rise in cyberattacks globally. Cyberattacks put pressure on Aurobay

Sweden’s information security and ability to protect its data, and the reliability of its overall IT environment. As the attacks become increasingly sophisticated, they may be difficult to foresee. If realized, the consequences may be costly.

Objective areas at risk

- Financial performance

Mitigation

Aurobay Sweden is continuously evaluating its resilience against cyberattacks. Mitigating actions include IT intelligence, infrastructure and security updates, testing, backups, training, and organizational support. Insurance covering the consequences of potential cyberattacks is evaluated continuously. These combined actions help minimize the occurrence and impact of cyber threats.

Outlook

The risk is expected to remain. The risk level will correspond to how well Aurobay Sweden manages its IT environment to ensure business continuity.

COMPLIANCE RISKS

- Non-compliance



Description

Aurobay Sweden is managing its business in accordance with a wide range of legal and regulatory requirements. With climate change, sustainability-related international and national laws have increased significantly. In addition, extensive requirements related to current and upcoming certifications necessary to run the business must also be complied with. As the company grows, complexity increases, and with that, the risk of being non-compliant.

Objective areas at risk

- Innovation
- Financial performance
- Business growth
- People and brand
- Trusted partner to OEMs

Mitigation

Aurobay Sweden has a policy framework in place that shall ensure the relevant compliance-related actions are implemented throughout the working processes. Adherence is ensured by executing the company's principles for ERM reporting, as well as support by internal and external audits from which areas for improvement are gathered and addressed.

Outlook

The risk is expected to remain. The risk level will correspond to how well Aurobay Sweden communicates the legal and regulatory requirements applicable to the company, and how well its management supports organizational adherence efforts – to ensure compliance throughout the whole company.

Board of Directors Aurobay Sweden AB

FUCHENG ZHAO

Chairman of the Board (appointed in 2026)
Nationality: Chinese

Fucheng currently serves as Chief Technology Officer of Horse Powertrain and Chief Executive Officer of Aurobay Holding. With over 20 years of extensive industry experience in automotive powertrain, he possesses comprehensive expertise across engines, hybrid systems, DHT transmissions and battery technologies. He is highly proficient in R&D system development, global program deployment, supply chain optimization and international cooperation. He began his career at Great Wall Motor in a design engineering capacity, before pivoting to focus on supply chain governance and project management. During his tenure at Geely since 2011, he built the powertrain R&D team entirely from scratch and led the in-depth integration of powertrain development between Geely and Volvo.

RUIPING WANG

Chairman of the Board (2025)
Nationality: Canadian

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

INGO SCHOLTEN

Board Member and Managing Director
of Aurobay Sweden AB
Nationality: German

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

TIHUA HUANG

Board Member
Nationality: American

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

FANGBO GONG

Board member
Nationality: Chinese

Fangbo is a Board Member and the Chief Financial Officer of Aurobay Holding and holds a Bachelor's degree in Vehicle Engineering from Chongqing University in China. He has extensive experience in finance and management within the automotive industry. His career includes

roles at Nanjing FIAT, Changan Ford, and Chery Auto in China, where he held various senior finance positions. Since joining Geely Group, he has held several key roles, including Finance Director and CFO at Geely Auto R&D Institute in China, Lotus Cars in the UK, LYNK & CO in China, and now Aurobay Holding.

Employee Representatives

JOAKIM DAHLIN

Board Member and Representative of Unionen
Nationality: Swedish

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

MARKO BORG PELTONEN

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

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

Management Team

Aurobay Sweden AB

Core MT

INGO SCHOLTEN
Managing Director
Nationality: German

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

ZHANJUN ZHANG
Chief Financial Officer
Nationality: Chinese

Zhanjun has rich experience in business planning, commercial structuring, financial analysis, tax planning, M&A and corporate governance. He led the financial workstream of the merger transaction of Horse Powertrain Limited. Before joining Aurobay Sweden, Zhanjun served in PwC China for 15 years and Geely Auto for four years. He has a Bachelor's degree in International Economics.

ANNA MANNVIK
HR Director
Nationality: Swedish

Anna has been with Aurobay since the start in 2021 and before then Volvo Cars since 2017. She has held several positions in this time, including HR Director Skövde Plant as well as HR Director Center of Expertise within Aurobay. Human Resources education in Lillehammer, Norway combined with extensive professional experience in HR and leadership.

BJARNE HAMMAR
Executive Vice President
Operations, Skövde Plant
Nationality: Swedish

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

AMIR TOMA
Head of Research and Development
Nationality: Swedish

Amir held various Research and Development leadership roles at Volvo Cars before joining Aurobay Sweden AB. During his 10+ years at Volvo Cars, he worked with both hardware design and software development enabling the launch of VEA Engine family and its generational evolution. He studied Mechanical Engineering at Chalmers University of Technology in Gothenburg.

NICLAS HJERDIN
Executive Vice President
Procurement
Nationality: Swedish

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

Extended MT

KARIN HALLIN
Communications

DICK CRUSLOCK
Commercial Sales

HENRIK EIGERT
Digital

ANNICA JOHANSSON
Quality

ANETTE HANSSON AHL
Legal and Compliance

TERRY ZHANG
Operations, ZJK Plant

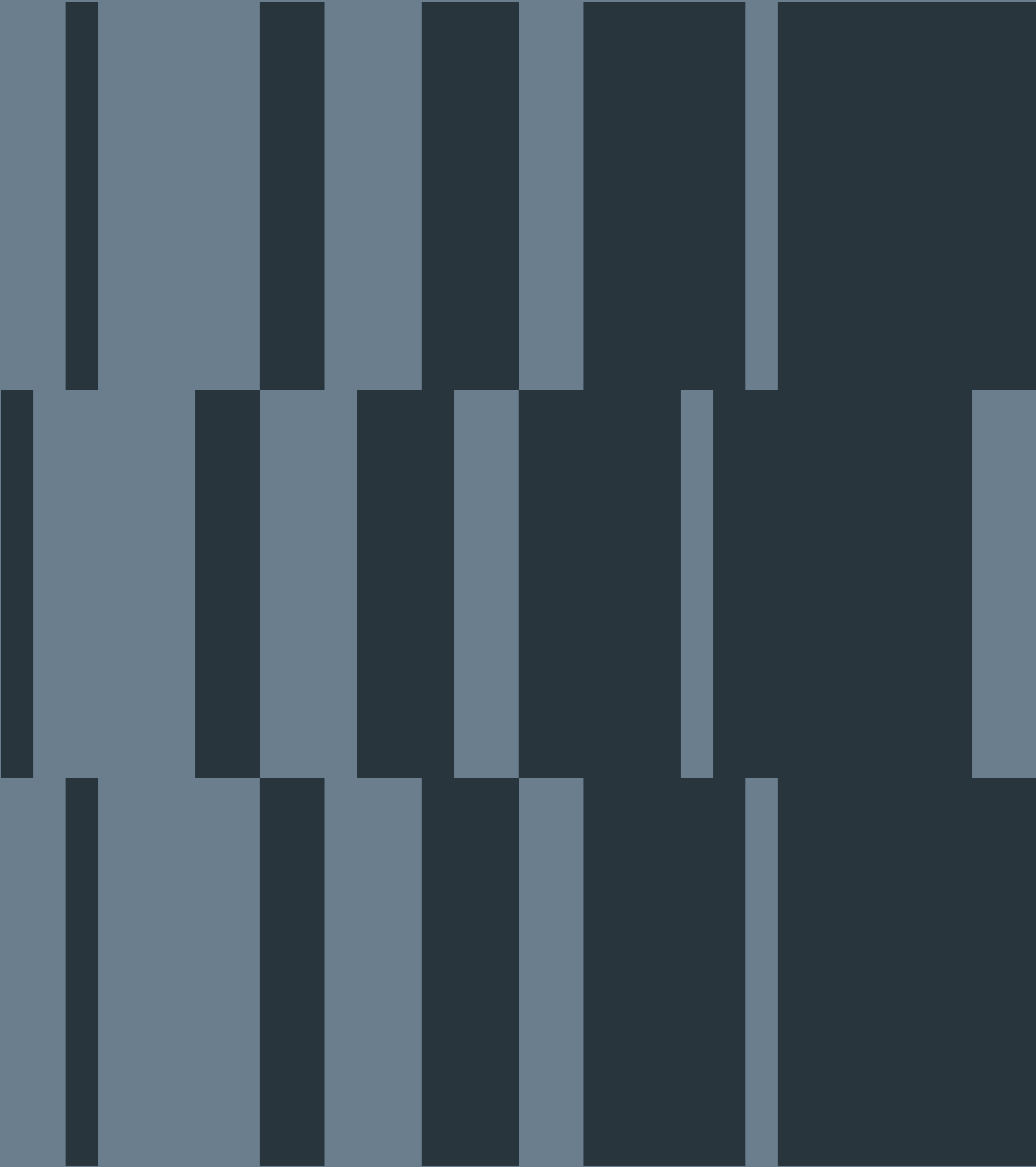
DANIEL ALVARSSON
Manufacturing Engineering

MATS ANDERSSON
Snr Advisor

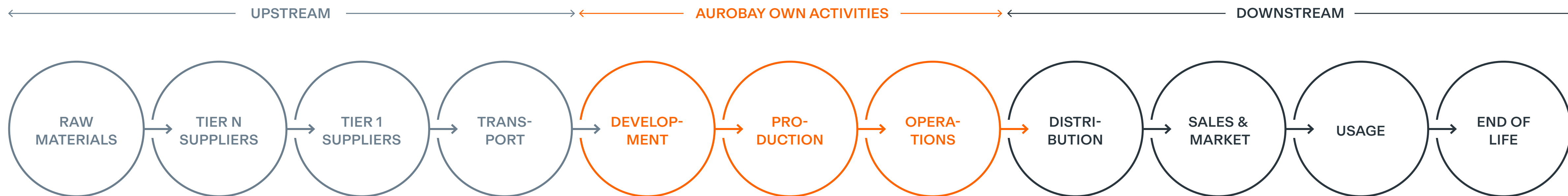
HELEN VALLDÉN
Corporate Office

HOW WE CREATE VALUE

- Our ESG strategy
- Delivering on our ESG strategy



OUR VALUE CHAIN



Guided by our strategic framework, we create value across the entire value chain – from anticipating current and future customer demands to delivering high-quality products and services. Our approach integrates sustainability at every level, ensuring that our actions align with our mission to drive responsible business growth and innovation.

Sustainability is central to everything we do, built upon our core values of Caring, Collaborating and Creating Excellence. These values serve as the foundation of our commitment to cutting emissions, fostering people and circular business practices, and conducting business with care and integrity. Our value chain embodies this holistic approach, ensuring that our operations consistently deliver value in accordance with our strategic priorities.

In 2025, we marked a significant milestone following our integration into Horse Powertrain Limited (HPL). We adopted a new group-wide Environmental, Social and Governance (ESG) strategy, the ESG Plan 2030, to guide the group toward responsible and resilient growth.

The ESG Plan 2030, developed jointly by the HPL divisions, including Aurobay Sweden, reflects our shared vision and commitment to long-term goals. Grounded in our core values, it ensures alignment, consistency and transparency across HPL while supporting local adaptation.

In the following sections, we detail the HPL ESG strategy, its implementation at Aurobay Sweden, and how it advances our previous sustainability initiatives, alongside progress achieved to date.

VALUE PROPOSITION

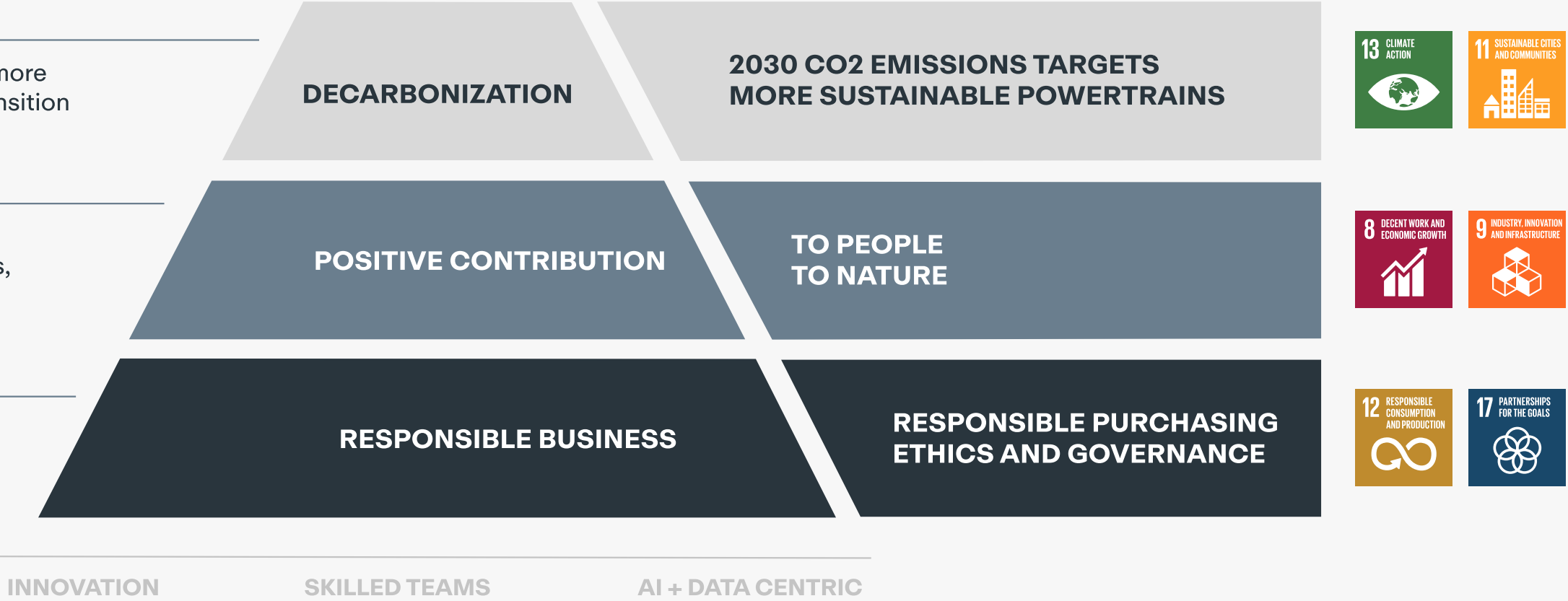
Lower carbon engines to boost a more sustainable and fairer mobility transition

OPERATIONS

Operations that will make a more positive contribution to employees, communities and the environment

BUSINESS ETHICS

Responsible management of the entire value chain ensuring high ethical standards



Our ESG strategy

As a leading global organization, HPL is committed to driving positive change and addressing the complex challenges of modern mobility. With sustainability as a core strategic foundation, HPL established a unified ESG strategy in 2025, setting clear focus areas and targets for 2030.

These pillars not only reflect the most material topics across the value chain, but also align with selected United Nations Sustainable Development Goals (SDGs).

- **Decarbonization** supports SDG 13 (Climate Action) and SDG 11 (Sustainable Cities and Communities) by improving engine efficiency and developing technologies that reduce vehicle emissions, contributing to cleaner, more sustainable urban environments.
- **Positive contribution to people and nature** advances SDG 8 (Decent Work and Economic Growth) and SDG 9 (Industry, Innovation and Infrastructure) by promoting safe, fair and stable work, supporting local economic growth, and driving innovation in more efficient powertrain technologies.
- **Responsible business** aligns with SDG 12 (Responsible Consumption and Production) and SDG 17 (Partnerships for the Goals) by enhancing resource efficiency, applying sustainable practices across production and the supply chain, and collaborating with partners to accelerate the transition to sustainable mobility.

To develop the strategy, a multidisciplinary team was created with members from the main departments of the company and with the participation of the different business divisions to ensure alignment with HPL's

business objectives, strategy and values. The main inputs that were taken into account to enable the systematic identification and prioritization of ESG topics were:

- Global risks and challenges that may affect the resilience of our future operation.
- Deep understanding of our value chain as an automotive component manufacturer.
- Double Materiality Assessment (DMA)* basing our approach on European regulatory requirements and the Corporate Sustainability Reporting Directive (CSRD).
- Existing sustainability strategies within the HPL divisions.
- Different policies, regulatory requirements and standards across geographies.
- Stakeholder expectations, including shareholders and investors and current and potential customer requirements among others.
- Industry best practices.

Building on this foundation, the divisions worked together to define clear objectives, actions and measurable targets for each strategic pillar, resulting in HPL's ESG Plan 2030, with specific objectives for each division depending on its scope, geography and maturity in sustainability.

The ESG strategy was approved by the Board of Directors and cascaded across all divisions for implementation, including Aurobay Sweden.

This process ensured strategic alignment while accommodating the specific contexts and realities of each division.

* Note on Double Materiality Assessment (DMA): Each HPL division conducted its own DMA based on its specific operations and value chain, identifying significant environmental, social, and governance impacts, risks and opportunities. The individual assessments were then consolidated into a single HPL-wide DMA which provided the basis for our three strategic pillars: Decarbonization, Positive contribution to people and nature and Responsible business.

Aurobay Sweden's DMA update for 2025, is presented in chapter 5.



Evolution of our ESG strategy within 2025

Over the past years, Aurobay Sweden’s sustainability work has been guided by three focus areas: Cutting emissions, Circular business, and Caring business conduct. Through the ESG strategy 2030 developed in 2025, we revised and expanded this foundation into a more comprehensive strategy with our five strategic areas: Decarbonization, Positive contribution on people, Positive contribution on nature, Responsible purchasing, and Ethics and governance. This evolution reflects both a broader scope and a sharper focus on measurable progress.

A key enhancement is the introduction of explicit 2030 objectives for all strategic areas.

For climate, we have moved from our broad ‘Cutting emissions’ focus on value chain emissions and upstream/downstream Scope 3 to a more granular set of ‘Decarbonization’ indicators that distinguish between absolute and intensity reductions, focusing on our highest-impact Scope 3 categories: purchased goods and services (Scope 3.1) and use of sold products (Scope 3.11). We also now use a combined target for Scope 1 and 2 emissions. Our baseline year for our targets is 2023, shared across all HPL divisions, replacing our original 2021 company-specific baseline, for consistent company-wide tracking. Additionally, we have introduced a direct link between decarbonization and our product portfolio by tracking the share of sales from engines with better CO₂ performance.

The previous focus on ‘Circular business’ has been further developed into a broader ‘Positive impact on nature’ pillar that targets recycled aluminum (the most used of our materials), renewable electricity, biodiversity and nature-related assessment (TNFD), going beyond the earlier emphasis on general recycled content, waste and water per unit. On the ‘Caring business conduct’ side, the former single indicator on employee engagement (Winningtemp score) has been replaced by a more holistic ‘Positive impact on people’ agenda that includes health and safety performance (LTCR, ISO 45001), equality, social action initiatives and global people-focused certification.

Additionally, supply chain and ethics and governance have been strengthened, building on our previous single screening target for high-risk suppliers to now include a structured system of ESG requirements, supplier evaluations and corrective action plans, along with a global compliance program and human rights due diligence, under our ‘Responsible business’ pillar.

Together, these changes demonstrate continuity with our earlier priorities while significantly raising the level of ambition, measurability and integration of sustainability into our core business.

Delivering on our ESG strategy

PROGRESS IN 2025

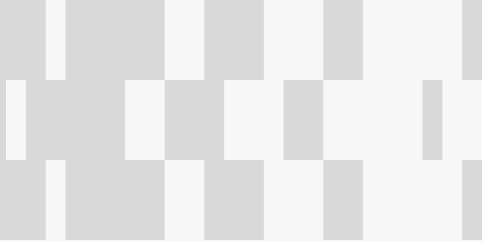
The 2025 targets across our key strategic areas were, in most cases, exceeded, reflecting strong progress and sustained commitment throughout the year. Overall performance was ahead of plan, with notable achievements, alongside areas identified for further improvement.

Decarbonization results were exceptional, on occasion exceeding set objectives by more than fivefold. In Positive Impact on People, progress was more measured, as 2025 focused on designing and refining targets for full implementation in 2026. Regarding the Lost time Ratio measurement, safety outcomes remained unchanged, with three incidents recorded – matching last year’s total. Actions to continuously improve safety are underway, including our commitment to pursue ISO 45001 certification next year. The Equality Plan was completed but awaits rollout, which will be a priority in 2026.

In Positive Impact on Nature, all objectives were met or surpassed. Under Responsible Purchasing, most targets were achieved – the exception was ESG action plans for high-risk suppliers, which have been designed but are still in the process of implementation. In Ethics and Compliance, nearly all targets were met, with the main shortfall relating to the approval of all global corporate policies and statements – many were prepared in 2025 but await formal endorsement, expected early in 2026. The table below provides an analytical summary of our results. In the following sections, we detail our progress against each pillar and the initiatives driving their delivery.

TARGETS AND PERFORMANCE

STRATEGIC AREAS			TARGET			Result 2025
			Indicator	Objective 2030	Objective 2025	
Decarbonization	Decarbonization		Absolute reduction in our operations (Scope 1 and 2)	-23%	0%	-5%
			Reduction in purchased goods and services per powertrain (Scope 3.1)	-5%	-1%	-3%
			Absolute reduction in purchased goods & services (Scope 3.1)	-24%	-18%	-19%
			Reduction in use of sold products per powertrain (Scope 3.11)	-16%	0%	-7%
			Absolute reduction in use of sold product (Scope 3.11)	-19%	-4%	-22%
			Sales from engines “with better CO ₂ performance”	60%	20%	27%



STRATEGIC AREAS			TARGET			Result 2025	
			Indicator	Objective 2030	Objective 2025		
Positive contribution on people	Positive impact	People	Global certification that recognizes our focus on people, equality and alignment with values	100%	100%	100%	
			Reduction Lost Time Case Ratio (LTCR)	-17%	-3%	3%	
			Plants certified in ISO45001	100%	0%	0%	
			Equality plan implemented	100%	25%	23%	
Positive contribution on nature		Nature	Social action initiatives	100%	0%	0%	
			Reaching recycled content in aluminum	70%	60%	60%	
			Reaching renewable electricity	100%	100%	100%	
			Plants with biodiversity assessment and plans implemented	100%	100%	100%	
			TNFD framework study	100%	0%	0%	
Responsible purchasing	Responsible business	Purchasing	ESG requirements acceptance of direct materials suppliers	100%	90%	100%	

STRATEGIC AREAS			TARGET			Result 2025
			Indicator	Objective 2030	Objective 2025	
Ethics and governance	Responsible business	Ethics and compliance	Direct materials suppliers above threshold under ESG evaluation	90%	70%	83%
			ESG risky suppliers with action plan implemented	95%	25%	23%
			Global compliance program implemented	100%	10%	29%
			Global corporate policies and statements approved	100%	75%	59%
			Human Rights Due Diligence implemented	100%	0%	0%

Decarbonization

Emissions reduction across the scopes

Reducing greenhouse gas emissions across our operations and value chain has long been a strategic priority for Aurobay Sweden. Building on the focus areas that have guided our work in previous years, our updated climate targets focus on three main areas in line with the GHG Protocol, using 2023 as the baseline year. In 2025, we exceeded all our decarbonization targets.

Scope 1 and 2 emissions represent the smallest share of our total carbon footprint, at around 0.1%. We address these emissions through energy efficiency improvements and process optimization at our Skövde plant. In 2025, despite an increase in fuel use in operations due to an increased number of rig tests (which require fuel) in projects, Scope 1 and 2 emissions were reduced compared to the previous year. This was mainly achieved by mitigating refrigerant leakage and introducing district heating sourced from recycled heat and biogenic sources.

Scope 3 emissions account for 99.9% of our total carbon footprint.

Upstream Scope 3 emissions represent 18.6% of this. The majority of these emissions arise from category 1 – Purchased goods and services, which accounts for approximately 90% of upstream Scope 3 emissions, and are largely driven by the materials used to produce our

products. To reduce them, we work closely with suppliers to improve sustainability performance and reduce lifecycle impacts. In 2025, the continued rollout of our MP Miller engine, launched in 2024, with higher recycled material content and increased use of supplier-specific data, contributed to improvements in both absolute and intensity figures for category 1. Aurobay's increased focus on operational efficiency and cost optimization also contributed to reduced emissions from purchased services within indirect goods and services.

Downstream Scope 3 emissions represent the largest share of our footprint, accounting for 81.3% of the total. Most of these emissions arise from category 11 – Use of sold products, which represents approximately 97% of downstream Scope 3 emissions. We address these emissions through investments in research and development to improve efficiency, advance alternative technologies, and deliver lower-emission solutions. In 2025, we also introduced a target to increase sales of technologies with lower CO₂ emissions, including LPG, HEV, PHEV, FLEX (ethanol) and REX technologies. During 2025, we achieved and exceeded our target for sales of engines with improved CO₂ performance. Increased sales of plug-in hybrids, together with the more fuel-efficient MP Miller engine, contributed to reduced use-phase emissions in Category 11. A higher share of PHEV sales in the European market in 2025 also contributed to lower emissions, as these vehicles

benefit from a grid mix with a higher share of renewable electricity.

Our carbon footprint and energy disclosures for 2025 can be found in chapter 5.

SBTi validation

Since our establishment in 2021, Aurobay Sweden has maintained climate targets aligned with the latest climate science. In 2025, we reassessed and strengthened these targets through our work under the HPL ESG strategy, as well as by achieving validation of our near-term and net-zero emission reduction targets from the Science Based Targets initiative (SBTi) – marking an important milestone in our sustainability journey.



While our current operational targets are based on a 2023 baseline to ensure HPL-wide alignment, the SBTi targets use 2021, the year Aurobay was founded, as the baseline. This approach reflects our full operational history and ensures that our emissions reduction

pathway is assessed from the start of our independent operations. The 2021 baseline year was recalculated using more specific, higher-quality data and accounting for operational changes.

Our near-term targets are set for 2030, and our long-term and net-zero targets extend to 2050. Until 2024, we had communicated an ambition to achieve net-zero by 2040. Following further analysis and alignment with SBTi criteria and sector-specific pathways, we updated our target year to 2050. This adjustment provides a more robust and realistic roadmap, while remaining fully aligned with climate science.

Validation by SBTi confirms that our targets are consistent with the latest climate science and aligned with the goals of the Paris Agreement to limit global temperature increase to well below 2°C, pursuing efforts to limit it to 1.5°C.

Under these validated targets, we commit to reducing absolute Scope 1 and 2 emissions by 50% and Scope 3 emissions by 25% by 2030, and achieving a 90% reduction across all scopes by 2050, aiming to reach net-zero greenhouse gas emissions across our value chain. In 2025, we achieved a 33% reduction in Scope 1 and 2 emissions and 29% in Scope 3 emissions compared to our 2021 baseline. This marks important progress toward our Scope 1 and 2 targets and means we have

already exceeded our 2030 Scope 3 target. These results demonstrate the effectiveness of our ongoing climate strategy. We are committed to continuing to reduce emissions across our operations and value chain as we work toward our 2030 goals in alignment with our ESG Plan 2030.

Operations progress – Skövde plant

Our operational activities focus on reducing emissions from our own production processes, supporting the reduction of Scope 1 and Scope 2 emissions. While this share is relatively small compared to downstream emissions, we continue to pursue systematic improvements in energy efficiency, process optimization, and renewable energy sourcing to maintain high operational performance.

Reducing greenhouse gas emissions from our operations is an important element of our 2030 climate targets. At our plant in Skövde, we demonstrate that industrial productivity and climate responsibility can advance together.

The plant has operated on 100% renewable energy since 2017, providing a strong foundation for low-carbon manufacturing. During 2025, our primary focus was further improving energy intensity through structured energy management and operational optimization.

Throughout the year, we strengthened energy management practices to improve electricity efficiency across production processes. Particular attention was given to optimizing refrigerant systems and enhancing equipment performance to reduce unnecessary energy demand. As a result, 2025 became our most energy-efficient production year to date, achieving the lowest energy consumption per engine produced in the plant’s history.

By continuously improving energy efficiency while maintaining production performance, we are progressively decoupling operational output from energy consumption. These improvements contribute to lower direct and indirect emissions while also supporting cost efficiency and long-term operational resilience.

Circular resource initiatives further supported emission reductions by lowering the need for virgin materials and reducing waste treatment requirements. These initiatives are described in more detail in the ‘Positive Impact on Nature – Operations in Skövde plant’ section of this report.

Supply chain engagement

Reducing supply chain emissions is a key focus area in the climate strategy of Aurobay Sweden, as Scope 3 Category 1 emissions from purchased goods and services represent the second largest share of our total

footprint. To address these emissions, we collaborate closely with our direct material suppliers and encourage the transition toward fossil-free energy use in their operations as part of our broader decarbonization efforts.

A central element of our supply chain strategy is the transition toward low-emission materials. Embedded emissions from aluminum and steel components are the primary source of emissions within this category, largely driven by energy-intensive smelting processes that are often powered by fossil-based electricity. To mitigate these impacts, we continue to promote the use of recycled content and have strengthened procurement expectations for suppliers to deliver aluminum and steel parts with lower carbon footprints.

Our work has also delivered tangible improvements in previous years, including successful transitions to hydro-electric smelters for aluminum sourcing, which significantly reduced the carbon intensity of production. Through these initiatives, which are supported by internally conducted and well-informed studies, we aim to promote the use of renewable energy in material production and drive continuous emission reductions across our supply chain.

Research and development (R&D)

Scope 3 Category 11 emissions, generated from the use of our sold products, account for approximately

90% of Aurobay Sweden’s total carbon footprint. Addressing these emissions is therefore central to our decarbonization strategy and requires continuous improvements in product efficiency and environmental performance.

Aurobay Sweden leverages its R&D capabilities to advance energy-efficient powertrain technologies and support the transition toward lower-emission mobility solutions.

Driving sustainability through innovation

With more than a century of engineering expertise, our R&D specializes in creating premium quality powertrains. Our vision is to revolutionize motion for all.

Our R&D innovates and develops world-class powertrain systems for the global market. This includes rapidly and cost-efficiently supporting new business areas, introducing engineering services as a product, working towards zero-emission powertrains and supporting sustainable fuel development, as well as expanding our capabilities to include electric drive systems and components.

Achievements in 2025

In 2025, we made strides in developing innovative hybrid powertrains and addressing key regulatory and business needs while advancing sustainable mobility.

We are on the path of increasing our product portfolio for hybridization at different levels. There is a trend to increase the electric range in plug-in hybrid electric vehicles (PHEVs), which means new challenging conditions for the driveline but ultimately the opportunity for lower use-phase emissions. There are also new opportunities emerging on the market for range extended electrical vehicles (REEVs) where a combustion engine is typically installed in a battery electric vehicle (BEV) platform, offering a practical solution for markets that are not yet ready for full electrification.

Hybrid powertrain optimization

In 2025, we focused on industrializing hybrid powertrains for PHEVs to meet the latest stricter CO₂ emission legislation. By optimizing powertrain designs and control systems, we can achieve emissions of less than 50g CO₂ per kilometer, fulfilling regulatory requirements, improving fuel efficiency, and reducing environmental impact.

Range extenders for passenger vehicles

Our most compact and recent concepts for PHEVs can also be adapted to fully fit BEV platforms. This flexibility allows vehicle manufacturers to further utilize their platforms globally, improving efficiency and reducing development costs.

We further developed compact hybrid solutions to fit in REEV applications, where the combustion engine can run at optimum operating point to achieve the highest efficiency, minimizing emissions. This is possible as the engine is solely used to charge the batteries.

Range extenders for heavy duty vehicles

Our range extenders for heavy-duty vehicles were demonstrated and tested in field tests. This is proof that our strategy to develop these products is a viable and attractive alternative for our customers. For this type of application, we have also seen an interest in alternative fuels such as methanol, which can further reduce emissions.

Advancing low-emission fuels

Recognizing the importance of alternative fuels, we continued research on options such as hydrogen and low-blend methanol. These projects aim to explore diverse sustainable mobility solutions and expand emissions reductions across vehicle segments.

Life Cycle Assessments (LCAs)

To improve transparency and measurable impact, we conducted LCAs focusing on carbon footprint across our entire product portfolio in 2025. These assessments highlighted the significance of material choices in reducing carbon footprints, demonstrating the benefits of sourcing recycled content and carefully selecting suppliers.



More positive contribution

Our More positive contribution pillar is divided into two areas: More positive contribution to people and More positive contribution to nature.

MORE POSITIVE CONTRIBUTION TO PEOPLE

Our employees are central to Aurobay's long-term success and to achieving our sustainability ambitions. We aim to be an employer of choice by fostering a safe, inclusive and engaging workplace that supports personal development while advancing our corporate goals.

Guided by our Code of Business Ethics, People Policy, and applicable collective agreements, we protect occupational health and safety, promote equality, and uphold fair, responsible working conditions across all operations.

Employee wellbeing

We invest in employee wellbeing in various ways, including through a yearly wellness allowance set at about 70% above the statutory offering, alongside access to comprehensive occupational health services, and a range of physical and mental health initiatives. In 2025, we expanded this offering to include free psychological counselling – providing up to three confidential online sessions with a licensed psychologist per employee, each year. Workforce health remained relatively stable in 2025, with a sick leave rate of 4.83%

(4.78% in 2024), suggesting sustained positive impact from our wellbeing programs.

Great Place to Work certification

In late 2024, we undertook our first company-wide Great Place to Work survey, achieving certification with a score of 72/100 and securing our status for 2025. This baseline enables us to measure progress and target improvements over time.



During the year, we have continued to address the identified improvement areas through targeted initiatives. These have included internal communication campaigns via digital screens, as well as providing managers with additional guidance and support to strengthen the statements that received the lowest scores.

Improvement efforts have also been integrated into our ongoing processes, including structured follow-ups within our employee engagement tool, the annual benefits and salary review cycle, and the performance review process, ensuring alignment between employee feedback and concrete actions.

To maintain certification going forward, we have planned a new survey in 2026. Preparations are already underway, and our employees will receive the survey

during Q1, enabling us to reassess results and continue tracking our progress.

Occupational Health and Safety

Safety is a core commitment at Aurobay. Our Health and Safety Handbook provides clear guidelines for employees, supported by regular safety training to help minimize operational risks.

We track performance through the Lost Time Case Ratio (LTCR) and, since 2024, the Total Recordable Injury Frequency (TRIF).

- TRIF improved significantly in 2025, declining to 2.26 from 5.33 in 2024, reflecting fewer recorded injuries.
- LTCR stood at 0.97, up from 0.19 – the change is primarily attributed to new calculation methods and changes in total hours worked. Lost-time incidents were unchanged at three incidents, in both years.

We continue investing in preventative safety measures and plan to pursue ISO 45001 certification in 2026. In parallel, we developed a manager-focused e-learning program on work environment, scheduled for rollout in 2026, to further strengthen leadership capabilities. The aim of this program is to equip managers with high-quality knowledge and practical tools to fulfill their responsibilities in fostering a safe, healthy and respectful workplace.

All incidents and deviations from safety standards are reported through our Occupational Health and Safety reporting system, enabling rapid risk identification, corrective action, and continuous improvement across sites.

Employment conditions

Employee turnover at Aurobay Sweden in 2025 was 11.1%, nearly double compared to the previous year. This was shaped by planned organizational changes, normal workforce mobility in a competitive labor market, and the challenging conditions facing the automotive sector. In 2025, Aurobay undertook a reorganization to strengthen future competitiveness by streamlining structures and optimizing roles. The process included redundancies and internal role adjustments, and was concluded in November 2025. Redundancies accounted for 3.16% (28.44% of the total turnover rate). Other departures were primarily due to retirements and voluntary career transitions.

Turnover rates in 2025 were:

- Gothenburg: 7.31% for men and 13% for women (4.7% and 10.87% in 2024 respectively)
- Skövde: 11.63% for men and 13.29% for women (3.49% and 3.69% in 2024 respectively)

To support retention and engagement, Aurobay continues to offer targeted development programs, opportunities for internal mobility, wellbeing initiatives,

and clear progression pathways. These efforts form part of a long-term strategy to maintain a skilled, motivated and resilient workforce.

Equality

Our equality plan was developed in 2025, and we have defined long-term objectives to 2030, including:

- Designing the equality plan
- Approving supporting policies
- Training employees
- Reviewing and improving critical processes

Implementation will begin in 2026 with the development of the equality plan framework.

In parallel, we continue with our commitment to improve gender equality across the organization by targeting an annual 1% increase in female representation. While this commitment remains unchanged, in 2025 gender distribution results reflected a slightly higher proportion of men compared to last year, due in part to increased turnover.

Gender distribution in 2025 was:

- Management Team (MT): 38.46% women (30.8% in 2024)
- White-collar employees: 22.29% women (23.35% in 2024)

- Blue-collar employees: 23.94% women (24.27% in 2024)

Although year-on-year changes reflect wider workforce movements, our strategy to increase female representation is ongoing. Recruitment processes are designed to attract diverse candidates, development pathways are tailored to support women’s career progression, and leadership programs aim to strengthen representation at all levels.

Our current equality strategy builds on initiatives launched in 2024, including the expansion of leadership programs such as Leading without being a Manager, workshops on DEIB awareness, bias mitigation, inclusive recruitment and psychological safety. We continued to refine recruitment practices to strengthen inclusivity, promoted events like Women in Engineering Day, and maintained our partnership with Jobbsprånget to welcome foreign-born professionals.

In addition to gender equality, we work actively to prevent discrimination in all its forms. This includes measures to address risks related to gender, disability, sexual orientation, ethnicity, religion or other beliefs, transgender identity or expression, and age. We also comply with legislation covering part-time and fixed-term employees, parental leave protections, and equal treatment for trainees, agency workers, and consultants – and we often

go beyond these requirements by offering enhanced conditions, flexibility and opportunities that support diverse employment needs.

Prevention activities are conducted at both an overall and operational level to identify risks and obstacles in the business. This work may involve surveys, individual or group interviews, workplace meetings, reviews of routines, guidelines, and policy documents, and collaboration with unions.

Specific initiatives include:

- Salary mapping to ensure fair and equitable pay
- Code of Conduct training and ‘Make a Difference’ workshops
- Engagement via our employee wellbeing and culture platform
- Ongoing review of workplace policies and processes to ensure compliance and inclusivity.

In 2026, we will further strengthen equal opportunity practices across recruitment, talent development, and leadership processes while advancing full implementation of the equality plan.

Engagement and workplace culture

Employee engagement is monitored through weekly pulse surveys conducted at both the Skövde plant and the Gothenburg headquarters. These surveys evaluate

job satisfaction, leadership quality, engagement, and overall wellbeing, providing actionable insights to inform continuous improvement initiatives.

In 2025:

- Response rate: 81% (up from 77% in 2024)
- Engagement score: 7.5/10 (up from 7.4) – meeting the annual target

The target for 2026 remains to have a 7.5 engagement score. Insights from these surveys guide our continuous improvement initiatives.

Social action initiatives

Our social responsibility efforts include initiatives that benefit local communities and our employees.

As part of our ESG strategy, we commit to implementing two social initiatives annually from 2026 – one focused on community support, one on environmental impact. In addition, a volunteering day program was launched in late 2024, offering employees one paid day per year to participate in voluntary activities of their choice. The program was available throughout 2025 and will continue in 2026. In 2025, the Skövde factory marked Workers’ Memorial Day with a moment of silence to honor those who have lost their lives in workplace accidents, followed by a safety and community fair featuring 20 external companies and internal units

promoting health, safety and wellbeing.

MORE POSITIVE CONTRIBUTION TO NATURE

Advancing circularity remains a core strategic priority for Aurobay Sweden. We focus on designing products for resource efficiency, extending product lifecycles, and keeping materials in use for as long as possible – lowering emissions, but also reducing waste and minimizing pressure on natural resources.

Enhancing biodiversity

As part of our stewardship for nature, we have taken proactive steps to conserve nature resources, and assess and enhance biodiversity in areas adjacent to our operations.

- Our Skövde plant has operated on 100% renewable electricity for several years.
- We have completed a biodiversity assessment for our Skövde manufacturing plant. Through an Environmental Impact Assessment (EIA), we confirmed that the facility does not negatively affect nature, water protection areas, or other environmental interests.
- In 2025, we established a dedicated 25,000 m² biodiversity zone adjacent to our Skövde manufacturing facility. This area is actively managed and enhanced to support the local ecosystem.

Looking to the future, we aim to deepen the integration of biodiversity considerations into our strategy. Going forward, we plan to conduct a full study aligned with the Taskforce on Nature-related Financial Disclosures (TNFD) framework to evaluate our impacts on nature throughout our supply chain. The study will help us integrate nature-related risks into our governance and strategic planning, ensuring our operations continue to align with global biodiversity goals.

Driving circular progress: Recycled materials

Recycled raw materials are central to reducing the environmental footprint of our products, but are also critical in embedding circularity. In 2022, we conducted an inventory of our most sold gasoline engine to establish baseline recycled content levels. Since then, we have strengthened data quality, deepened supplier collaboration, and introduced requirements for International Material Data System (IMDS) reporting and transparency on circular design integration.

In 2025, we refined our material strategy by shifting focus from total recycled content to recycled aluminum – our most widely used material, where we can drive the greatest impact. We set and successfully achieved a target of 60% recycled aluminum. Building on this progress, we have set an ambitious goal of increasing recycled aluminum to 70% by 2030. Secondary aluminum significantly reduces greenhouse gas

emissions and water consumption compared to primary aluminum, while also lowering waste generated from mining and processing.

Simultaneously, we have begun preparatory work to establish material-specific targets for recycled steel, ensuring alignment across our most significant material streams and further strengthening our circular economy strategy. Currently, 34% of the steel and iron comes from recycled sources, and we aim to build on this foundation in the coming years.

Operations in Skövde plant

During 2025, we continued to strengthen our circular approach at the Skövde plant, with a clear focus on extending resource life, reducing waste and maximizing reuse within our operations.

Several engineering initiatives delivered measurable resource efficiencies during the year. A previously established project to reuse honing oil continued to generate strong results, reducing primary oil consumption by 20% by separating water from used oil and returning the recovered oil to the filtration system. In collaboration with an external partner, used washing water from the honing process is treated to recover clean oil for reuse. Implemented in 2025, this circular solution reduces the need for virgin oil purchases and minimizes waste handling, contributing to an emissions

reduction of 48 tCO₂e during the year. Another initiative focused on recirculating cutting fluid by recovering fluids extracted from pressed aluminum chips and reintroducing them into the production process. This solution reduces the demand for new cutting fluid and avoids unnecessary disposal, corresponding to an additional emissions reduction of 236 tCO₂e.

Total waste decreased in 2025, both overall and per unit produced. Less than 0.01% of total waste from the Skövde plant was sent to landfill, and more than half of plant waste is diverted from disposal through reuse, recycling or reclassification as by-products. Hazardous waste, mainly used washing water, is treated in collaboration with a neighboring facility in accordance with environmental regulations. During the year, collaboration with an external partner to reuse and recycle IT equipment was further integrated into standard procedures for large-scale electronic scrapping. In addition, the closed-loop flow for wooden pallets was completed, enabling reuse instead of incineration.

Machinery and production equipment account for a significant share of our material use, and reuse is consistently prioritized before investing in new assets.

An advanced engineering initiative in Skövde, implemented on selected production lines in 2024,

enables washing water to be reused within the cutting fluid system, allowing multiple recirculations before disposal. A new washing agent introduced across much of the aluminum machining area reduced water changes by around 75% on affected machinery, while sustaining a 30% reduction in hazardous waste in 2025.

During the year, our Manufacturing Engineering team also gave a second life to 16 machines and pieces of equipment in the rotor shaft project through rebuilding, reprogramming and reuse. Similarly, in our Rotor Assembly project, existing equipment was repurposed instead of purchasing new assets, reducing both investment costs and environmental impact.

Skövde has also developed the capability to remanufacture engines, giving products a second life through industrial-scale remanufacturing. A remanufactured internal combustion engine has a significantly lower carbon footprint than a newly produced unit while maintaining the same, or higher, quality standards. During 2024, one production line was prepared for production orders. In 2025, the program was strategically reassessed to ensure alignment with long-term market conditions and business priorities, while preserving the production line and technical capability for future implementation.

Our Skövde plant is ISO 14001 certified and operates under a comprehensive Environmental Management System.

Water and waste data for 2025 are detailed in chapter 5.



Responsible business

Our Responsible business pillar is divided into two areas: responsible purchasing, and ethics and compliance.

RESPONSIBLE PURCHASING

Our Procurement team collaborates daily with nearly 1,000 suppliers spanning 37 countries across four continents to deliver a sourcing strategy that supports our corporate objectives. With an increasing focus on sustainability, the team ensures that our supply chain is set up and operating effectively to meet strategic goals while reducing risk and driving positive impacts.

Our suppliers are categorized as direct suppliers, who provide materials and components essential for our engines, and indirect suppliers, who deliver all other goods and services.

Sustainable supply chain management

In Aurobay Sweden, we require all suppliers to agree to our Code of Conduct for Suppliers prior to establishing a partnership. This Code outlines clear expectations regarding human rights, working conditions, environmental stewardship, responsible sourcing practices, and business ethics. Compliance with these guidelines is a fundamental aspect of our sourcing strategy.

To navigate and assess supplier performance effectively, we utilize industry-aligned tools, such as the automotive sector's Drive Sustainability Supplier Assurance Questionnaire (SAQ). The SAQ has been an integral part of our direct material sourcing process since 2021 and evaluates suppliers based on critical criteria, including business ethics, human rights, environmental management, and responsible sourcing. A minimum score of 70% is mandatory for continued collaboration. Responses are validated by an external assessor, and suppliers receive feedback with recommendations for improvement.

By the end of 2025, 84% of the supplier base had submitted a completed SAQ and 16% were still in progress. 81% of our direct suppliers (83% of spend) met our requirements.

Going forward, we are exploring the possibility of establishing a common ESG evaluation method across all operations at HPL, to ensure consistency.

ESG risk management across our supply chain

As part of our global initiative to foster a responsible supply chain, we are strengthening our ability to identify and address suppliers within our network that present significant ESG risks.

In 2025, we began developing criteria to integrate ESG risks into the supplier risk assessment process and to create action plans for addressing suppliers identified as high risk. While this work is ongoing and not yet fully implemented, significant progress has been made, and we will continue refining and advancing this process throughout 2026. As part of these efforts, we established a formal definition of high-risk suppliers.

A supplier is classified as high risk when the following primary criteria are met:

- Their production facilities are located in regions identified as ESG high-risk.
- Their manufacturing processes involve technologies associated with heightened ESG impacts.
- Their capital structure presents vulnerabilities.

Alternatively, a supplier may also be classified as high risk if there are other specific risk indications – such as a failed ESG assessment, substantiated public allegations, credible suspicions, adverse on-site findings, or delays/non-responses to ESG action plans, that would trigger a formal due diligence procedure.

We recognize that due diligence is critical in the supply chain, where the majority of our industry's impact occurs. Supply chain risks, including ESG compliance challenges, often emerge from low visibility across supplier operations. To address this, and in parallel

with our supplier ESG risk criteria improvements, we are working to integrate due diligence into our framework. This will enable us to carefully monitor and mitigate risks throughout our value chain, with a particular focus on the supply chain.

For more information on due diligence work, refer to chapter 4, Responsible business – Ethics and governance.

We place strong emphasis on protecting employee health, safety, and human rights throughout our value chain. One example is monitoring the content of minerals and conflict minerals in our products in accordance with the guidelines of the Responsible Minerals Initiative.

While we recognize that external risks cannot be entirely eliminated, we remain committed to influencing positive outcomes through the supplier requirements set out in our Code of Conduct for suppliers and through our ongoing procedure advancements and due diligence preparations.

Notably, new ESG standards for suppliers were developed and approved at HPL in 2025. These standards will be adopted at Aurobay Sweden and rolled out in 2026.

Another key priority moving forward is ensuring that high-risk suppliers are addressed through structured action plans that foster meaningful improvements.

ETHICS AND GOVERNANCE

At Aurobay, ethics and strong governance are central to our operations. By acting with integrity, transparency and accountability, we foster trust with employees, customers and partners, support responsible decision-making, and reinforce a solid foundation for sustainable and resilient growth.

Strengthening compliance

Aurobay is implementing a global compliance program cross HPL , designed to meet applicable legal requirements and internationally recognized best practices. Aligned with the ESG Plan 2030, the program aims to establish a robust and agile framework for day-to-day compliance management, supporting ethical and responsible decision-making across the organization. The program is being deployed in interconnected stages, with full implementation targeted for 2027.

Key program activities include:

- Anti-bribery and corruption (ABC)
- Whistleblowing
- Trade and export control
- Conflict of interest

- AI regulation
- Data privacy
- Anti-trust.

Together, these initiatives strengthen governance, promote alignment with international standards, and foster a strong culture of compliance across Aurobay.

Corporate policies

Our sustainability strategy is embedded in Aurobay’s corporate governance structure, ensuring that decisions are made at the appropriate level and effectively implemented across the organization. Corporate policies play a key role in:

- Ensuring compliance with legal and regulatory requirements
- Guiding employee conduct
- Supporting progress toward our sustainability objectives.

All policies are accessible to Aurobay Sweden’s employees via our intranet.

During 2025, and continuing in 2026, work began to establish HPL-wide policies, across all divisions, including Aurobay. These policies will create a consistent framework, strengthening governance, compliance, and sustainability practices while

supporting alignment with international standards and best practices.

ENVIRONMENT

The company’s Environmental Policy is guided by the Paris Agreement. It provides directives for achieving our sustainability ambitions while transitioning from linear business principles to circular ones. The policy focuses on circularity, value chain decarbonization, target-setting principles, stakeholder engagement, technology support, and adherence to laws and regulations. Its scope includes company operations, supply chain activities, and downstream emissions for which we are accountable.

To ensure compliance and continuous improvement, the Environmental Management System (EMS) supports target setting and steering toward reduced environmental impacts.

In 2025, efforts under this policy resulted in validation of Aurobay’s climate targets through the Science-Based Targets initiative (SBTi). Additionally, an Environmental Policy e-learning module was launched and is now available for all employees in the Aurobay Competence tool.

For more information on related activities, see sections ‘Decarbonization’ and ‘More positive contribution to nature’ of chapter 4.

SOCIAL

Social policies are central to protecting the rights, safety and inclusion of Aurobay’s workforce and those within our supply chain.

- Key policies:**
- **Code of Business Ethics (formerly Code of Conduct):** Establishes the standards for ethical behavior, emphasizing fairness, integrity, and respect in all internal and external interactions.
 - **People Policy:** Provides guidance on human rights, covering non-discrimination, harassment prevention, and the prohibition of child and forced labor. This policy is guided by international Human Rights standards, including the Universal Declaration of Human Rights, the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work, and the United Nations Global Compact.
 - **Health & Safety Policy:** Promotes a risk-aware culture, encouraging employees to report safety deviations promptly, with swift investigation and resolution.
 - **Code of Conduct for Suppliers:** Defines expectations for suppliers regarding working conditions, human

rights, environmental responsibility, and ethical business practices. Built on international standards, including the UN Guiding Principles on Business and Human Rights and the ILO Core Conventions, it addresses social and environmental risks in the supply chain and safeguards the well-being of supplier employees. In 2025, new ESG standards for suppliers were approved for HPL. These will replace our current Supplier Code of Conduct upon rollout in 2026.

In 2023, all employees completed mandatory e-learning modules on the Code of Business Ethics and People Policy. These modules are now fully integrated into the onboarding process for all new hires.

All our direct material suppliers have formally accepted the Code of Conduct for Suppliers. Compliance is monitored through regular supplier self-assessments.

For more information on related activities, see sections ‘More positive contribution to people’ and ‘Responsible purchasing’ of chapter 4.

GOVERNANCE

Aurobay’s governance framework ensures sustainability-related decisions are made at the appropriate organizational level, supporting

transparency, accountability and compliance. In 2025, we adopted the following HPL governance policies, replacing earlier versions to ensure alignment with the HPL framework.

- Anti-Bribery and Corruption Policy
- Code of Business Ethics
- Competition Law Policy
- Confidentiality Policy
- Conflict of Interest Policy
- Cookie Policy
- Data Protection Policy
- Donations and Sponsorships Policy
- Intellectual Property Policy
- Internal Reporting Policy
- Protection of Company Assets Policy
- Trade Sanctions and Export Control Policy

Notably, no incidents of bribery or corruption were identified in 2025.

Human Rights Due Diligence
Recognizing stakeholder expectations and our ethical responsibilities, Aurobay is proactively integrating Human Rights Due Diligence (HRDD) into its operations in line with emerging European regulatory frameworks and internationally recognized standards. This work forms part of our broader sustainability commitment and HPL-wide initiatives.

Our objective is to embed human rights considerations into our overall risk management processes, ensuring that potential and actual risks within our value chain are systematically identified, assessed, and addressed. This approach covers both our own operations and our supply chain and includes proactive measures to prevent or mitigate adverse impacts. Where impacts occur, we are committed to acting promptly to address them and minimize their scope.

To support the integration of HRDD into our business practices, a roadmap was established in 2025. During the year, we:

- Developed a Human Rights Policy at HPL to guide all divisions, planned to be formally approved and introduced in 2026.
- Identified key functions and processes where human rights considerations should be integrated.

The next phase of this work focuses on:

- Embedding human rights assessments into operational and management processes.
- Establishing due diligence procedures to enable systematic risk identification and mitigation.
- Incorporating human rights considerations into relevant decision-making forums and committees.



By strengthening compliance systems across HPL and building practical due diligence capabilities, we ensure that ethical considerations and responsible governance inform daily decisions and outcomes across our value chain.

SUSTAINABILITY GUIDELINES, FACTS AND TABLES

- Double Materiality Assessment
- Environmental disclosures



Double Materiality Assessment

In preparation for our compliance with the Corporate Sustainability Reporting Directive (CSRD) and as part of our ongoing commitment to embedding sustainability deeply into our operations and strategy, Aurobay Sweden undertook an update on its Double Materiality Assessment (DMA). This critical exercise has been part of our operations for several years now, and we update it annually to ensure it reflects the latest developments in our business, the global context, and stakeholder expectations.

The double materiality approach allows us to evaluate and define the sustainability topics that are most material to our company – those that hold the greatest significance for both our organization and our stakeholders. It serves as a comprehensive framework to identify, assess, and prioritize sustainability impacts, risks, and opportunities across our entire value chain, considering both:

- Impact materiality – Our actual and potential effects, positive or negative, on people, communities and the environment.
- Financial materiality – Sustainability matters that could influence our financial performance, cost of capital, access to finance, or long-term enterprise value.

The DMA results also inform the HPL DMA process

and form the foundation of our ESG strategy. They additionally support our preparations for CSRD-compliant disclosures.

Material sustainability-related financial risks identified through this process are also integrated into our Enterprise Risk Management framework for appropriate risk response.

Double materiality approach

Our annual DMA review is designed to remain adaptable to changes in the operating environment, industry, and potential new circumstances. The process is divided into four stages: understanding our context, identifying impacts, risks, and opportunities, prioritizing and scoring material matters, and validating the outcomes.

1. Organizational context and scope

Our DMA update began with a thorough review of our organization's context to refine the scope of our assessment. This included examining updates to our structure, activities, value chain, and stakeholder relationships.

Our value chain was mapped in detail in previous cycles and is presented in chapter 4. Following our value chain, we trace and identify where our business interacts with key sustainability impacts, as well as where risks

and opportunities lie. It is also a means through which we identify key stakeholders whose perspectives and needs shape or are shaped by our activities. Areas of focus include suppliers, customers, employees, value chain workers, and surrounding communities, as well as broader external groups such as natural environments, governments, industry associations, and shareholders.

We assess every identified topic according to the ESRS time horizons, across short-term (1 year), medium-term (1–5 years), and long-term (>5 years) horizons to ensure our findings address immediate concerns as well as latent or emerging impacts and risks.

2. Identification of impacts, risks and opportunities

Guided by the ESRS framework, we identified a comprehensive list of 122 sustainability-related impacts, risks and opportunities across environmental, social and governance areas. These were identified using external sources, including industry standards and guidelines, risk assessment tools, scientific reports, and international human rights principles, along with internal expertise, documentation, and stakeholder input from customers and suppliers.

In this stage, we collected 69 impacts and 53 sustainability-related risks and opportunities. Impacts were categorized as actual or potential and positive or negative.

3. Assessment of impacts, risks and opportunities

All 122 IROs were prioritized and scored based on specific methodologies building on ESRS principles.

- Negative impacts are scored based on a combination of severity (scale, scope and remediability) and likelihood. For human rights matters, severity is weighted more heavily than likelihood to ensure proper prioritization of critical issues.
- Positive impacts are scored based on scale, scope and likelihood.
- Risks and opportunities are assessed based on the magnitude of their potential financial effects and their likelihood of occurrence.

To assess materiality:

- For Impact materiality: Impacts were plotted on a 5x5 grid of Severity vs. Likelihood. The threshold for impact is set as a sloping line, dependent on the combination of severity and likelihood. A threshold line was established which gave precedence to severity over likelihood (i.e. all impacts with severity scores >4 were considered material irrespective of likelihood, while also taking into account less severe risks that were more likely). If any impacts for a given sustainability matter were above the threshold, then the sustainability matter itself was deemed material.

- For Financial materiality: Risks and opportunities were plotted on a 5x5 grid of Size of Financial Effect vs. Likelihood. The threshold for financial materiality is set as a sloping line, dependent on the combination of size of financial effect and likelihood. An approximate materiality threshold line had been established which captured all the highest tiers of financial effects and less significant risks that were more likely. This means that for each risk/opportunity where the product of size of financial effect and likelihood score is above the threshold, it is considered material.

Based on this process, we determined that 37 of the 122 sustainability-related impacts, risks, and opportunities identified were material for our organization.

4. Validation

After scoring and prioritization, the results were validated with internal experts to ensure accuracy and relevance. In December 2025, the finalized Double Materiality Analysis and material topics were reviewed and validated by the MT.

Results of the DMA

Our 2025 DMA reaffirmed the material topics identified in previous years:

IDENTIFIED MATERIAL TOPICS

		Material
ENVIRONMENT	Climate change	Yes
	Pollution	Yes
	Water	No
	Biodiversity	Yes
	Resource use and circular economy	Yes
SOCIAL	Own workforce	Yes
	Workers in the value chain	Yes
	Affected communities	Yes
	Consumers and end-users	No
GOVERNANCE	Business conduct	Yes

Positive impacts were most prominent in social standards, particularly regarding improvements to employee working conditions.

Negative impacts were largely concentrated on environmental challenges, coupled with potential human rights risks within our value chain and affected communities.

Key risks were predominantly linked to climate change, human rights concerns, and governance issues, while opportunities were found in advancing climate action, fostering a circular economy, and enhancing governance practices.

Below, we outline the topics identified as material, based on their relevance to impact materiality, financial materiality, or both.

The detailed outcomes of our DMA will be shared in future reports, but the high-level results outlined above showcase the priority material topics identified across the dimensions shaping our ESG strategy.

Throughout 2025, Aurobay has taken significant steps toward achieving full compliance with the CSRD requirements.

We remain steadfast in our commitment to proactively monitoring and responding to evolving regulatory developments proposed by the EU Commission, ensuring our sustainability practices remain aligned with the expanding framework of corporate responsibility.

MATERIAL TOPICS BASED ON IMPACT AND/OR FINANCIAL MATERIALITY

		Impact materiality	Financial materiality
ENVIRONMENT	Climate change	Material	Material
	Pollution	Material	Not material
	Water	Not material	Not material
	Biodiversity	Material	Not material
	Resource use and circular economy	Material	Material
SOCIAL	Own workforce	Material	Material
	Workers in the value chain	Material	Material
	Affected communities	Material	Material
	Consumers and end-users	Not material	Not material
GOVERNANCE	Business conduct	Material	Material

Environmental disclosures

CARBON FOOTPRINT

The carbon footprint presented in this report has been calculated in accordance with the Greenhouse Gas Protocol (GHG Protocol) and is based on the operational control consolidation approach.

Climate impact is expressed in carbon dioxide equivalents (CO₂e), encompassing emissions from carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O).

The emissions are reported in three scopes:

- Scope 1: Direct greenhouse gas emissions from sources owned or controlled by Aurobay Sweden
- Scope 2: Indirect greenhouse gas emissions from the generation of purchased electricity, heat or steam consumed by Aurobay Sweden
- Scope 3: Indirect greenhouse gas emissions from Aurobay Sweden's value chain, both upstream and downstream, beyond our direct control.

Scope 2 emissions are reported using both location-based and market-based methods.

For Scope 3, category 1 – Purchased goods and services, calculations combine general emission factors with primary carbon footprint data from our suppliers for the largest components in our products.

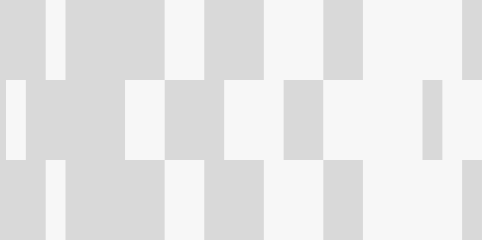
Collaboration with suppliers has increased the use of primary data, improving calculation accuracy.

For Scope 3, category 11 – Use of sold products, emissions are calculated based on the number of engines produced each year, the vehicles in which they are installed, the markets where they are sold, and an assumed lifetime distance of 200,000 kilometers. Emissions are allocated to the propulsion system based on its contribution to the total vehicle weight. For monitoring progress against targets validated by the Science Based Targets initiative (SBTi), an additional attribution approach is applied in which 100% of the vehicle's use-phase emissions are assigned to the propulsion system. Both approaches are tracked in parallel to ensure consistency with historical reporting while enabling alignment with SBTi target monitoring. Under the SBTi-aligned attribution approach, Scope 3 Category 11 emissions totaled 17,552 ktCO₂e in 2025, compared with 24,880 ktCO₂e in the 2021 baseline year.

Aurobay Sweden has conducted corporate carbon footprint calculations since its founding year 2021, with a strong focus on continuously enhancing data quality and granularity. Our methodology has been refined as our understanding of product lifecycle impacts has grown.

On this basis, in 2025 we recalculated our 2021 baseline to support the development and validation of our

targets by the SBTi. Our targets are now SBTi-validated, confirming alignment with the Paris Agreement. We additionally present our 2023 calculations, which serve as the common baseline for our ESG strategy aligned with HPL, alongside 2024 figures for comparison.



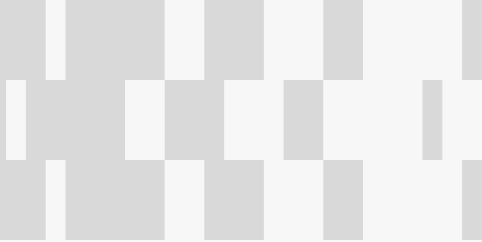
GHG Protocol Reference	2025	2024	2023	2021
Scope 1 (tCO ₂ e)	1,946	1,676	1,651	2,596
Company-owned vehicles	45	55	49	60
Energy and facilities	77	148	127	139
Fuel use in operations	1,823	1,473	1,475	2,396

Scope 2 (tCO ₂ e)	238	538	659	667
Energy and facilities (market based)	238	538	659	667
Energy and facilities (location based)	988	946	4,874	4,352

Scope 3 upstream (tCO ₂ e)	346,844	362,408	447,935	451,614
1. Purchased goods and services	313,716	320,849	391,095	405,172
2. Capital goods	2,175	1,553	23,892	25,700
3. Fuel- and energy-related activities	578	726	677	1,604
4. Upstream transportation and distribution	27,341	33,851	26,017	14,998
5. Waste generated in operations	58	223	221	1,442
6. Business travel	1,603	1,973	2,835	324
7. Employee commuting	1,373	2,089	1,643	2,374
8. Upstream leased assets	n/a	n/a	n/a	n/a

GHG Protocol Reference	2025	2024	2023	2021
Scope 3 downstream (tCO ₂ e)	1,514,987	1,602,293	1,954,976	1,918,108
9. Downstream transportation and distribution	48,909	56,919	47,903	50,256
10. Processing of sold products	n/a	n/a	n/a	n/a
11. Use of sold products	1,465,563	1,544,784	1,891,632	1,865,977
12. End-of-life treatment of sold products	393	535	1,638	1,875
13. Downstream leased assets	122	56	64	n/a
14. Franchises	n/a	n/a	n/a	n/a
15. Investments	n/a	n/a	n/a	n/a

TOTAL (market based, tCO ₂ e)	1,864,015	2,522,339	2,406,781	2,372,985
TOTAL (location based, tCO ₂ e)	1,864,765	2,522,747	2,410,996	2,376,669

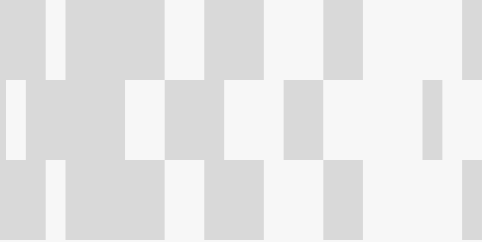


ENERGY

Energy consumption (MWh)	2025	2024
TOTAL FUEL CONSUMPTION FROM NON-RENEWABLE SOURCES	8,507	6,659
TOTAL FUEL CONSUMPTION FROM RENEWABLE SOURCES	n/a	n/a
TOTAL:	67,954	69,957
Electricity consumption	57,220	58,949
Heating consumption	10,538	10,791
Cooling consumption	196	217
Stream consumption	n/a	n/a
TOTAL ENERGY CONSUMPTION	76,460	76,616
TOTAL SOLD:	2,023	1,862
Electricity sold	657	751
Heating sold	1,366	1,111
Cooling sold	n/a	n/a
Steam sold	n/a	n/a

WATER

Water withdrawal (megaliter)	2025	2024
TOTAL WATER WITHDRAWAL:	35.8	37.2
Surface water	35.8	37.2
Groundwater	0	0
Seawater	0	0
Produced water	0	0
Third-party water	0	0



WASTE

Waste generated (metric tons)	2025	2024
TOTAL WEIGHT OF WASTE GENERATED	6,693	9,383

Waste diverted from disposal (metric tons)	2025	2024
TOTAL WEIGHT OF HAZARDOUS WASTE DIVERTED FROM DISPOSAL	135	107
1. Preparation for reuse	0	0
2. Recycling	135	107
3. Other recovery operations	0	0

TOTAL WEIGHT OF NON-HAZARDOUS WASTE DIVERTED FROM DISPOSAL	2,067	4,125
1. Preparation for reuse	119	163
2. Recycling	1,951	3,900
3. Other recovery operations	0	62

Waste directed to disposal (metric tons)	2025	2024
TOTAL WEIGHT OF WASTE DIRECTED TO DISPOSAL	4,492	5,151

TOTAL WEIGHT OF HAZARDOUS WASTE DIRECTED TO DISPOSAL	3,223	3,716
1. Incineration (with energy recovery)	515	577
2. Incineration (without energy recovery)	0.0043	0
3. Landfilling	0.5	0
4. Other disposal operations	2,707	3,139

TOTAL WEIGHT OF NON-HAZARDOUS WASTE DIRECTED TO DISPOSAL	1,269	1,435
1. Incineration (with energy recovery)	1,199	1,432
2. Incineration (without energy recovery)	0	0
3. Landfilling	0	0
4. Other disposal operations	70	3

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