

SECTO SUSTAINABILITY REPORT

2023

secto
automotive

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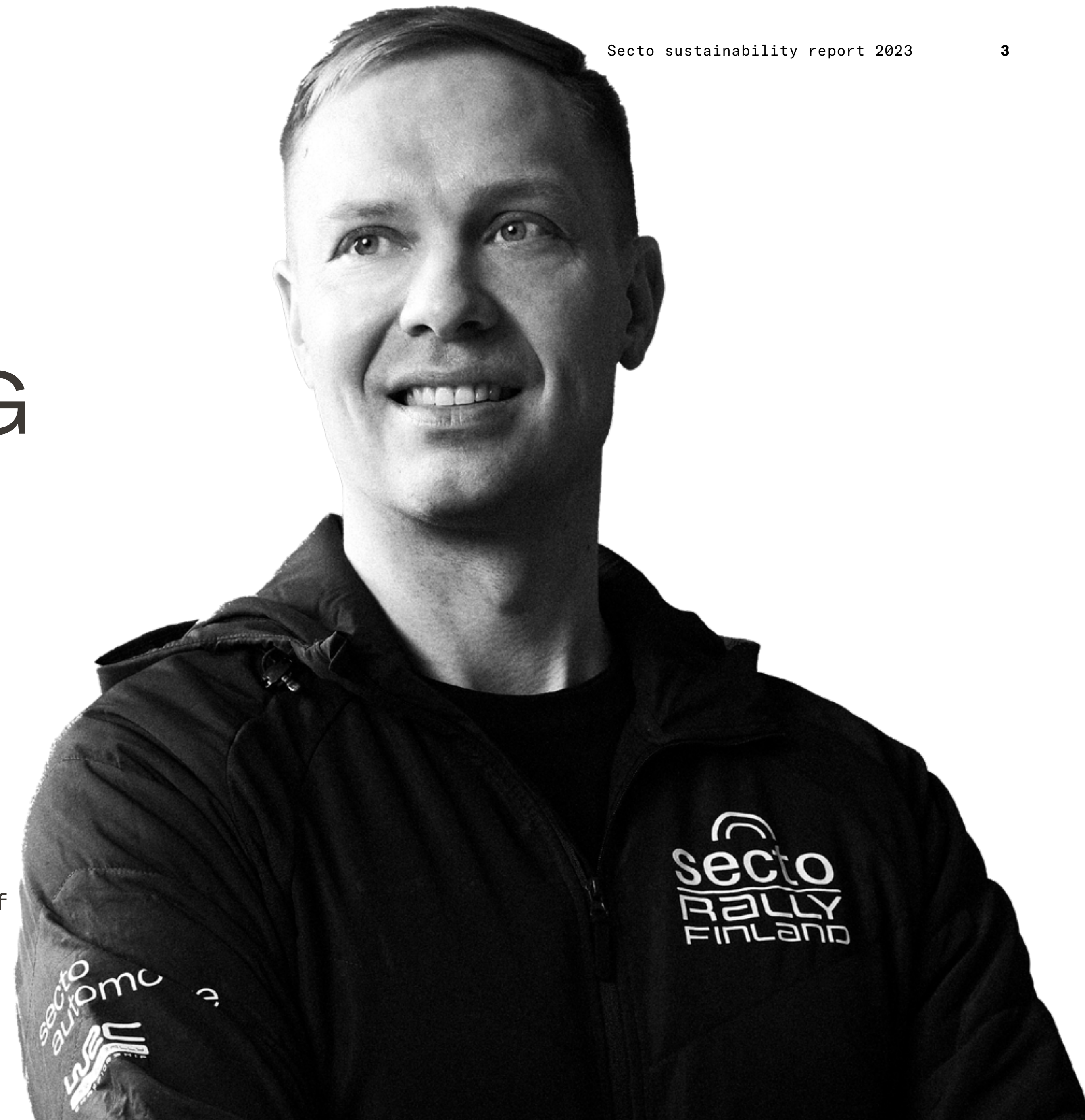




CEO'S OPENING WORDS

THE ONLY WAY TO SAVE DRIVING IS BY MAKING IT SUSTAINABLE

This past year at Secto, we've clarified our company's purpose. We still offer our customers a hassle-free driving experience, but our overarching mission is to speed up the transition to fossil-free driving. Becoming more sustainable is necessary for the future of driving. We're here to save driving by making it sustainable.



AMID MULTIPLE GLOBAL CRISES, public attention has shifted away from climate concerns. In Europe, sluggish economic growth has hindered the transition to electric vehicles (EVs). However, climate change remains a pressing issue demanding intensified action, and transportation plays a crucial role in addressing climate challenges.

CURRENTLY, PASSENGER CARS and vans account for more than 25% of global oil consumption and about 10% of global energy-related CO₂ emissions. In Nordic countries, the share of all CO₂ emissions varies from 10% to 20%. Transitioning to fossil-free fuels—and replacing fossil materials in vehicles—is crucial for mitigating climate change and reducing greenhouse gas emissions (GHGs).

ELECTRICITY IS NOW the most common option for fossil-free energy, and the electrification of vehicle fleets must be strongly supported. While EVs are widely discussed in Finland, they haven't yet gained traction nationwide. In 2023, only 3% of Finland's vehicle fleet was fully electric, with hybrids making up 4.9%

(The Finnish Information Centre of Automobile Sector 1/2024). Company cars show more promise, with nearly 40% being fully electric and around 32% plug-in hybrids among new registrations. Although Finland's approximately 70,000 company cars represent a small fraction of the total fleet, they play a vital role in EV adoption. Company cars become available to private buyers when they are three to four years old, and every fifth passenger car on our roads is either a current or former company car.

AT SECTO, WE AIM TO ACTIVELY influence public opinion and societal decision-making. In Finland, a potential setback loomed over the EV transition in year 2023 as the government considered removing tax benefits for low-emission company cars. If implemented, this decision would have slowed down the promising shift to low-emission vehicles. What's more, the rationale behind this proposal was based on an incorrect assumption. (See *the case: Secto Publicly promotes sustainable driving on page 9.*) The situation was strange, to say the least, as the government's proposal contradicted Finland's ambitious climate goals. While consumers and markets drive development,

»In 2023, only 3% of Finland's vehicle fleet was fully electric, with hybrids making up 4.9%.

government support accelerates progress—especially now during financially tight times. Additionally, emission cost savings per CO₂/tonne is by far the most inexpensive option available for the government.

FOR US, SUSTAINABILITY EXTENDS beyond driving; it's the core of our business, shaping how we engage with our partners, society, and individuals.

EMPLOYEES SERVE AS THE BACKBONE of our sustainability mission. Over the past year, we've spent a lot of time ensuring every employee understands our company's culture and values. Together, we strive to achieve climate goals and cultivate a fair, supportive work environment. Through our actions, we aim to inspire others, showing that investing in sustainability isn't just the right thing to do for our planet and future generations—it's also good for business. I would like to especially thank our entire staff; without you, none of this would be possible.

Olli Helenius, CEO, Secto Automotive

1.



THIS IS SECTO



Secto Automotive is a Finnish-owned, entrepreneur-led B2B car leasing operator founded in 2007. We are trailblazers in low-emission driving with a mission to save driving by making it sustainable.

CHALLENGING TRADITIONAL CAR ownership models, Seccto creates new solutions based on customer needs. Our business is guided by sustainable development principles and the transition away from fossil fuels. The company’s growth is fueled by hassle-free vehicle leasing and sustainability.

Our goal at Seccto is to remain the market leader in electric vehicle (EV) leasing. We’ve built a comprehensive service package addressing previously overlooked aspects: effortless car ownership, the environmental impacts of driving, and the total costs of driving. With our 14 years of experience in decarbonisation, we provide our customers with a smooth and predictable transition to sustainable driving.

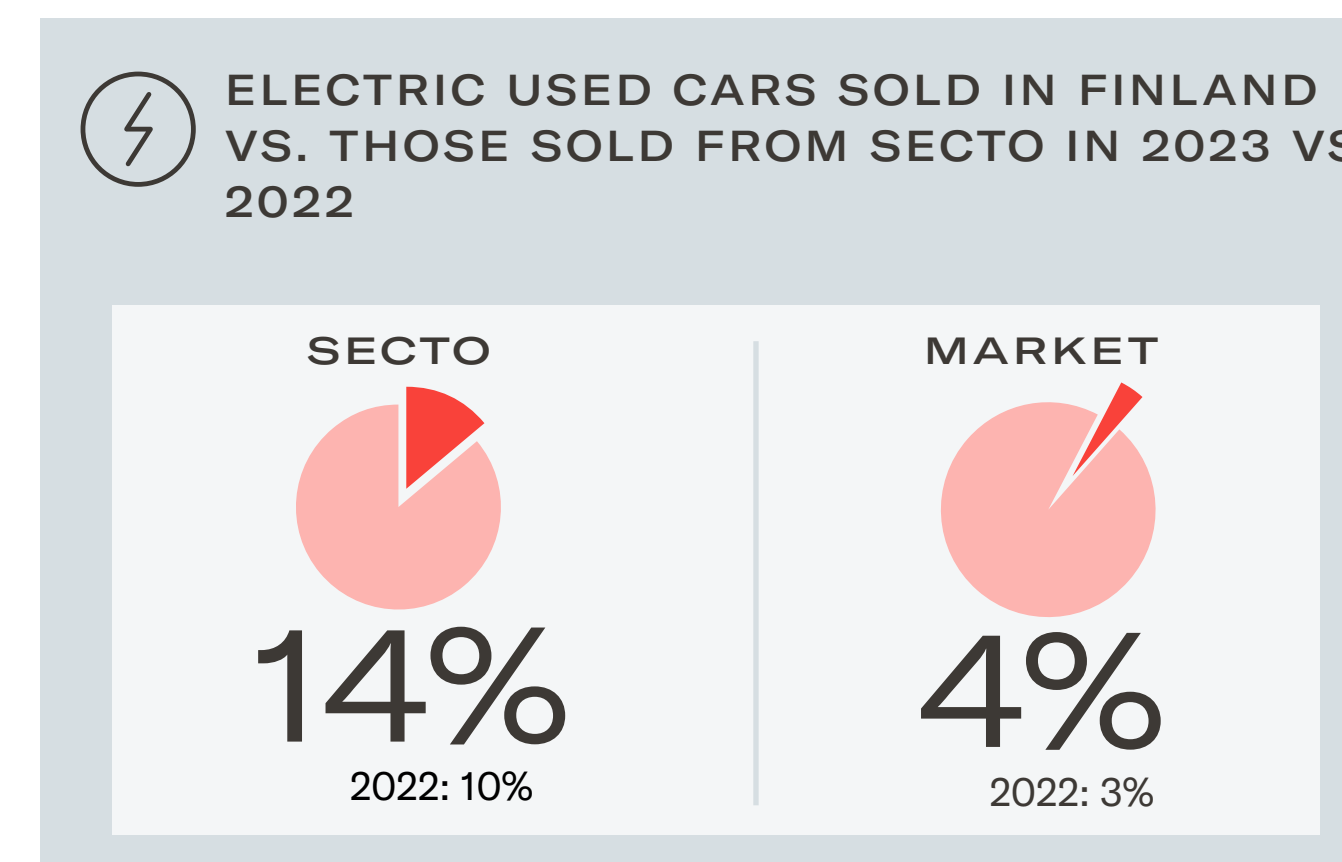
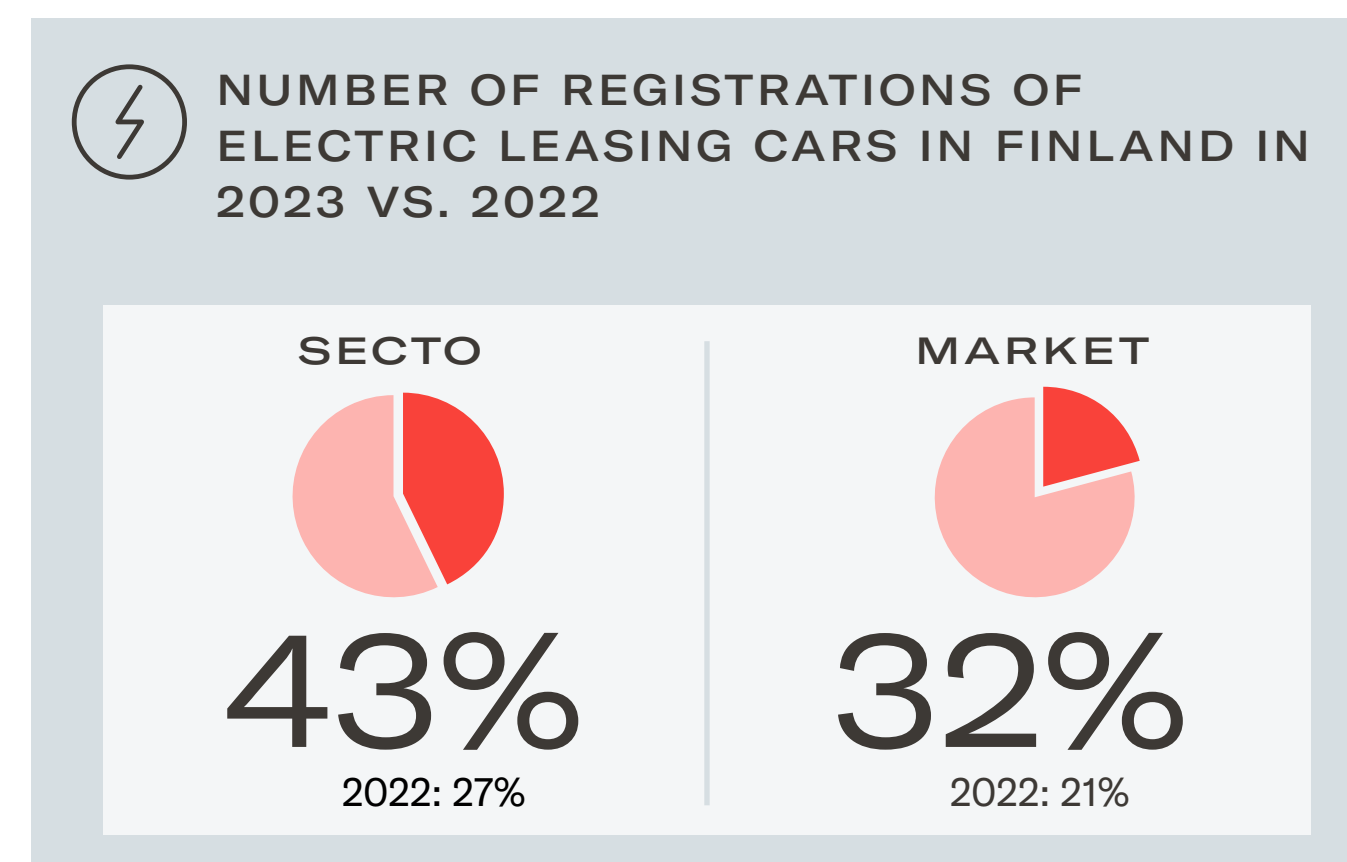
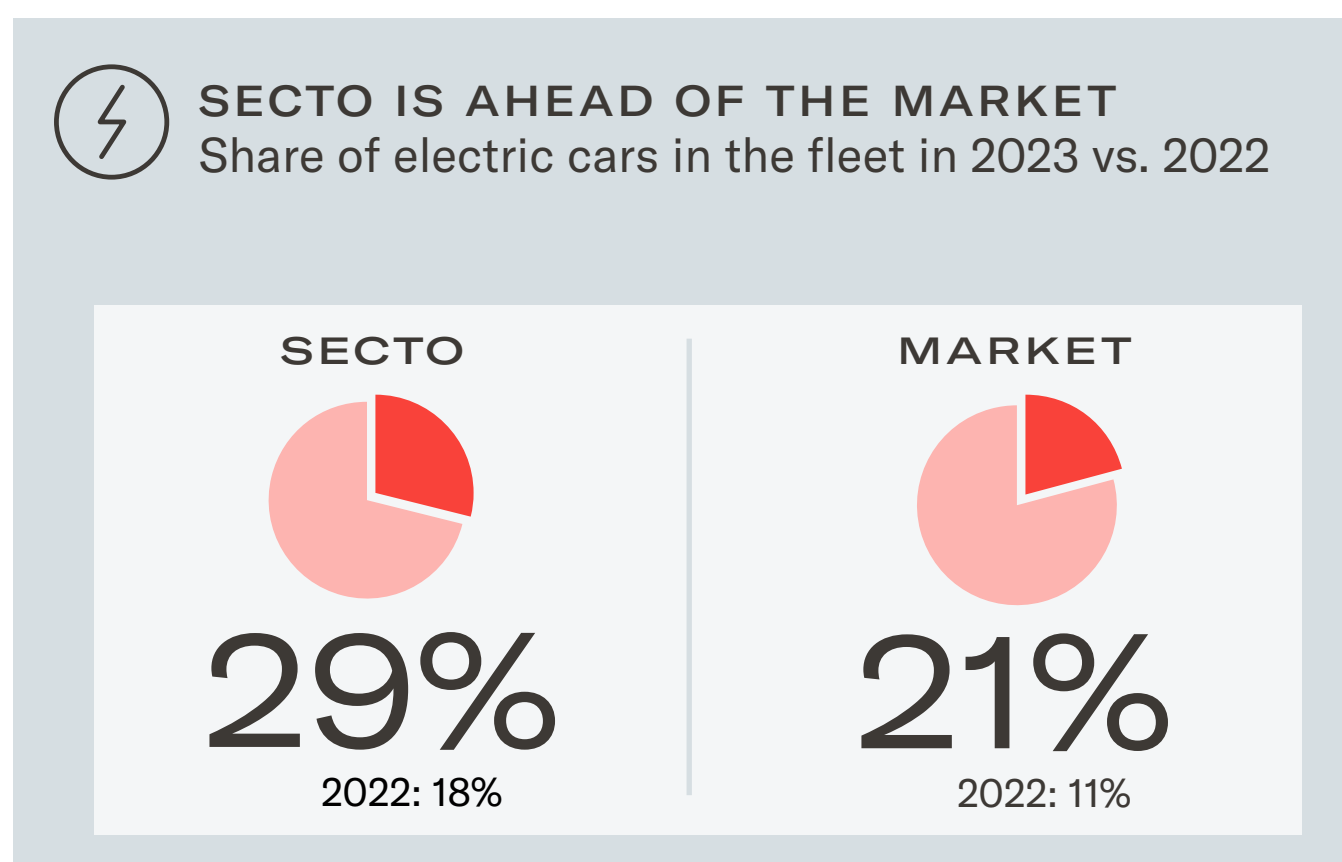
One of the cornerstones of Seccto’s operations is our competent

staff, who enjoy their work and are known for excellent customer service. In 2023, we clarified our company values and developed our corporate culture by creating a values-based leadership model. We’ve started rolling out the redefined company culture by training managers, and will continue this work in 2024*.

Secto employees take care of our approximately 4,300 business customers and the lifecycle of 10,600 vehicles—starting from the assessment of mobility needs before the first car is delivered, to the return of the vehicle and the purchase of the next one.

In 2023, our used car business sold around 3,400 off-lease

* > See the Maaret Jokinen case: Seccto lives out its mission through values-based leadership, on page 21.



Source: Finnish Transport and Communications Agency Traficom, register of transport matters / Value Clinic.

»Despite the growth in electric car production, wait times are still long.

and lightly used cars to end users. Used car sales play a crucial role in improving both sustainability and traffic safety. Every fifth passenger car on Finnish roads is either a current or former company car.

SECTO IS COMMITTED TO FINLAND'S CLIMATE GOALS

Electric driving has been at the core of our strategy since 2010. As trailblazers in EV adoption, we are leading the transition to fossil-free driving ahead of the EU's set targets and at a faster pace than the market. Our goal is to release the last passenger vehicle driven on fossil energy by the end of 2028, whereas the EU's target is set for 2035. We have also started the process to commit to the short-term climate targets set by the Science Based Targets Initiative (SBTi).

The main challenge in the EV transition has been the supply of cars suiting customer needs at a price point they can afford. While EVs are at the core of our sustainability strategy, we also continuously monitor the development of other fossil-free fuel solutions. In a rapidly changing world, we remain open to adapting our operations to use the most environmentally-friendly solution compared to an ICE driven on fossil energy.

According to Finland's Climate Act, emissions must be reduced

by 60% by 2030 compared to 1990 levels, a target deemed achievable based on current estimates. However, Finland's goal to be carbon neutral by 2035 requires additional actions (Government's annual climate report 14.7.2023).

Secto contributes to achieving Finland's climate goals by facilitating an easy transition to low-emission driving for its customers. One significant factor in promoting sustainable driving has been the tax incentives offered for low-emission benefit vehicles.

REMOVING THE REDUCED taxation value for low-emission company cars would significantly decrease the willingness of company car users to choose low-emission or fossil-free vehicles, as per a customer survey we conducted*.

Up to two-thirds of respondents said they would opt out of fully electric or hybrid company cars if the tax incentive would have been removed. This would have significantly slowed down the adoption of low-emission vehicles. We voiced our stance on the importance of maintaining the current practice for Finland's climate goals and will continue to advocate for it in the future. Ultimately, the government decided to extend the tax incentive for fully electric company cars from 2026 to 2029.

* > See the Public promotion case: Secto publicly promotes sustainable driving, on page 9.



SUSTAINABILITY HIGHLIGHTS IN 2023

THE YEAR OF ACTIONS AND INFLUENCE

1

The Net Promoter Score (NPS) of our business leasing customers was 37 (71 in 2022).*

In the used car business, where most of our customers are private consumers, the NPS was 73 (74 in 2022).

*The change in the NPS numbers of business leasing customers is mainly due to a change in the measurement research method.

3

In December 2022, we established our own development department, Secto Automotive Labs, with the goal to communicate the need for sustainable driving in a positive and engaging way. Our Labs department researches how current fossil-based fuels, lubricants, parts, and equipment can be replaced with fossil-free alternatives. Labs also influenced car manufacturers like Skoda Motorsport and Toyota to integrate fossil-free lubricants into their operations, setting a new standard for sustainability.

5

We maintained our position as a thought leader in sustainable driving. We delivered influential speeches at key economic, sustainability, and sports events, including the Nordic Business Forum, TALKHelsinki, Skoda Motorsport Sustainability Workshop, Monte Carlo Sustainability Forum, and Secto Rally Finland.

7

We defined and decided on Scope 1–3 climate targets aligned with the Science Based Targets initiative (SBTi) and submitted our targets for validation. We followed through on our decision made in December 2022 to focus solely on our core strategy: supporting sustainable and hassle-free driving, thereby ceasing the profitable machine leasing business in order to reduce our carbon emissions.

9

We took a successfully strong stand on the assumed error in the government's taxation of company cars. We commissioned a report from an independent research institution to publicly promote the electrification of vehicle fleets and, thus, the realisation of Finland's climate goals. We also conducted customer research to gauge the impact of changes in electric car taxation on our corporate leasing customers' willingness to acquire low-emission vehicles. The government decided to extend the tax incentive for fully electric company cars from 2026 to 2029.

2

In 2023, we received the Future Workplaces certificate for exceptionally good leadership through employee understanding. Our Employee Net Promoter Score (eNPS) was 40, signifying a good level.

4

We started independently measuring the development of our reputation. We're involved in a reputation survey among Finland's leading companies, and use it to benchmark our performance against industry standards.

6

In the spring of 2023, we published our first sustainability report for the year 2022. We trained all employees on sustainable development themes, emphasising the importance of each individual's role in implementing Secto's strategy.

8

We continued to develop and create new tools to help our customers manage the climate impact of driving, including the Decarbon Tool, Electric Vehicle Comparison Tool, and Emission Reporting Tool.

10

We defined our corporate culture, clarified our company values, and began building the role of managers in leading employees' sense of purpose. Placing employees at the core of our values, we appointed a People & Culture Director in our top management team.

CASE PUBLIC PROMOTION ///

SECTO PUBLICLY PROMOTES SUSTAINABLE DRIVING

Secto has been a trailblazer in sustainable driving since 2010. Throughout these years, we have actively sought to influence public opinion and societal decision-making to promote sustainable driving.

CASE PUBLIC PROMOTION ///

WE HAVE BECOME A THOUGHT LEADER in low-emission driving, regularly providing expert opinions and statements to various media outlets. We have covered topics ranging from the cost of electric vehicles to the importance of sustainable driving in achieving climate goals and debunking myths of EV adaptability in a Nordic climate.

WE HAVE ALSO TAKEN A STAND on crucial issues concerning sustainable driving. In 2023, for example, we participated in discussions regarding the Finnish government's proposed removal of reduced taxation for low-emission company cars starting in 2025. Our position garnered significant attention, with national media outlets such as Kauppalehti, Iltalehti, and Talouselämä interviewing Secto's former CEO, current Chairman of the Board, **Matias Henkola**, for their articles.

The potential tax change was significant for Finland's climate objectives. We continued to raise awareness until the government made its decision on April 16, 2024, which ultimately resulted in a positive outcome.

THE TAX CHANGE WOULD MAKE IT HARDER TO ACHIEVE FINLAND'S CLIMATE GOALS

According to calculations by Finland's Ministry of Finance, maintaining the current practice would result in annual tax losses of €59 million for the state. This publicised calculation was based on the assumption that an employee's car benefit is added to

THE TAX INCENTIVE FOR FULLY ELECTRIC COMPANY CARS CONTINUES

The strong public defense of tax benefits for electric cars has paid off. Despite Finland's current need for significant spending cuts and tax increases, the government decided in the preparation of the state budget on April 16, 2024, to extend the tax incentive for fully electric company cars from 2026 to 2029. The government's policy is good news for reducing overall transportation emissions and achieving Finland's climate goals, which benefits our customers and the entire market.

their salary, and that choosing a low-emission or emission-free car would thus reduce the employee's taxable income.

HOWEVER, BASED ON A STUDY we commissioned from research firm Value Clinic, this assumption is incorrect. The study indicated that nearly 80% of car benefit recipients operate under a total salary model, where the car benefit is part of the total salary and does not affect the employee's taxable income. Thus, the savings from removing the reduced taxation would be only a frac-

»The tax change would make it harder to achieve Finland's climate goals.

tion of the Ministry of Finance's estimated figure.

We also conducted a survey among our own customers on the effects of removing the reduced taxation. This survey revealed that the majority of company car drivers with low-emission or fossil-free cars would give up their cars if the reduced taxation were removed.

44% OF SURVEY RESPONDENTS said they would choose a combustion engine car as their company car if the reduced tax value was removed. And 23% stated they would revert to using their own privately owned car. Only 33% of respondents would continue using a fully electric or hybrid company car, or stated that the tax value change would not affect them.

"The survey results indicate that changing the taxation calculation would have led to a decrease in the share of electric cars or, at the very least, a significant slowdown in the market share growth. This would hinder overall emission reduction in transportation and make it more challenging to achieve Finland's climate goals," said Secto's Chairman of the Board, Matias Henkola.

COMPANY CARS PLAY an important role in the growth of electric vehicles. Of all new cars registered in Finland year 2023, 34% have been fully electric. In contrast, over 70% of new leasing cars are fully or partially electric. The Finnish Automobile Association estimates that tax incentives will increase the number of electric cars in the fleet by over 20,000 between 2021 and 2025.

CASE PUBLIC PROMOTION ///

The average lifespan of company cars is about three years, after which they enter the consumer market as used cars. Approximately one in five cars on our roads is either a former or current company car.

“Reduced taxation promotes low-emission driving, especially in the used car market. Retired company cars also offer private car users the opportunity to switch to a well-maintained low-emission or emission-free used car at a reasonable price,” said Henkola.

INFLUENCING PUBLIC OPINION

In December 2022, we established our development department, Secto Automotive Labs, with the main goal to find fossil-free

solutions to driving and communicate the need for sustainable driving in a positive and engaging way. The collaboration between Secto Automotive Labs and the WRC organisation plays a crucial role in influencing the opinions of a large audience interested in motorsports toward sustainable driving. We are the main partner of the Finnish WRC rally, and highlight themes related to automotive climate goals in various ways during Finland’s premier motorsport event, Secto Rally Finland. In 2023, the first Secto Rally Sustainability Forum was organised alongside the rally event.

Additionally, in 2023, we delivered several influential speeches both in Finland and at international forums. These speeches showcased opportunities discovered by Secto Automotive Labs to

reduce the carbon footprint of driving, including replacing fossil materials in lubricants, car parts, and tyre manufacturing.

> See the **Secto Automotive Labs Case: Advancing sustainability in the automotive industry through development work, on page 28.**

WE ADVOCATE FOR SUSTAINABLE driving through our own example. Over the past three years, we have transitioned our employee benefit fleet to low-emission, fully electric, and hybrid cars (with electric cars accounting for 98.59%). Through our own experiences, we have been able to share information and encourage our client companies to undergo similar fleet transformations.





2. STRATEGY


STRATEGY AND BUSINESS MODEL

HOW WE DELIVER VALUE FOR OUR CUSTOMERS AND STAKEHOLDERS


OUR VALUES:
The building blocks of corporate culture and affect everything we do.

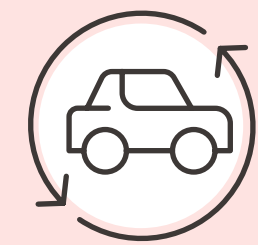
1 EMPATHY is our superpower 

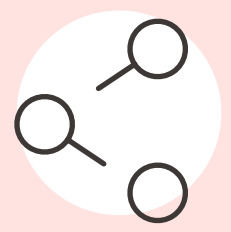
2 We are TRAILBLAZERS 

3 SUSTAINABILITY is at the centre of everything 

THE PURPOSE of our business model: **TO SAVE DRIVING BY MAKING IT SUSTAINABLE.**

WHY?
The automotive industry needs trailblazers. The future of driving must meet the needs of both people and the environment. 

WHAT?
We're changing the way cars are used. Predictability first, with people and the environment at the centre. 

HOW?
We communicate openly about the total costs and environmental impact of driving. We offer an easily manageable and understandable service package. 

LIFE CYCLE

Needs mapping
Tools to support CO₂ planning.


Car purchasing
In 2023, we ordered more than 3,100 vehicles. 44% of our new passenger car orders were electric.

Driving services
Secto's fleet at the end of 2023 contained over 10,600 cars and vans. Half of passenger cars are already low-emission (less than 50gCO₂/km). We made changes and extensions to 16% of the contracts.

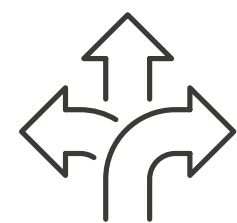
Tools to support decision making and sustainable driving
Decarbon Tool, Electric Vehicle Comparison Tool, Emission Reporting Tool and TCO.

Car sales to end users
14% of our cars sold are electric, compared to 4% electric cars sold by used car dealerships in Finland.

 **EMPLOYEES:** eNPS 40, 114 people, 99% full-time workers, 99% in permanent positions, annual employee turnover rate 3%.

 **CUSTOMERS:** NPS business leasing customers 37, trade-in car business 73.

Sources: The source of Secto's figures is the company's database. Other: Finnish Transport and Communications Agency Traficom, register of traffic matters / Value Clinic.



DISTRIBUTION OF TURNOVER AND EMISSIONS BY BUSINESS FUNCTION

After giving up our machine leasing business, Secto's turnover comes from vehicle lifecycle management, leasing, and used car sales.

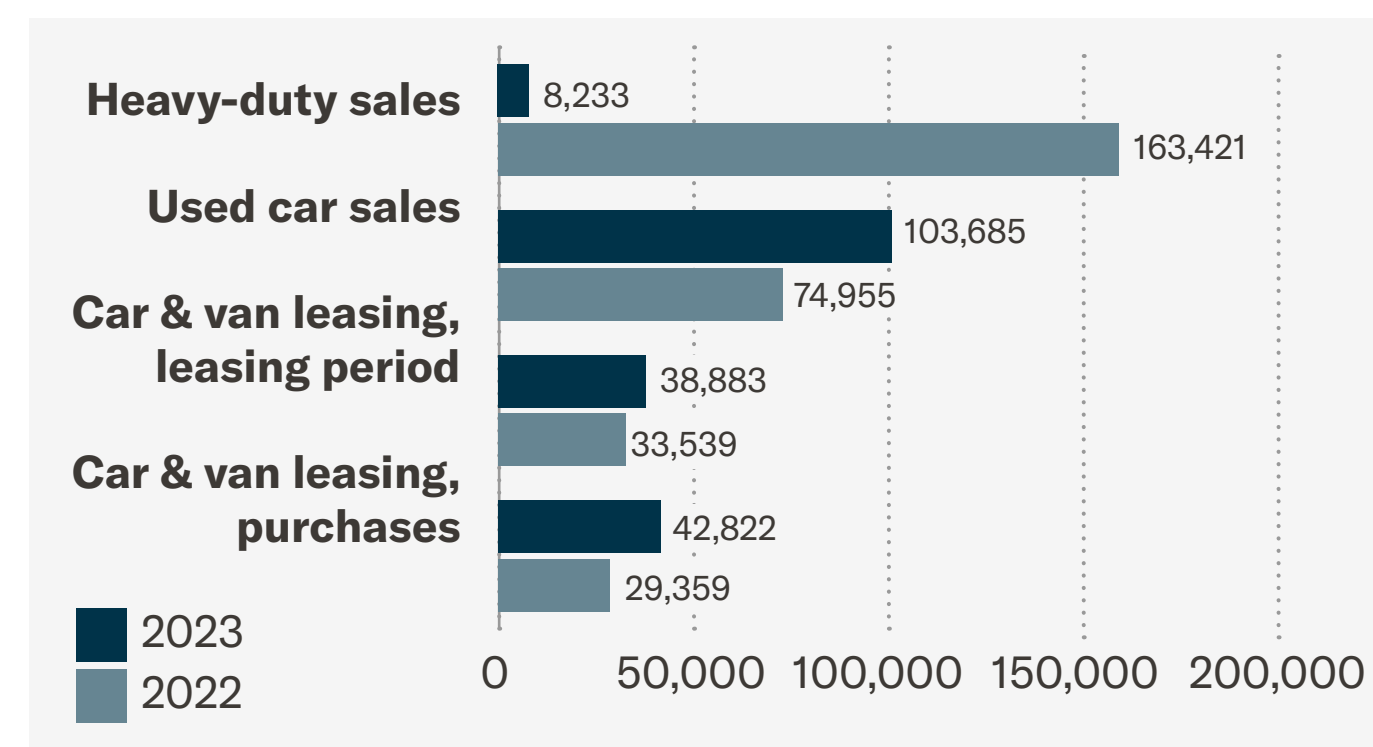
TURNOVER BY INDUSTRY (%) 2022 AND 2023

REVENUE %	2022	2023
Car & van leasing	60%	72%
Used car sales	21%	27%
Heavy-duty sales	19%	1%

SECTO AUTOMOTIVE OY FAS NET REVENUE adjusted for passthrough items, such as leasing rent and consignment sales was used to calculate GHG intensity. This revenue is used in order to homogenize our operational and finance leasing products' GHG intensity.

Secto Group switched to International Financial Reporting Standards (IFRS) in 2023, and we adjusted the 2022 figures to align with IFRS.

INDIRECT GHG EMISSIONS BY BUSINESS AREA (TCO₂E) 2022 AND 2023



WE HAVE EXPANDED the emissions calculation to include emissions from the production chain, car and van manufacturing, and car and van leasing for the comparison year 2022.

ACCORDING TO THE INTERNATIONAL STANDARD,

Secto's emissions are divided into three scopes:

- 1) Emissions from own operations.
- 2) Indirect GHG emissions from acquired or purchased energy, electricity, steam, heat, and cooling.
- 3) Indirect GHG emissions generated in the value chain.

Total GHG emissions (location-based) (tCO₂eq) 193,840.

Total GHG emissions (market-based) (tCO₂eq) 193,958.

- Scope 1: 11.88 tCO₂e.
- Scope 2: (location-based): 179.04 tCO₂e.
- Scope 2: (market-based): 297.13 tCO₂e
- Scope 3: 193,648.93 tCO₂e.

SCOPE 3 WAS BY FAR the largest source of GHG emissions.

Our decision to give up the machine leasing business and our journey towards a fossil-free car fleet has significantly reduced our Scope 3 emissions compared to 2022. Our relative per kilometer leasing period emissions have also reduced by 15% compared to 2022 due to the electrification of our leasing fleet.



SECTO STRATEGY – PURPOSE, VALUES, AND OBJECTIVES

Our purpose is to save driving by making it sustainable. We set the standard for hassle-free and fossil-free vehicle leasing.

Secto is a values-driven growth company. Our values are:

- **Empathy is our superpower**
- **We are trailblazers**
- **Sustainability is at the centre of everything**

These values guide our operations towards our strategic goals.

As part of our strategy, we've defined five main objectives to achieve by 2028. We aim to:

- 1) Be the market leader in B2B vehicle corporate leasing in Finland
- 2) Be the most sought-after partner in terms of customer satisfaction (NPS)
- 3) Be a thought leader in sustainable driving
- 4) Conduct responsible and transparent operations
- 5) Be a significant player in international markets

WE MONITOR THE PROGRESS towards our strategic goals and stakeholder satisfaction throughout the entire value chain with KPI metrics, and report on our results annually in a sustainability statement. During 2024, we will build a new set of KPI metrics, and refine our metrics for the environment and emissions as part of our commitment to the Science Based Targets Initiative (SBTi).

WE HAVE BECOME A THOUGHT LEADER in sustainable driving and accelerated the transition to fossil-free driving. Mitigating climate change is one of our strategic sustainability goals. While we are a medium-sized company, we have decided to commit to Science Based Targets (SBTi) climate targets in line with the requirements of much larger corporations. By providing low-emission cars to leasing customers and later to private customers from returned leases, we create value for society by helping Finland achieve its climate goals.

FOR CLIMATE TARGETS, it's crucial that more players in the industry, both client companies and competitors, adopt the same attitude as us. Even if competition intensifies, we believe that our values-driven approach provides us with a strong competitive edge that is hard to replicate. We continuously improve our processes, IT expertise, and services. Additionally, we have developed tools and processes to facilitate our customers' transition to low-emission vehicle fleets.

OUR GOAL IS TO OFFER OUR LEASING CUSTOMERS not only an easy transition to low-emission driving but also a hassle-free experience—from car selection to the end of the leasing contract. At Secto, our vehicle lifecycle approach involves proactive management throughout the entire service process: we prevent problems before they arise.

A CRUCIAL PART OF OUR FUTURE SUCCESS is our staff, who are committed to the company's values and eager to be part of realising our mission: to save driving by making it sustainable.

AS OUR BUSINESS GROWS, so do our opportunities to transform the automotive industry. This allows us to help more companies transition to fossil-free vehicle fleets and reduce their carbon footprint. There are strong grounds for Secto's growth strategy to succeed. The needs of the upcoming years differ from the past, requiring companies to adapt their service offerings. Meanwhile, the automotive industry is undergoing structural changes, with more and more original equipment manufacturers (OEMs) streamlining their supply chains. Our strategy responds to these global changes. As an agile service company, we can challenge global giants in this evolving market landscape.

OUR GROWTH WILL ALSO EXTEND outside Finland. By leveraging the competitive advantages proven successful in our domestic market, we can expand our operations beyond our borders.



SECTO DELIVERS VALUE TO ITS CUSTOMERS

Delivering value to customers means that a company aims to create and offer benefits that meet customers' needs and expectations.

IN THE CONTEXT OF EVERYDAY DRIVING, we deliver value to our corporate clients by offering a seamless transition to fossil-free driving and by simplifying fleet management throughout the leasing period. For private customers, we provide value through our used car business, where customers have the opportunity to acquire low-mileage, low-emission vehicles returned from leases through the same straightforward and reliable service process.

FROM A SUSTAINABILITY STANDPOINT, the greatest value that we provide to our customers is slowing down climate change, specifically by reducing GHG emissions from driving. Secto's

own environmental value stems from its customers. The more customers switch their fleets to vehicles powered by fossil-free energy, the greater our impact on reducing GHG emissions. That's why we strive to help our customers in the transition to sustainable driving in every way possible: by developing tools for planning the transition to fossil-free driving, making the transition easy through our service concept, and making fleet management effortless.

> See the ProMedical case: Reducing CO₂ emissions and driving costs with Secto tools, on the next page.



CASE PROMEDICAL ///

REDUCING CO₂ EMISSIONS AND DRIVING COSTS WITH SECTO TOOLS

ProMedical is a health technology company that distributes and imports medical devices for both public and private healthcare sectors across Finland.

CASE PROMEDICAL ///

WITH KEY ACCOUNT MANAGERS travelling hundreds of thousands of kilometres annually to meet clients, the company identified driving as its main source of carbon emissions. ProMedical partnered with Secto to make its vehicle fleet more sustainable, with the Decarbon Tool playing a crucial role in the collaboration.

IN RECENT YEARS, ProMedical updated its quality and environmental management systems to meet ISO standards, earning ISO 9001 quality and ISO 14001 environmental certifications in 2023.

“We considered areas where we could further improve our sustainability, and identified driving as the main focus. Our key account managers travel up to 65,000 kilometres annually, so transitioning to a low-emission vehicle fleet significantly reduces our carbon dioxide emissions,” explains ProMedical CEO **Joona Pulliainen**.

PROMEDICAL PARTNERED WITH SECTO in the spring of 2023, with Secto’s transition planning tools—like the Decarbon Tool and Electric Vehicle Comparison Tool—playing a pivotal role

in the decision-making process.

ProMedical now has nine company cars and one large van for maintenance trips. “Using Secto’s Decarbon Tool, we assessed our current fleet’s CO₂ emissions and began projecting how our carbon footprint would decrease by replacing combustion engine cars with low-emission, fully electric, and plug-in hybrid cars,” says Pulliainen.

“The Decarbon Tool’s analysis showed that we could reduce our CO₂ emissions by up to 87% in four years while cutting total costs by 7%. Our current emissions of 2,668 CO₂ kg/month would drop to 367 CO₂ kg/month, resulting in a cumulative reduction for the entire period of over 60,000 CO₂ kg,” continues Pulliainen.

ACCORDING TO THE DECARBON Tool’s analysis, transitioning to low-emission vehicles could lead to a 7% decrease in overall driving costs, making the decision to switch easy.

ProMedical aims to have a 100% low-emission vehicle fleet by the end of 2025, gradually replacing combustion engine cars with electric ones as old car contracts expire. “Currently, through Secto, we have two low-emission cars on lease, and we’ll add four fully electric cars in 2024. Achieving a fully low-emission vehicle

»The Decarbon Tool’s analysis showed that we could reduce our CO₂ emissions by up to 87% in four years while cutting total costs by 7%.

fleet requires a large van suitable for our needs to enter the market, but I’m confident that will happen soon,” says Pulliainen.

AT THE START OF THE COLLABORATION, Secto helped ProMedical update its car policy, which had been in place since 2002. The new car policy now favours fully electric cars. “Transparency is important as the company grows. Now, the rules and procedures regarding the costs of purchasing and using a car are clear to everyone. When it’s time to change a car, employees can explore options within the agreed mobility range from Secto’s Electric Vehicle Comparison Tool. Having access to all car brands through Secto is a welcomed feature,” says Pulliainen.

OVERALL, PULLIAINEN IS SATISFIED with the collaboration with Secto. “During the selection process, we checked that Secto’s quality and environmental standards aligned with ours. But the decision can’t only be based on processes—our values are also aligned with Secto’s, and their customer service has been exceptionally good. By taking over vehicle fleet management, Secto allows us to focus more on our core work.”



SECTO DELIVERS VALUE FOR ITS STAKEHOLDERS: PARTNERS, INVESTORS, OWNERS, AND SOCIETY

Secto's value creation for stakeholders is based on our streamlined service process and responsible operating model.

FOR CAR SUPPLIERS, Secto offers a cost-effective and efficient channel for distribution, and access to an advanced market interested in low-emission vehicles. Owners and investors benefit from Secto's values-driven approach as a competitive advantage. Our values-based corporate culture is difficult to replicate. We monitor customer satisfaction with the NPS measurements to ensure high-quality customer experience in all areas.

OUR SCALABLE SERVICE PROCESS and strong internal IT expertise provide us with the capabilities to expand our operations to larger accounts. If realised, this growth will improve our profitability, as operational costs per car decrease with the growth of vehicle fleets. More information about the value-

generating growth potential for owners and investors is provided in the Target Markets section of the report.

SECTO'S COMMITMENT TO SUSTAINABILITY adds value for investors and owners. In addition to ambitious short term SBTi targets, Secto is working toward meeting the requirements of an Article 9 compliant investment as a long term goal. We believe that transitioning to completely fossil-free services will increase our attractiveness to companies requiring sustainability, both as partners and investment opportunities. Adopting a more stringent ESG regulation-compliant approach may also help us secure financing on more favourable terms.

SECTO'S VALUES AND COMPANY CULTURE

We believe Secto's success is built upon our strong values. These values are the cornerstones of our company culture and our most essential leadership tool. Our entire staff's dedication to these values guides us towards achieving our strategic objectives.

OUR VALUES

- Empathy is our superpower
- We are trailblazers
- Sustainability is at the centre of everything

OUR VALUES GUIDE THE EVERYDAY ACTIONS of Secto employees. We treat each other with respect and appreciation, regardless of our roles. We help each other succeed and believe that together we are stronger. We treat everyone fairly and empathise with others. We listen, ask questions, and take others into consideration.

Secto has been a trailblazer in sustainable driving since 2010, and we intend to continue leading the way forward. We are curious and bold, always striving to be ahead of the curve. We operate without prejudice and challenge conventional thinking while using common sense. We recognise that committing to change is part of being a trailblazer. We advance our expertise and operations with purpose, and passionately drive innovation in our industry.

OUR COMMITMENT TO SOCIAL RESPONSIBILITY is evident in our values. We operate according to set goals and metrics in environmental, social, and governance (ESG) responsibilities. We take responsibility for the future of driving. By acting responsibly, we aim to benefit both people and the environment.

It's important for us to uphold our promises and act as exemplary leaders. We prioritise common goals and open, loyal collaboration over individual performance. We dare to challenge ourselves and maintain high standards.

> See the Maaret Jokinen case: Secto lives out its mission through values-based leadership, on the next page.



CASE MAARET JOKINEN ///

SECTO LIVES OUT ITS MISSION THROUGH VALUES-BASED LEADERSHIP

Secto's mission is to save driving by making it sustainable. To live out this mission, the company adheres to three core values, which are the cornerstones of Secto's corporate culture: 1) Empathy is our superpower, 2) We are trailblazers, and 3) Sustainability is at the centre of everything. These values were defined by Secto's top management team, including Maaret Jokinen, who leads Secto's people & culture.



CASE MAARET JOKINEN ///

MAARET JOKINEN JOINED SECTO in the fall of 2023 as the People & Culture Director. “There aren’t many Finnish small-to-medium enterprises (SMEs) with a people & culture director in the company’s top management team. My role shows how important values-based leadership is at Secto,” says Jokinen.

SECTO HAS RAPIDLY GROWN into a company of around 120 people, with many experts reaching leadership positions. As the company expanded, it became evident that Secto needed a clearer leadership structure and direction. Jokinen’s task was to develop a leadership model that aligned with the company culture.

“You cannot build leadership and organisational culture without a solid foundation. First, you need to define the company culture and set goals for it. Your values serve as a cornerstone of company culture, influencing every aspect of the corporate culture. Your vision and mission must also be clear—without them, your employees won’t understand the company’s direction and goals. Equally important is your view of human nature: what you believe about people and how you treat them,” explains Jokinen.

»You cannot build leadership and organisational culture without a solid foundation.

SECTO NEEDED TO CLARIFY and explain its company values to ensure they could be effective tools for leadership. “It’s important to have a common understanding of our values—what we mean by empathy, trailblazing, and sustainability. If our values aren’t understood the same way, everyone can interpret them in their own way, which leads to confusion,” says Jokinen.

CLARIFYING THE VALUES also guided the process of defining what’s expected in management and leadership roles at Secto.

“Secto now has a well-defined company culture, but we’re still in the early stages of living it out. We’ve discussed values extensively with both employees and the approximately 20 managers at Secto, and we conduct leadership training through one-on-one coaching and workshops. It’s important for managers to internalise our values as crucial tools for leadership—that’s the only way these values can manifest as concrete actions across the organisation,” says Jokinen.

JOKINEN EXPLAINS that Secto sees the impact of values-based leadership when employees implement the company’s vision and mission by acting in accordance with the shared values. On the other hand, those not committed to the company’s values eventually seek opportunities elsewhere.

“If employees act against the company’s values, we need to intervene. During the recruitment phase, we strongly emphasise our values and culture, ensuring the commitment of new employees from day one,” says Jokinen.

EMPLOYEE SURVEYS HELP DEVELOP CORPORATE CULTURE

Secto regularly monitors the implementation of initiatives that are meaningful to employees. The company openly discusses the results and informal feedback from the annual Siqni employee survey across different organisational levels.

“We openly discuss the results both in teams and on an individual level. We want to understand our employees: what motivates them, where we succeed, and where we need to improve. With the feedback received, we continuously lead the employee experience and company culture towards improvement,” says Jokinen.

ACCORDING TO JOKINEN, managing company culture is an ongoing journey. Especially in a changing environment, culture must be managed and adapted at the same time.

Decisions about changes to the company culture and values, however, can only be made by the company’s top management team. “Leaders must define the company’s values and direction, but should also listen to employees. A company succeeds only when its people know what’s expected of them, feel valued, and discover significance in their work,” explains Jokinen.

IN 2023, SECTO RECEIVED the Future Workplaces certificate for the second time, which recognises exceptional management of company culture with a deep understanding of its employees. “This tells us we’re heading in the right direction and that we have a solid foundation to build an even more responsible workplace together,” summarises Jokinen.

EMBEDDING VALUES IN OUR COMPANY CULTURE

Secto has rapidly grown into a company of around 120 people.

TO ENSURE OUR EMPLOYEES genuinely embrace our values, the leadership team must first align with them. In 2023, we re-defined our company culture, set goals for its development, and designed a training program for managers to integrate the company's values into their daily leadership practices.

Concrete actions taken in 2023 to implement the company culture at Secto include:

- Launching our redefined values and ensuring they are visible in everyday work
- Engaging in discussions with managers about the values, which form the basis and tools for leadership at Secto
- Clearly defining the role of managers through workshops
- Encouraging managers to exchange ideas and learn from each other's experiences

PEOPLE ARE OUR BIGGEST STRENGTH

A service company is only as good as its employees. Responsible leadership and a meaningful work environment help improve job satisfaction and foster company loyalty. Focusing on responsibility and values also enhances the employer brand: It's easier to recruit the right people when you can already ensure the candidate's commitment to the company's values during the job interview.

During the 2024–2028 strategy period, we anticipate many changes in our operational environment. As a values-driven organisation with a clearly defined company culture, we steadily pursue our strategic objectives and strive for continuous improvement.

WE REGULARLY EVALUATE what key aspects are important to our employees, guided by the annual Signi employee survey. We openly discuss the survey findings within teams and at individual levels to understand employee motivations, acknowledge achievements, and identify areas for improvement. By acting on this feedback, we aim to improve both the employee experience and company culture.

IN 2023, SECTO ONCE AGAIN RECEIVED the Future Workplaces certificate for exceptionally good management through employee understanding.



SECTO'S TARGET MARKETS

Secto's customer base mainly consists of small and medium-sized enterprises (SMEs).

WE HAVE IDENTIFIED GROWTH opportunities within our current SME clients, and our processes and IT systems enable us to scale our operations to serve larger corporate clients as well. Expanding into larger accounts will improve our profitability, as process upkeep costs per vehicle decrease with the growth of vehicle fleets.

ONE OF OUR STRATEGIC OBJECTIVES is to be the market leader in B2B vehicle corporate leasing. In 2023, we restructured our organisation and service processes to achieve this goal. Among other initiatives, we established the role of Sustainable Mobility Development Manager to help our current and future corporate clients speed up their transition to low-emission driving.

SECTO HAS DEVELOPED several tools to facilitate our customers' transition to sustainable driving. These tools are suitable for companies of all sizes.

THE DECARBON TOOL determines how and over what time-

frame a company's total fleet emissions will decrease, and how the total costs of driving will change when they replace combustion engine vehicles with electric ones as their current contracts expire.

THE ELECTRIC VEHICLE COMPARISON TOOL quickly helps identify fully electric options suitable for the needs of the user, and allowed in each client's individual car policy.

THE EMISSION REPORTING TOOL helps calculate the vehicle fleet's total emissions, which more and more companies will need to report in their annual sustainability statements.

SECTO'S GROWTH STRATEGY is well-founded as the automotive industry is changing, and more original equipment manufacturers (OEMs) are streamlining their supply chains. With our comprehensive services and flexible processes, we're ready to work closely with different car manufacturers and importers.

We also see opportunities to expand beyond Finland, as our competitive advantages in hassle-free and fossil-free driving apply there as well.

> See the Marian Granlund case: Guiding decision makers towards sustainable driving, on the next page.



CASE MARIAN GRANLUND ///

GUIDING DECISION MAKERS TOWARDS SUSTAINABLE DRIVING

Secto has strengthened its commitment to sustainability by introducing a new role designed to help companies speed up their transition to low-emission driving. After an extensive search, Secto identified the ideal candidate within the organisation: Marian Granlund assumed the role of Development Manager, Sustainable Mobility in 2022.



CASE MARIAN GRANLUND ///

GRANLUND EXPLAINS HER ROLE: “I visit companies with Secto salespeople to discuss sustainable driving. I support the transition to sustainable driving by offering know-how and best practices to our customers.”

GRANLUND’S ROLE ALSO INCLUDES introducing customers to new tools that simplify their daily operations. “We’ve designed tools for emission reporting, total cost of ownership (TCO) calculations, and modelling the future carbon footprint of vehicle fleets. We actively listen to our customers and strive to improve our tools based on their evolving needs,” says Granlund.

IN FACT, Secto developed the Decarbon Tool based on a discussion with a customer. “The company wanted to assess the changes in emissions and total costs of driving when transitioning to low-emission vehicles. Our excellent IT team at Secto then built this tool from scratch.”

IN RESPONSE TO CUSTOMER NEEDS, Secto also created a tool for comparing electric vehicles. “Car policies often define the framework for procurement. With the comparison tool, the car user or the decision maker can directly see what cars align with their specific requirements. We also help build car policies,

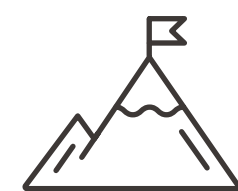
as many companies still compare cars the old-fashioned way by looking at the purchase price instead of considering the total costs of driving. When companies renew their contracts, they often realise that electric cars are the most cost-effective. As the world changes, so should car policies,” explains Granlund.

SECTO STANDS AS A PIONEER in providing information on transitioning to sustainable driving: the above mentioned tools are not offered by any other players in the automotive industry.

OVER THE PAST THREE YEARS, Secto has almost fully electrified its employee benefit vehicle fleet. Based on its own experiences, Secto can advise other companies on how to make the transition. “We also publish a lot of information for car users on our website. This helps new electric car users become familiar with charging and other aspects of electric driving,” says Granlund.

WHAT ESPECIALLY INSPIRES Granlund in her work is the opportunity to influence companies’ vehicle acquisitions, support the shift to sustainable driving, and contribute to climate change. “There’s no need to change the entire vehicle fleet all at once— even small changes make a big impact. But now is the time to act, not just talk about the future.”

»We actively listen to our customers and strive to improve our tools based on their evolving needs.



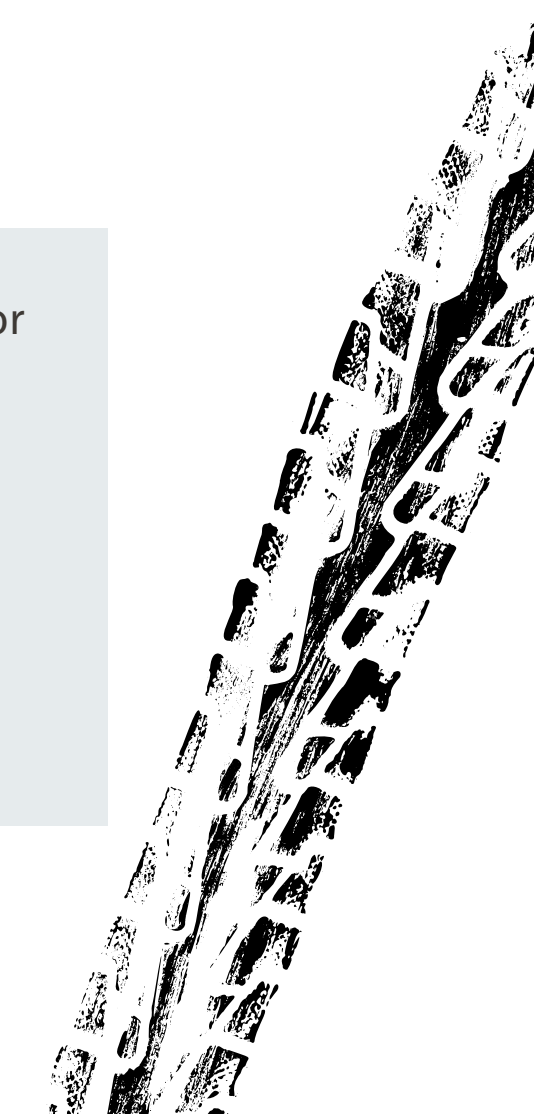
TRAILBLAZER IN SUSTAINABLE DRIVING

Sustainability is at the core of our business strategy. We have defined key sustainability themes by conducting a materiality assessment, taking into account the requirements of stakeholders, markets, and regulations, as well as the nature of our business and its sustainability impacts, risks, and opportunities.

BY PRIORITISING SUSTAINABILITY, we aim to ensure that our actions or decisions are sustainable in the long term and do not have harmful consequences for future generations. Secto has significant opportunities to promote positive effects on the environment, as well as on people and society within our value chain.

Our emission reduction targets provide Secto with the opportunity to grow and continue being a trailblazer in our industry.

- Climate change: Emission reductions and solutions for reducing our carbon footprint.
- People and society: Meaningful and safe work environment. Health, safety, protection of personal data, and understanding human rights issues throughout our value chain.
- Good governance: Social legitimacy to operate and a culture aligned with our values.



CASE SECTO AUTOMOTIVE LABS ///

ADVANCING SUSTAINABILITY IN THE AUTOMOTIVE INDUSTRY THROUGH DEVELOPMENT WORK

In December 2022, we established our own development department, Secto Automotive Labs, with the goal to communicate the need for sustainability in driving through positive and engaging communication.



»Our goal is to be a thought leader in sustainable driving and to position ourselves as experts in future automotive trends.

SECTO AUTOMOTIVE LABS researches the development of sustainable motorsports. Our main mission is not to win races but to test and promote our innovations for sustainable driving in motorsports, where solutions often transition to mass-produced vehicles.

Secto Automotive Labs laid a solid foundation during its first operational year in 2023. Before we launched Labs, our rally team already made history by being the first to use synthetic gasoline in 2021, followed by fossil-free lubricants in 2022. By 2023, these innovations had accumulated over 4,000 test kilometres, showcasing their viability to major car manufacturers. Leading by example, we've influenced several large car manufacturers like Skoda Motorsport and Toyota to integrate fossil-free lubricants into their operations, setting a new standard for sustainability.

In 2024, we'll focus our research on developing low-fossil tyres, aiming to expedite their commercialisation and collaborate with the world's largest tyre manufacturers.

DRIVING CHANGE IN MOTORSPORTS THROUGH POSITIVE PUBLICITY

Development work is meaningless unless it contributes to influencing the sustainable transformation of driving. That's why we prioritise communicating about sustainable driving to key stakeholders worldwide, including automotive industry players, customers, partners, and decision makers.

Our goal is to be a thought leader in sustainable driving and to position ourselves as experts in future automotive trends. We have delivered influential speeches at several important economic, sustainability, and sports events, like the Nordic Business Forum, TALKHelsinki, Secto Rally Finland, Skoda Motorsport Sustainability Workshop, and Monte Carlo Innovation Forum. Speaking on behalf of Secto were former CEO, current Chairman of the Board **Matias Henkola** and world-renowned racing driver **Heikki Kovalainen**.

As the main partner of the Finnish WRC rally, Secto Automotive Labs gained global visibility through several of the largest media outlets concentrating on motorsports. Our work has also received widespread national attention from newspapers, television, and industry publications.

DURING THE 2023 SEASON, the world's most-watched driver pair, Heikki Kovalainen and **Janni Hussi**, drove in Secto Automotive Labs' own rally car. Their commitment to the project's values and communication helped us achieve significant visibility and sparked discussions about the diversity of sustainable driving.

In the future, we will further strengthen our collaboration with Heikki Kovalainen, one of the world's most famous and popular racing drivers. During our first racing season together, Kovalainen has emerged as a highly committed advocate for sustainable driving, and in 2024, he will be even more visible at international events.



SUSTAINABILITY IMPACTS, RISKS & OPPORTUNITIES

OUR GREATEST IMPACTS are on climate and people. To implement our sustainability strategy, we divided our focus areas into themes, with key performance indicators (KPIs) and objectives to guide our strategic direction. By committing to these objectives, we enhance our business and contribute to addressing global challenges, such as the United Nations Sustainable Development Goals (SDGs).

FOCUS AREA	TARGET	MAIN KPIS	SDGS
CLIMATE CHANGE	SBTi, setting and achieving climate goals	<ul style="list-style-type: none"> Greenhouse gas emissions, GHG Scope 1, 2, 3 Percentage of low-emission vehicles in new lease car deliveries 	13
	Our leasing solutions help our customers reduce their environmental footprint	<ul style="list-style-type: none"> Average GHG emissions per kilometre (Scope 3.11 and 3.13) 	
PEOPLE	Ensuring a safe and meaningful work environment	<ul style="list-style-type: none"> eNPS Meaningful work environment 	8
	Health, safety, human rights	<ul style="list-style-type: none"> Occupational safety indicators Percentage of suppliers (by procurement amount) who have committed to Secto's supplier ethical guidelines 	3. 8
	Ensuring personal data privacy. Comprehensive training in AML, KYC, GDPR, and information security	<ul style="list-style-type: none"> Minimising data privacy breaches and risks associated with personal data protection Comprehensive coverage of personal e-learning paths (100%) 	16
GOOD GOVERNANCE	Acting in accordance with values and promoting an ethical organisational culture	<ul style="list-style-type: none"> Number of whistleblowing reports: We monitor what subjects are reported to the Compliance department 	16
	Social responsibility and social justification. A management method that promotes responsible and sustainable business throughout the value chain	<ul style="list-style-type: none"> Code of Conduct 98% 	10.16

TABLE DESCRIPTION OF PRINCIPAL SUSTAINABILITY RELATED RISKS AND UNCERTAINTIES
[DATA FROM THE RISK REGISTER]:

	RISK OR OPPORTUNITY	RATING
Climate transition and GHG emissions	Opportunity / Risk	High
Environmental pollution	Opportunity / Risk	Medium
Commitment to circular economy by value chain partners	Risk / Opportunity	Medium
Employee engagement	Risk / Opportunity	Medium
Value chain impacts, environmental and social	Risk / Opportunity	High
Data and reporting	Risk	Medium

AMONG OUR SOCIAL RISKS, significant concerns include employee engagement, social risks within the supply chain such as human rights and working conditions, and inadequate protection of personal data. Good governance practices and data availability are seen as both risks and opportunities. Secto has identified methods to manage risks or turn them into opportunities. For instance, we monitor industry-related policies and provide information to support societal influence and our customers' climate goals.

IN 2023, WE IDENTIFIED the proposed change in EV subsidies as the biggest climate goal risk. We took action to influence this tax change by conducting studies on its effects and publicly taking a strong stand to raise discussions on the topic. For our customers, we provide tools and models to facilitate the transition to sustainable driving.

THE MAIN SUSTAINABILITY RISKS and opportunities for Secto relate to the transitional phase of mitigating climate change and its impact on people, including our employees and social impacts throughout the value chain. These identified factors influence both our short-term and long-term strategies. The greatest opportunity lies in our ability to contribute to mitigating climate change by transitioning to sustainable driving.

TABLE: DESCRIPTION OF PRINCIPAL SUSTAINABILITY RELATED RISKS AND UNCERTAINTIES

SUSTAINABILITY AREA	RISK OR OPPORTUNITY	MAGNITUDE	MEANS OF MANAGEMENT
Climate change and GHG emissions	Risk / Opportunity	High	Providing information and tools to support decision making, transition, and emission reporting
Environmental pollution	Risk / Opportunity	Moderate	A diverse, brand-independent selection of low-emission vehicles
Partners' commitment to promoting environmental goals	Opportunity / Risk	Moderate	Collaboration with value chain partners
Employee commitment	Opportunity / Risk	Moderate	Providing a meaningful and safe work environment
Environmental and social impacts along the value chain	Risk / Opportunity	High	Training employees on sustainable practices
Corporate culture, good governance practices, access to information	Risk / Opportunity	Moderate	Continuous development of training and reporting

THE MOST IMPORTANT megatrend for Secto's business is combating climate change by reducing GHG emissions. The automotive industry is transitioning towards EVs and other climate-neutral technologies, and we at Secto have been implementing these changes since 2010.

SECTO IS COMMITTING TO THE SHORT-TERM climate targets set by the Science Based Targets Initiative (SBTi). Different sized companies have been assigned goals with different requirement levels. We have chosen to adhere to requirements for larger companies, which are stricter than those for SMEs. It's important for us to include the indirect GHG emissions generated throughout the value chain in our calculations (Scope 3).

THE TRANSITION TO SUSTAINABLE driving is inevitable; it's just a matter of how quickly it happens. EVs became the most popular choice among Secto's new passenger car orders as early as 2021, and this trend is continuing to rise. In 2022, 35% of our passenger car orders were fully electric, increasing to 44% in 2023. Similarly, 26% of the leasing passenger cars delivered to our customers were fully electric in 2022, rising to 42% in 2023.

SEVERAL FACTORS ARE DRIVING the rapid pace of change. The EU has set a strict target for phasing out fossil fuel cars by 2035 and is speeding up its implementation through different methods. EU emission fines have pushed car manufacturers to significantly reduce their petrol and diesel models, and boost the production of EVs.

The appeal of EVs is growing as the auto industry keeps developing better, more versatile, and longer-range EV models.

THE EU REGULATION on the deployment of alternative fuel infrastructure was approved in the summer of 2023. In the coming years, additional alternative fuel charging and refueling stations will be deployed across Europe.

TAX CHANGES ALSO SUPPORT the transition to sustainable driving. Purchase subsidies have been available for both personal and commercial vehicles. Company car users receive a discount on the taxable value of the car benefit, and new electric cars have been exempt from vehicle tax. In June 2023, discussions began about extending the tax benefits for company cars for the period of 2026 to 2030. The government proposed removing the benefit, which would have significantly slowed down the EV market share growth and made it harder to achieve Finland's climate goals. We did publicly express the importance of continuing the current practice. The government decided to extend the tax incentive for fully electric company cars from 2026 to 2029.

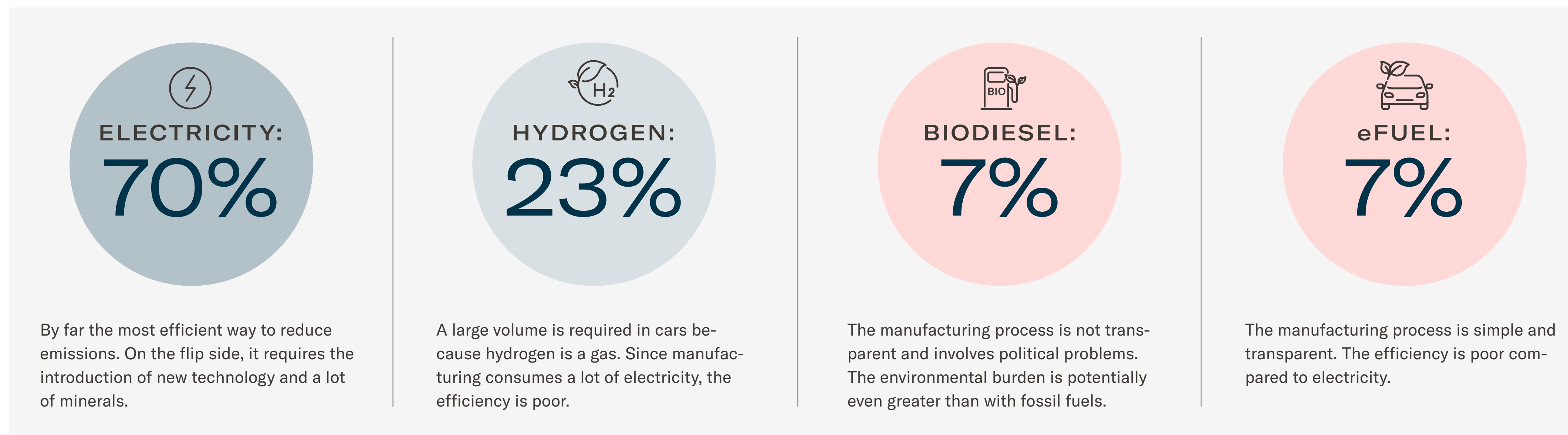
> See the Public Promotion case: Secto publicly promotes sustainable driving, on page 9.

REGULATIONS BASED ON ENVIRONMENTAL, social responsibility, and good governance also drive change. More and more companies are committed to reducing their carbon footprint, and reducing fleet emissions is the most significant way for many companies to make an impact.



OPERATING VOLUME FIGURES

EFFICIENCY OF AN EV VS. OTHER ALTERNATIVE ENERGY SOURCES



Source: Rothbart, M., "e-Fuel Production via Renewables and the Impact on the In-Use CO₂ Performance," SAE Technical Paper 2020-01-2139.

DESPITE PRICE FLUCTUATIONS, electricity has proven to be a more cost-effective energy source than fossil fuels. More important than price is the value of electricity as a responsible and sustainable energy source. The efficiency of electricity is 10 times better than gasoline, eFuel, and biodiesel.

HOWEVER, WE ARE NO LONGER just talking about the electrification of transportation, but we are also monitoring the development of all fossil-free fuel solutions. The electrification of vehicle fleets is not an end in itself for us, but rather a means to reduce the carbon footprint of transportation.

SECTO SUSTAINABILITY STATEMENT

2023

secto
automotive

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1. GENERAL INFORMATION

ESRS 2 GENERAL DISCLOSURES

BASIS FOR PREPARATION

BP-1 – GENERAL BASIS FOR PREPARATION OF SUSTAINABILITY STATEMENTS

The disclosure statement is a new addition to Sectos's sustainability report, aiming to increase transparency and comparability of information. It is prepared in accordance with ESRS standards where applicable. The sustainability statement has been prepared on a consolidated basis. The scope of consolidation is the same as for the financial statements. Secto has not used the option to omit a specific piece of information corresponding to intellectual property, know-how, or the results of innovation.

BP-2 – DISCLOSURES IN RELATION TO SPECIFIC CIRCUMSTANCES

TIME HORIZONS

In this statement, the definitions of time horizons are as follows. Short-term time horizon: the reporting period in Secto's financial statements.

Medium-term time horizon: from the end of the short-term reporting period up to 5 years. Long-term time horizon: more than 5 years. These time horizons are aligned with the ESRS 1 Standard.

VALUE CHAIN ESTIMATION

Value chain metrics such as GHG emissions include data estimated using indirect sources. The reporting principles, including indicators, data sources, data gathering methodology, and assumptions, are described in the Appendix – Reporting principles.

SOURCES OF ESTIMATION AND OUTCOME UNCERTAINTY

There are no disclosures that are subject to a high level of measurement uncertainty.

CHANGES IN PREPARATION OR PRESENTATION OF SUSTAINABILITY INFORMATION

This sustainability statement is the first voluntary report of sus-

tainability disclosures following limited ESRS scope, so there are no differences between figures disclosed in the preceding period and comparative figures, no prior period material errors, and no corrections for prior periods. There were no reporting errors in prior periods. Comparative information is disclosed where it is available. The GHG calculation scope in section E1 has been expanded from previous years.

Topics E1, S1, G1 have initially been assessed to be material according to a bottom-up stakeholder survey. The metrics are disclosed later in the statement in sections E1, S1 and G1. All applicable disclosure requirements of E1, S1, and G1 are answered. The scope of reporting may be changed in later years, as a full double materiality assessment will be completed. Secto's business model is built on enabling sustainable passenger driving, so consideration of sustainability matters is embedded in our strategy, policies, and metrics.

GOVERNANCE

GOV-1 – THE ROLE OF THE ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES

Information about the composition and diversity of members of the management team and Board is summarised in the table below. Employees and other workers are not represented in the Board.

Secto manages sustainability topics with the same determination that is applied to financial matters—ESG is a financial risk and opportunity for Secto and will be managed accordingly. That is why the sustainability agenda is integrated into all levels of the organisation. Secto approaches ESG matters from three perspectives: strategy, operations, and reporting.

1. STRATEGY

The role of the Board of Directors (BoD) and top management team is to ensure strategic alignment with Secto’s mandate and direction. The Board of Directors oversees ESG topics and takes accountability for the resilience of Secto in the long-term, focusing on key ESG-related risks and opportunities. The BoD does annual revision and approval of the ESG strategy, including setting annual performance targets, as well as the performance and reporting of sustainability information.

The management team has a steering role in the sustainability agenda and the chief financial officer (CFO) has the overall responsibility for ESG matters, including human rights, environment, social and labour, and anti-corruption. The management team is responsible for mitigating any identified ESG risks and identifying ESG value drivers, integrating ESG into the Secto group business strategy and that it is actioned within the business. It also approves and presents the sustainability strategy and main sustainability policies and principles to the Board for sign-off supported by the compliance specialist.



TABLE GOV-1. MEMBERS OF THE MANAGEMENT TEAM

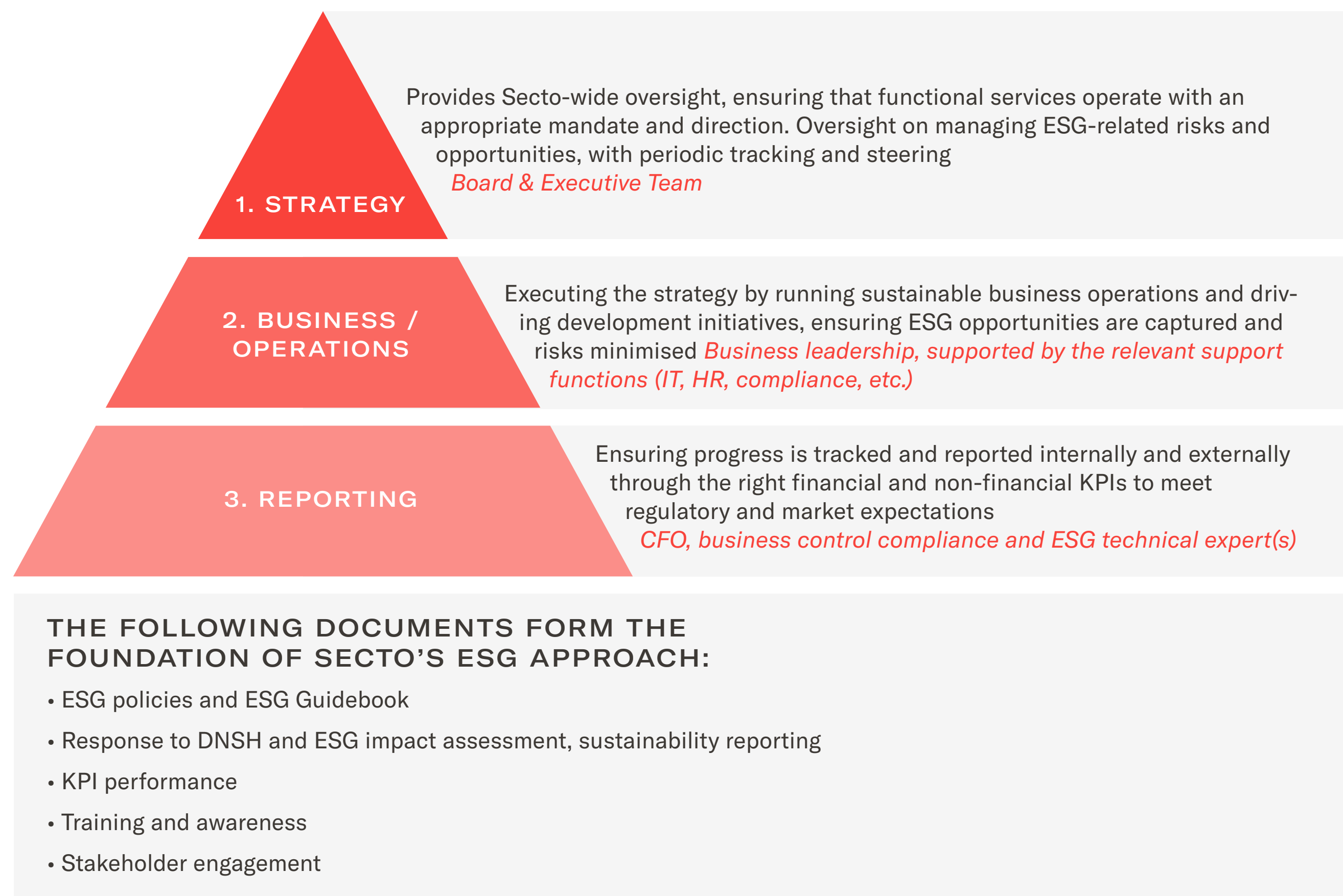
	NUMBER OF MEMBERS	INDEPENDENT OF THE COMPANY	GENDER DIVERSITY RATIO
Management team	7	N/A	29%
Board of Directors	5	2	0%

2. OPERATIONS

Business units are responsible for the day-to-day interactions and activities with specific inputs into ESG activities. The finance and procurement divisions are responsible for ESG-related data such as those that provide input into greenhouse gas emission calculations. The IT team ensures that all ESG-related activities are

undertaken within the information technology and security systems of Secto. Anti-money laundering operations are under the leadership of the chief operating officer (COO) and ensure that all ESG-related activities are undertaken within the anti-money laundering requirements for Secto.

SYSTEMIC APPROACH FOR SECTO'S ESG GOVERNANCE



3. REPORTING

Reporting-led ESG activities are run by Secto's business control team and the CFO, with support from compliance and technical ESG experts. Business control, head of finance, compliance, and procurement are responsible for gathering and managing data associated with key sustainability metrics. Business control monitors the progress in achieving the sustainability strategy through KPIs and supports in preparing content for non-financial information and sustainability reporting.

GOV-2 – INFORMATION PROVIDED TO, AND SUSTAINABILITY MATTERS ADDRESSED BY THE UNDERTAKING'S ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES

The Board of Directors is responsible and approves the sustainability priorities and targets and is informed annually and ad hoc as required about the sustainability policies and processes, risk management, data and reporting, and other supporting information, such as stakeholder engagement process. The executive team sets up and monitors the targets and KPIs on an annual basis and ad hoc as required.

GOV-3 – INTEGRATION OF SUSTAINABILITY-RELATED PERFORMANCE IN INCENTIVE SCHEMES

Secto does not have incentive schemes for members of administrative, management, or supervisory bodies. Instead, employees holding such positions are shareholders of the Secto group and commit to Secto's sustainability agenda as shareholders.

GOV-4 - STATEMENT ON DUE DILIGENCE

Due diligence process is described in several sections of the sustainability statement, as summarised in the table below.

TABLE GOV-4. CORE ELEMENTS OF THE DUE DILIGENCE PROCESS IN OTHER PARTS OF THIS REPORT

CORE ELEMENTS OF DUE DILIGENCE	PARAGRAPHS IN THE SUSTAINABILITY STATEMENT
a) Embedding due diligence in governance, strategy, and business model	ESRS 2 GOV-2 ESRS 2 GOV-3 ESRS 2 SBM-3
b) Engaging with affected stakeholders in all key steps of the due diligence process	ESRS GOV-2 ESRS 2 SBM-2 ESRS 2 IRO-1 ESRS 2 MDR-P
c) Identifying and assessing adverse impacts	ESR 2 IRO-1 ESRS 2 SBM-3
d) Taking actions to address those adverse impacts	ESRS 2 MDR-A
e) Tracking the effectiveness of these efforts and communicating	ESRS 2 MDR-M ESRS 2 MDR-T

GOV-5 - RISK MANAGEMENT AND INTERNAL CONTROLS OVER SUSTAINABILITY REPORTING

Guided by stakeholder surveys, Secto has taken a continuous approach to developing the scope and depth of sustainability reporting. The management team and the Board manage the risks related to sustainability reporting by reviewing the status annually and by incrementally increasing the level of detail already before the ESRS reporting standards are mandatory. Secto published the first sustainability report of the year 2022, and the 2023 report is following the future CSRD aligned reporting practices where applicable. The main risks related to sustainability reporting include availability, accuracy, and relevance of information. These risks have been mitigated by internal control practices and external data sources such as continually widening the scope of CO₂ reporting, by involving several functions of the company to the reporting process and by inviting stakeholders to have a say on the scope of reported material topics.

STRATEGY**SBM-1 – STRATEGY, BUSINESS MODEL, AND VALUE CHAIN**

Secto's strategy, products and services, significant markets, value creation model, and value chain are described in the previous part of the sustainability report, (disclosures incorporated by reference).

Secto's total IFRS revenue in 2023 was 229 million euros and it had 114 employees at the end of the year. The majority of the total revenue is from passenger and light-duty vehicle leasing services and the minority is from used car sales. The transformation towards low-emission vehicles makes sustainability-related goals central to Secto's strategy in all geographical areas. Secto's purpose is to save driving by making it sustainable. While Secto is not active in other significant ESRS sectors, it is linked to the

manufacturing of low-carbon technologies for transportation through its supply chain.

The taxonomy eligibility and alignment of Secto's business activities is a key environmental performance indicator, as Secto aims to increase the ratio of low-emission vehicles. The eligibility and alignment with taxonomy are evaluated based on criteria related to the contribution of activities like "transporting by motorbikes, passenger cars, and light commercial vehicles to climate mitigation efforts".

Secto is not active in fossil fuel, chemicals, controversial weapons, or the tobacco sector and has no revenue from fossil fuel, coal, oil, gas, chemicals production, or controversial weapons.

STAKEHOLDER GROUP	INTERNAL STAKEHOLDERS	FINANCE	BUSINESS PARTNERS (INCLUDING SUPPLIERS)	END USERS	STATE AND MUNICIPAL	OFFICIAL ORGANISATIONS
Stakeholders involved	<ul style="list-style-type: none"> • Shareholders • Board of Directors • Investors • Employees 	Creditors	<ul style="list-style-type: none"> • OEM'S (Suppliers) • Financial institutions (banks that cars are being sold to) • Other suppliers 	<ul style="list-style-type: none"> • Private Clients • Business Clients 	<ul style="list-style-type: none"> • Porvoo Municipality • Government agencies • Communities/Society 	<ul style="list-style-type: none"> • UNGC • Trade unions • Media
Requirement	<ul style="list-style-type: none"> • Employment income and safety/financial returns • Job satisfaction • Diverse workplace • Inclusivity • Digital growth • Employee benefits • Compliance 	<ul style="list-style-type: none"> • Financial returns • Lower CO₂ emissions and Climate Change plans 	<ul style="list-style-type: none"> • Revenues and safety • Supplier Code of Conduct and Sustainable procurement • AML & KYC, GDPR • Lower CO₂ emissions and Climate Change Plans 	<ul style="list-style-type: none"> • Product/service quality and value • Hassle free EV solutions • Safety • Satisfaction • Lower CO₂ emissions and Climate Change Plans 	<ul style="list-style-type: none"> • Taxes and GDP and health, safety, economic development • AML • GDPR • Laws and Regulations 	<ul style="list-style-type: none"> • Compliance • Setting specific targets • Lower CO₂ emissions and Climate Change Plans

SBM-2 – INTERESTS AND VIEWS OF STAKEHOLDERS

To guide our ongoing sustainability focus areas and activities, we have identified and mapped stakeholders based on their influence and impact. Dialogue with the stakeholders is continual, and surveys on their sustainability-related priorities and expectations are part of the materiality assessment process. In 2023, a survey was conducted with the car industry suppliers, leasing service end users, and internal stakeholders, and the views of other business partners and financial stakeholders were heard otherwise.

Secto's identified stakeholders are the end users (business and private clients), business partners (OEMs and other suppliers and financial institutions), finance stakeholders (creditors, banks, and

current and future investors), state and municipal stakeholders, other organisations and internal stakeholders such as employees, shareholders, and board of directors. Employee surveys are considered as an important part of the feedback in materiality assessment.

We value the opinions of our stakeholders, and their interests are considered in our sustainability strategy. In the future, we will continue our active dialogue with our stakeholders. We have a stakeholder engagement plan, approved by the executive team and we will engage our stakeholders accordingly. For example, from the fall of 2024, ethics pulse for the whole personnel will be conducted regularly. In addition Secto has developed its internal auditing as a channel of influence for our staff same time as we ensure compliance throughout the organisation.

SBM-3 - MATERIAL IMPACTS, RISKS AND OPPORTUNITIES, AND THEIR INTERACTION WITH STRATEGY AND BUSINESS MODEL

Material impacts, risks and opportunities, as well as the resilience of the business model are detailed in the previous parts of the report (incorporated by reference). The material topics identified according to our assessment are:

- **Climate transition.** GHG emissions and solutions for reducing the carbon footprint of driving
- **People and society.** Meaningful and safe working environment, health, safety, data security, and human rights in the value chain
- **Corporate governance.** Social licence to operate. Value based corporate culture

MATERIALITY ASSESSMENT PROCESS

To concentrate our efforts on the most relevant and important issues at Secto, we have conducted a materiality assessment of the key sustainability matters where we not only have a potential impact, but on issues that may have an impact on our business going forward. The first materiality assessment was conducted in 2022 and now reviewed in 2023. We took the following steps as part of the process:

- 1) Identification of all potentially material topics and creating a long list for consideration.
- 2) Prioritisation of the topics by categorising them and assessing their applicability to Secto. The main considerations were strategic importance to Secto, expected importance to stakeholders, and the social, economic, and environmental impact of each topic in the value chain.
- 3) Performing stakeholder engagement activities with several stakeholder groups as part of materiality assessment.
- 4) Validation of the selected material topics based on stakeholder dialogue combined with engaging management.

THE ASSESSMENT WAS DONE ON THE FOLLOWING BASIS:

- Market requirements, including regulatory requirements
- Secto's own business context, including external commitments such as OECD guidelines for multinational enterprises (MNE), UNGPs, the eight conventions on fundamental principles and rights at work, and the international bill of human rights
- Stakeholder expectations
- Impacts of Secto's own operations (and impacts in the value chain) to the environment and people, and the effect of sustainability related risks and opportunities to Secto's business development

IMPACT, RISK, AND OPPORTUNITY MANAGEMENT

IRO-1 - DESCRIPTION OF THE PROCESSES TO IDENTIFY AND ASSESS MATERIAL IMPACTS, RISKS, AND OPPORTUNITIES

Principal sustainability-related risks and opportunities are described in the sustainability risks and opportunities part of the report. The risks and opportunities are interdependent as, for example, employee engagement helps drive climate transition through Secto's business, but the ability to drive climate impact also increases the meaningfulness of the work.

Secto has an extensive risk and opportunity management process where sustainability risks and opportunities are assessed together with all other risks. The compiled risk register is based on insight from own operations and stakeholders, and it is reviewed by management and board annually. The risks and opportunities are categorised according to likelihood, scope, and scale and for the sustainability risks and the potential irremediability of the risk has been considered. The scope of risks and opportunities considers the whole value chain from suppliers and partners to customers and end-use. The management approach to risks focuses on identification, mitigation, and assessment of residual risks. Sustainability risks and opportunities within the complete risk register were separately screened with the main categories of risks in the frameworks of TCFD and physical climate risks in EU Taxonomy to ensure no significant risks were left unidentified. Secto activities are performed in a limited geographic zone, but the risk review included the value chain perspective. Each risk or opportunity has a responsible person, and the mitigation activities are managed by Secto management throughout the business activities.

TOP SUSTAINABILITY RISKS AND OPPORTUNITIES OF SECTO PRESENTED IN THE SUSTAINABILITY RISKS AND OPPORTUNITIES SECTION INCLUDE:

- Contribution to or mitigation of climate change through leasing of high versus low-emission vehicles
- Potential human rights issues or negative social or environmental impacts in the supply chain

IRO-2 – DISCLOSURE REQUIREMENTS IN ESRS COVERED BY THE UNDERTAKING'S SUSTAINABILITY STATEMENT

The list of ESRS disclosure requirements complied with in preparing this sustainability statement can be found at the end of this statement. When preparing this sustainability statement, we have estimated the material ESRS disclosures to be E1, S, and G1. During 2024 we are going to conduct the required double materiality analysis.

MDR-P – POLICIES ADOPTED TO MANAGE MATERIAL SUSTAINABILITY MATTERS

Secto has sustainability related policies that outline the overall intentions and direction for how the company manages the material sustainability matters. The basis for other sustainability related policies is the ESG Policy, which describes Secto's intentions and relationship with the environment and the society. Under the ESG Policy, there are three other policies which cover the aspects, intentions, and actions in more detail:

- 1) Environment and Climate Change Policy describes the approach to managing environmental risks and opportunities and addresses climate change.
- 2) Social and Labour Policy describes Secto's approach to complying to societal and employee related principles.
- 3) Human Rights Policy describes our approach to managing our impact to specific internal and external groups.

The responsible business principles are laid out in our Code of Conduct and the Supplier Code of Conduct, which addresses the main content of the policies but also, for example, anti-corruption and bribery, competition laws, financial integrity, privacy, conflicts of interest, and money laundering.

MDR-A – ACTIONS AND RESOURCES IN RELATION TO MATERIAL SUSTAINABILITY MATTERS

Actions taken and planned to be taken in relation to the material sustainability matters in short term and long term are described in sections E1, S1, and G1. Resources including financial (Capex and Opex) currently allocated to the action plan are part of the annual planning of Secto and responsible persons to the action plan are the same as the responsible persons of those functions in the management team. As sustainable actions towards sustainable and hassle-free driving are the very core of Secto's strategy,

the investments for climate and the environment are embedded in the entire financial planning and strategy.

METRICS AND TARGETS

MDR-M – METRICS IN RELATION TO MATERIAL SUSTAINABILITY MATTERS

The main metrics in relation to material sustainability matters are described here in three groups: 1) metrics on impacts, risks, and opportunities related to the environment and climate change, 2) metrics related to the social impacts, risks, and opportunities, and 3) metrics related to governance. 2023 sustainability data is not yet validated or assured by an external body.

Environmental metrics include the total carbon footprint and separately the scopes of GHG emissions from own operations and value chain, energy use, share of renewable energy, and revenue from taxonomy-aligned activities. Status, actions, targets, and trends of environmental metrics are described in the E1 section of the report.

Social metrics include total headcount including and excluding board, employee satisfaction eNPS, and safety metrics (days lost to accidents, number of injuries, lost time incident frequency (LTIF) and total recordable incident frequency (TRIF), days lost for work-related illnesses, percentage of employees covered with collective agreements, percentage of employees in trade union or other worker's association, unadjusted pay gap and number of recorded incidents of discrimination, and complaints or grievances). Social metrics are presented in section S1 of the report.

Governance metrics include board gender diversity. Governance metrics are presented in section G1 of the report.

MDR-T – TRACKING EFFECTIVENESS OF POLICIES AND ACTIONS THROUGH TARGETS

Secto has set specific numeric annual, short-term, and long-term targets to some of the metrics described above. To some of the other targets, Secto's policy and intention describes the goal as either zero or 100%, for example, as in decarbonising the leasing fleet by delivering the last fossil fuel passenger vehicle to a leasing customer in 2028, or in aiming for zero discrimination, zero safety incidents, or high eNPS. Alignment of stakeholder expectations with the targets was ensured by stakeholder dialogue in 2023. Detailed description of targets, methodologies, and performance is in sections E1, S1, and G1 of the report.

DISCLOSURES INCORPORATED BY REFERENCE

The following information is incorporated by reference to other parts of the sustainability report:

- ERSR 2 SBM1 - Market position, strategy, business model, and value chain
- ESRS 2 SBM-3 - Material impacts, risks, and opportunities and their interaction with strategy and business model
- ESRS 2 IRO-1 - Description of the processes to identify and assess material impacts, risks, and opportunities
- ESRS E1-4 Targets related to climate change mitigation and adaptation

2. ENVIRONMENTAL INFORMATION

ESRS E1 CLIMATE CHANGE

GOVERNANCE

ESRS 2 GOV-3 INTEGRATION OF SUSTAINABILITY RELATED PERFORMANCE IN INCENTIVE SCHEMES

Secto does not have incentive schemes for members of administrative, management, or supervisory bodies. Instead, employees holding such positions are shareholders of the Secto group and commit to Secto's sustainability agenda as shareholders.

STRATEGY

E1-1 – TRANSITION PLAN FOR CLIMATE CHANGE MITIGATION

Secto has started preparing its transition plan for climate change mitigation. Secto is aiming to commit to Science-Based Targets (SBTi) and the process is still ongoing. Secto will report its Scope 1, 2, and 3 targets and transition plan when the targets are validated by SBTi. The target validation is expected to take place during 2024.

ESRS 2 SBM-3 – MATERIAL IMPACTS, RISKS AND OPPORTUNITIES, AND THEIR INTERACTION WITH STRATEGY AND BUSINESS MODEL

Secto has identified climate-related transition and physical risks in the Risk and Impact Register, but it hasn't conducted a separate climate scenario/resilience analysis yet. The most material climate-related risks are GHG emissions, climate transition, and environmental pollution.

IMPACT, RISK, AND OPPORTUNITY MANAGEMENT

ESRS 2 IRO-1 – DESCRIPTION OF THE PROCESSES TO IDENTIFY AND ASSESS MATERIAL CLIMATE-RELATED IMPACTS, RISKS, AND OPPORTUNITIES

Secto has an extensive risk and opportunity management process where sustainability risks and opportunities are assessed together with all other risks. The compiled risk register is based on insight from its own operations and the stakeholders, and it is reviewed by management and board annually. The description of the process can be found in ESRS 2 IRO-1.



E1-2 – POLICIES RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION

Secto has an Environmental and Climate policy to outline the overall intentions and direction of how the company will relate to its effect on the environment. All decisions and actions taken by the organisation must be consistent with and designed to accomplish the commitments made in the Environmental policy. The Environmental and Climate policy applies to all activities, employees and operations within Secto.

Secto's overall environmental aim is to create value in our operations by managing our environmental impact. These practices are integrated into Secto's day-to-day activities and practices to contribute to achieving sustainable development. To do this, Secto aims to understand what our impact is on the surrounding environment and what our significant environmental issues and risks are.

To achieve the above, some key environmental matters have been identified as being material to Secto's sustainability and will be the focal point of this policy and of supporting policies and plans. This was determined by assessing Secto's key activities as well as ensuring adherence to legal and constructive obligations and compliance with the Principal Adverse Impact (PAI) Indicators, the Do No Significant Harm principles, the United Nations Global Compact Principles and OECD Guidelines for Multinational Enterprises). These material matters include:

- Our GHG emissions (focusing on the emissions associated with the leasing of vehicles)
- Our renewable energy mix: gradually transitioning our fleet to electric vehicles to increase our share of renewable energy via charging electricity and to reduce our overall carbon footprint

- Waste management, reducing the amount of waste we produce, and managing the activities associated with waste management (such as recycling)

We further aim to take the necessary steps to cease or prevent our current impact through mitigation activities.

E1-3 – ACTIONS AND RESOURCES IN RELATION TO CLIMATE CHANGE POLICIES

Specific activities that will be undertaken in relation to our Environmental and Climate policy includes:

- In order to achieve the long-term temperature goal, set out in Article 2 [of the Paris Agreement], we will track and report on our emissions to help expedite emission reduction efforts in line with global targets, and can further help Secto manage risks and opportunities. In this instance our focus will be on our Scope 3 emissions, with a special focus on emissions associated with our vehicle leasing activities.
- We will focus our efforts on increasing our mix of EVs within our leasing portfolio. This will also be beneficial in contributing to a greater mix of renewable energy throughout our operations and to encourage the development and diffusion of environmentally-friendly technologies. We will further look to do so through exploring potential new and efficient technologies to achieve sustainable development.
- We will consider the potential impacts of climate change on our operations and determine whether we need to consider putting adaptation measures in place.

TABLE E1-5. ENERGY CONSUMPTION AND MIX

ENERGY CONSUMPTION AND MIX	2023
Fuel consumption from coal and coal products (MWh)	–
Fuel consumption from crude oil and petroleum products (MWh)	3,9
Fuel consumption from natural gas (MWh)	–
Fuel consumption from other fossil sources (MWh)	–
Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources (MWh)	782
Total fossil energy consumption (MWh) (calculated as the sum of lines 1–5)	828
Share of fossil sources in total energy consumption (%)*	33
Consumption from nuclear sources (MWh)	430
Share of consumption from nuclear sources in total energy consumption (%)*	17
Fuel consumption for renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen, etc.) (MWh)	7
Consumption of purchase or acquired electricity, heat, steam, and cooling from renewable sources (MWh)	642
The consumption of self-generated non-fuel renewable energy (MWh)	–
Total renewable energy consumption (MWh)	649
Share of renewable energy sources in total energy consumption (%)*	26
TOTAL Energy consumption (MWh)	2,542

*) Because of the classification method, the total sum of fossil energy, nuclear energy and renewable energy is not 100%, as part of the energy is produced from sources that are not included in any of the above. For example, heat recovery or electricity as a heating source are that kind of other energy sources.

METRICS AND TARGETS

E1-4 – TARGETS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION

The main target related to climate change mitigation and adaptation is to set and achieve science-based climate targets covering Scope 1, 2, and 3, to which Secto is committed to.

E1-5 – ENERGY CONSUMPTION AND MIX

Since July 2023, all consumed electricity has been renewable in Secto's premises. Regarding the heating energy's energy sources, Secto is dependent on the choices and decisions of property owners in our rental premises. Secto actively strives to influence the transition to renewable heating energy sources for these premises.

E1-6 – GROSS SCOPES 1, 2, 3 AND TOTAL GHG EMISSIONS

Secto has calculated its greenhouse gas emissions starting from 2022. The calculation follows the international greenhouse gas protocol standard and is conducted using operational control. The calculation comprehensively includes the essential emission-causing actions for Secto's operations. In the 2023 calculation, the newly leased cars and vans' manufacturing emissions were included as new factors in the calculation. Emissions from the heating of Secto's premises were also added. Emissions for these new factors were also calculated for the base year.

Scope 1 emissions have fallen by 90% as almost all Secto's company cars are now electric. This in turn has raised Scope 2 emissions, however, only very minimally.

In 2023, most of Secto's emissions came from the indirect Scope 3 downstream emissions resulting from the sale of used vehicles. Scope 3 emissions have fallen in 2023 due to the discontinuation of Secto's heavy-duty leasing business. The use of leased cars and the manufacturing emissions of new cars constitute the second and third largest sources of emissions. Other indirect Scope 3 emissions play a minimal role in the total emissions.

Due to more electric cars and hybrids in Secto's fleet and the discontinuation of heavy-duty leasing, total GHG emissions and emission intensity has fallen over 35% compared to 2022.

TABLE E1-6. GHG INTENSITY

GHG INTENSITY	COMPARATIVE	N	% N / N-1
Total GHG emissions (location-based) per net revenue (tCO₂eq/€)	1 031.95	652.97	-36.7%
Total GHG emissions (market-based) per net revenue (tCO₂eq/€)	1 032.21	653.37	-36.7%

GHG INTENSITY	BASE YEAR 2022	COMPARATIVE 2023
Net revenue used to calculate GHG intensity	292,322,535 €	296,857,656 €
Total net revenue (in financial statements)	292,322,535 €	296,857,656 €

Secto Automotive Oy Finnish Accounting Standards (FAS) net revenue adjusted for passthrough items, such as leasing rent and consignment sales, was used to calculate GHG intensity. This revenue is used to homogenise our operational and finance leasing products' GHG intensity.

TABLE E1-6 GROSS SCOPE 1, 2, 3, AND TOTAL GHG EMISSIONS

	RETROSPECTIVE			2030
	BASE YEAR 2022	COMPARATIVE 2023	N% N / N-1	
SCOPE 1 GHG EMISSIONS				
Gross Scope 1 GHG emissions (tCO ₂ eq)	129.95	11.88	-90.9%	TBC
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	0%	0%	0%	–
SCOPE 2 GHG EMISSIONS				
Gross location-based Scope 2 GHG emissions (tCO ₂ eq)	192.36	179.04	-6.9%	–
Gross market-based Scope 2 GHG emissions (tCO ₂ eq)	270.31	297.13	9.9%	TBC
SIGNIFICANT SCOPE 3 GHG EMISSIONS				
Total gross indirect (Scope 3) GHG emissions (tCO ₂ eq)	301,338.64	193,648.93	-35.7%	TBC
1) Purchased goods and services	29,359.20	42,821.80	45.9%	–
3) Fuel and energy-related activities	36.65	14.88	-59.4%	–

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GROSS SCOPE 1,2,3 AND TOTAL GHG EMISSIONS	RETROSPECTIVE			2030
	BASE YEAR 2022	COMPARATIVE 2023	N% N / N-1	
5) Waste generated in operations	0.36	0.44	22.2%	–
6) Business travelling	27.19	10.77	-60.4%	–
11) Use of sold products	238,376.16	111,917.93	-53.0%	–
13) Downstream leased assets	33,539.08	38,883.11	15.9%	–
Total GHG emissions (location-based) (tCO₂eq)	301,661	193,840	-35.7%	–
Total GHG emissions (market-based) (tCO₂eq)	301,739	193,958	-35.7%	–

*TBC=TO BE CONFIRMED IN ACCORDANCE WITH THE SBTI TARGETS.

E1-7 – GHG REMOVALS AND GHG MITIGATION PROJECTS FINANCED THROUGH CARBON CREDITS

Secto doesn't apply GHG removals or finance GHG mitigation projects through carbon credits.

E1-8 – INTERNAL CARBON PRICING

Secto doesn't apply internal carbon pricing schemes.

E1-9 – ANTICIPATED FINANCIAL EFFECTS FROM MATERIAL PHYSICAL AND TRANSITION RISKS AND POTENTIAL CLIMATE-RELATED OPPORTUNITIES

Climate transition is a business opportunity for Secto, as Secto is committed to enabling low-emission vehicles.



3. SOCIAL INFORMATION

ESRS S1 OWN WORKFORCE

STRATEGY

ESRS 2 SBM-2 – INTERESTS AND VIEWS OF STAKEHOLDERS

Secto's approach on stakeholder engagement is described in ESRS 2 SBM 2. The own workforce of Secto is a key group of affected stakeholders and for example employee surveys are considered as a part of the feedback in materiality assessment.

ESRS 2 SBM-3 – MATERIAL IMPACTS, RISKS AND OPPORTUNITIES, AND THEIR INTERACTION WITH STRATEGY AND BUSINESS MODEL

Secto's own workforce is material for Secto in all aspects, and the social and human rights aspects covered are presented in table below. The expected behaviour in social and human rights matters is described by Secto's policies and Code of Conduct, which engages all employees in acting responsibly and increases awareness of all employees related to our policy commitments

for responsible business conduct with regards to topics such as work-life balance, non-discrimination in respect of employment, skills development, and occupational safety and health. As disclosed in section IRO-1, own workforce related opportunities and risks are among the highest and therefore the actions related to both employee engagement and human rights are key to Secto.

TABLE S1-SBM-3. IMPACTS, RISKS, AND OPPORTUNITIES WITH REGARDS TO SECTO'S OWN WORKFORCE.

SOCIAL AND HUMAN RIGHTS MATTERS	IMPACTS, RISKS, AND OPPORTUNITIES WITH REGARDS TO SECTO'S OWN WORKFORCE (Guidance: Non-exhaustive list of factors considered in the materiality assessment)
Secure employment	1% of employees have temporary contracts. Zero non-employees in 2023. Employees are supported in terms of secure employment by company practices and Finnish law. Social protection and secure employment are accomplished by complying to Finnish laws.
Working time	1% of employees have part-time contracts. Secto's intent is to offer full-time fixed contracts. Part-time contracts are offered only for sound reasons, such as temporary substitution.
Adequate wages	Finnish legal definitions are fully complied with. Secto is not an employer union member, but follows the industry binding collective bargaining agreement on adequate wages, fair wages, and minimum wages. There are exceptions to these, but exceptions are always improvements to employees compared to the requirements.
Social dialogue / work councils / information, consultation, and participation rights	Work safety representatives are elected by the employees to represent them in social dialogue. Work safety council has a role in enabling the participation of workers and it has representatives from the workforce and the employer.
Freedom of association/ collective bargaining	Secto follows the industry binding collective bargaining agreement. Everyone has the right to join a union. Secto does not require information regarding employee's union membership.
Work-life balance	Flexible working hours are the common practice at Secto. Paid parental leaves are offered beyond the requirement by law or TES. Paid fatherhood leave duration is 14 days. Paid motherhood leave duration is 3 months. Total leave time is as according to the law. Employees receive financial allowance from the Finnish Social Insurance Institution for the remaining duration of the parental leave. Access to childcare is available from municipal service providers.

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TABLE S1-SBM-3. IMPACTS, RISKS, AND OPPORTUNITIES WITH REGARDS TO SECTO'S OWN WORKFORCE.

SOCIAL AND HUMAN RIGHTS MATTERS	IMPACTS, RISKS, AND OPPORTUNITIES WITH REGARDS TO SECTO'S OWN WORKFORCE (Guidance: Non-exhaustive list of factors considered in the materiality assessment)
Health and safety	Occupational safety risks are identified and managed for all types of work including traffic, office work, and occupational ergonomics. All employees are covered by the human rights policy, processes, and protective actions. The company tracks all common safety indicators such as work-related safety incidents, work-related ill health, and workdays lost.
Gender equality and equal pay for work of equal value	Secto's values are in line with equality and equity because we respect all employees. Metrics include board gender diversity, percentage of women in top management and the workforce, and male-female wage gap.
Training and skills development	Training is available for Secto's own workforce in a web-based e-learning platform with training paths planned based on roles. The curriculum includes data security, anti-money-laundering, ESG training, work task related training, and external training when needed. All employees are in the scope of the e-learning platform, and the coverage of the training path in 2023 was 98%. External training is granted on an as-needed basis. (See also S1-13)
The employment and inclusion of people with disabilities	Equal rights are ensured for employees generally, no discrimination is accepted. Working conditions are adapted for each employee as appropriate.
Measures against violence and harassment in the workplace	Secto's values are based on treating everyone respectfully. Violence and harassment are not acceptable. The approach is described in the Code of Conduct, which is signed by all employees.
Diversity	The best resource is recruited for each role and no discrimination is allowed. We consider the full scope of diversity, including age, gender, and nationality.
Child labour and Forced labour	Secto has assessed the risks of child labour and forced labour and come to the conclusion that the risks for own workforce are minimal due to the type of operations and the geographical area of the operations. Risks or impacts are more likely to exist in the supply chain and therefore Secto has implemented practices such as a general risk assessment and a code of conduct for suppliers to minimise the risks throughout the value chain.

IMPACTS, RISKS, AND OPPORTUNITIES MANAGEMENT

S1-1 – POLICIES RELATED TO OWN WORKFORCE

Secto has three policies with the most relevance to impacts, risks, and opportunities related to own workforce. The ESG Policy outlines Secto's intentions and relationship with the society. The Social and Labour Policy describes Secto's approach to complying with societal and employee related principles. The Human Rights Policy describes our approach to managing our impact to specific internal and external groups.

The most relevant human rights matters and the policies that describe Secto's position to the matters included are summarised in Table S1-1. Secto management tracks the effectiveness of the values and policies by an anonymous reporting channel, which ensures that any cases would be reported and treated appropriately. Policies are in alignment with the internationally recognized instruments. In addition to the policies, there is a specific action plan for equality, equity, and training, which is available to the workforce.

S1-2 – PROCESSES FOR ENGAGING WITH OWN WORKERS AND WORKERS' REPRESENTATIVES ABOUT IMPACTS

Engaging with own workforce and worker's representatives is covered in Secto by the regular processes of stakeholder engagement, annual employee engagement surveys, and through the employee representation in the work safety council and health

TABLE S1-1. POLICIES TO MANAGE MATERIAL IMPACTS, RISKS, AND OPPORTUNITIES RELATED TO OWN WORKFORCE.

SOCIAL AND HUMAN RIGHTS MATTERS	SECTO'S POLICIES
Secure employment	Finnish laws, (Social and Labour Policy) and Supplier Code of Conduct
Working time	Code of Conduct, Social and Labour Policy, and Supplier Code of Conduct
Adequate wages	Finnish laws and Code of Conduct
Social dialogue / existence of work councils / information, consultation and participation rights of workers	Finnish laws, Social and Labour Policy
Freedom of association / Collective bargaining including the rate of workers covered by collective agreements	Social and Labour Policy
Work-life balance	Finnish laws and Code of Conduct
Health and safety	Code of Conduct and Human Rights policy
Gender equality and equal work for equal pay	Sustainability (ESG) Policy and Equality, Equity and Training Plan in the intranet
Training and skills development	Equality, Equity and Training Plan in intranet
The employment and inclusion of people with disabilities	Code of Conduct
Measures against violence and harassment in the workplace	Code of Conduct
Diversity	Code of Conduct. Equality, Equity and Training Plan
Child labour and Forced labour	Human Rights Policy

and safety representatives. Processes, impacts, and risks regarding own workforce are represented in the management team by the Director of People and Culture. Secto's plan on equality, equity, and training supports equal opportunities and equal engagement of all employees. In addition, Secto has a whistleblowing channel in use for both internal and external stakeholders.

Secto is committed to implementing ILO's human rights principles, and UNGC and OECD Guidelines for Multinational Enterprises in its policies and operational processes with regards to its own employees as well as the value chain, including the workforce that may be particularly vulnerable. Effectiveness of engagement with own workforce is measured by employee engagement surveys and by the employee net promoter score metric.

S1-3 – PROCESSES TO REMEDIATE NEGATIVE IMPACTS AND CHANNELS FOR OWN WORKERS TO RAISE CONCERNS

Processes to remediate negative impacts are based on Secto's values, and employee representation is built on regular meetings of the work safety council, where work safety representatives can raise concerns to management attention and remedial actions. All business premises accommodating more than a couple employees are represented by employee elected work safety representative. In addition, Secto has a whistleblowing channel for both



internal and external stakeholders.

S1-4 – TAKING ACTION ON MATERIAL IMPACTS ON OWN WORKFORCE, APPROACHES TO MITIGATING MATERIAL RISKS AND PURSUING MATERIAL OPPORTUNITIES RELATED TO OWN WORKFORCE, AND EFFECTIVENESS OF THOSE ACTIONS

Material impacts, risks, and opportunities related to own workforce include employee engagement and human rights. The process to identify the impact and risks is described earlier, in chapter ESRS 2. Action plans and resources to manage the impacts and risks related to own workforce include regular training activities, also for the management level. ESG/compliance management toolkit has been developed and will be in use for managers from 2024 to support managers in their work to ensure that company values are a part of the corporate culture.

Some of the actions taken to manage the impacts and risks are presented in the table below.

TABLE S1-4. ACTIONS TAKEN, PLANNED, OR UNDERWAY TO PREVENT OR MITIGATE NEGATIVE IMPACTS ON OWN WORKFORCE.

SOCIAL AND HUMAN RIGHTS MATTERS	SECTO ACTIONS
Secure employment	99% of own workforce are in permanent employment and new recruits are made on a permanent basis unless there is a good reason, such as acting as a substitute for temporary family leave. We aim to maintain and develop competences to secure continued employment and support employees at times of change.
Working time	Actual working times are tracked and we follow the working time related clauses of collective bargaining agreement. Flexible working time and location are used where applicable.
Adequate wages	Wages are all above the limit of adequacy in Finland.
Social dialogue, works council, engagement	Work safety council has regular meetings, generally held on a quarterly basis. The workforce from all major sites is represented, and employees can raise topics of discussions. Employee representatives are elected by the employees. In addition, all employees have an opportunity for a dialogue and access to the company's financial information on a monthly basis in regular employee meetings.
Freedom of association	Collective bargaining is promoted but the rate of workers covered by collective agreements is not known, as employees are not required to inform the employer about it.
Work-life balance	Everyone is eligible for family leaves and flexible working time arrangement, to the extent possible by the job description. Day care is provided by the municipalities. The majority (95%) of employees agree that ability to work regardless of time and place and to adjust workload are among the most meaningful topics for them. Regular surveys on meaningfulness of work are conducted for the workforce.
Health and safety	Preventive health and safety actions include extensive occupational health service, sports and culture benefits, massage benefit, employer paid physiotherapy for five occasions per year, bicycles provided by the company, and sports related clubs and events. For occupational safety, we actively promote a safe working culture, and we work with our partners to identify risks and work to minimise them. We are particularly vigilant if we observe any signs of hazardous situations, an increased level of haste, inappropriate behaviour, or work fatigue among our own personnel. In 2023, we installed defibrillators to all our main locations and provided voluntary first aid training to employees. Now all locations have trained personnel to perform first aid in case of possible incidents.

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SOCIAL AND HUMAN RIGHTS MATTERS	SECTO ACTIONS
Gender equality and equal work for equal pay	In 2022 and 2023, a salary review was conducted to assess the gender pay gap. Salaries were adjusted and the review is considered for new positions. A new management team position was created for the Director of People and Culture in 2023 (See the Maaret Jokinen case: Secto lives out its mission through values-based leadership, on page 21.) A new law implementing the 2023 approved EU directive regarding wage and salary transparency is about to be implemented in Finland, and preparations are ongoing to comply with the new requirements. Secto equality, equity, and training plan guides the work.
Training and skills development	An e-learning platform was introduced in 2023. There are individual training paths for every employee and targets for training completion are assigned.
The employment and inclusion of people with disabilities	Increasing accessibility measures are evaluated as part of ongoing work, possible needs assessed with health care provided.
Measures against violence and harassment in the workplace	Code of conduct (CoC) training is mandatory for everybody and includes personally signing to act accordingly. Complaint and remedy mechanisms include HR functions with management team positions, an anonymous whistleblowing channel, a work safety council, location-based work safety representatives, and a compliance function. If needed, management together with HR functions decide on sanctions such as written warnings and dismissals.
Diversity	Training on diversity and inclusion as part of CoC training. The Code of Conduct emphasises that everyone is to be treated fairly, regardless of background. This approach is embedded in Secto's thinking with internal and external stakeholders, equal opportunities in recruitment, and professional development. Possible cases of discrimination can be reported through HR, compliance, or anonymously through the whistleblowing channel.
Child labour and Forced labour	Secto complies to local legislation, therefore child labour and forced labour are not relevant issues to own workforce. Regarding the value chain, 95% of suppliers measured by euro amount of purchases are committed to Secto's supplier code of conduct, and the supply chain management is continuously improved. Human rights are highlighted as a concern by suppliers in the stakeholder survey.

METRICS AND TARGETS

S1-5 – TARGETS RELATED TO MANAGING MATERIAL NEGATIVE IMPACTS, ADVANCING POSITIVE IMPACTS, AND MANAGING MATERIAL RISKS AND OPPORTUNITIES

Secto has set specific numeric annual, short-term targets and long-term commitments to social metrics related to its own employees. Own workforce is an essential stakeholder group in defining the material impacts, risks and opportunities, and targets and actions to manage them, and stakeholder surveys allow stakeholders to give verbal inputs on impacts, risks, opportunities, and actions. Some of the targets are presented in the table below.

Maintaining a high eNPS is a central metric to ensure engagement of Secto's own workforce with Secto strategy and targets. A high eNPS score represents the employees' alignment to Secto's values and strategy and the experience of meaningfulness of their roles at Secto.

Zero safety incidents and fatalities, lost days due to work-related accidents or illnesses are targets shared by and committed to by the employees. The performance is tracked and corrective actions are identified by the works council and by the management.

TABLE S1-5 TARGETS SET TO MANAGE MATERIAL IMPACTS, RISKS AND OPPORTUNITIES RELATED TO OWN WORKFORCE.

SOCIAL AND HUMAN RIGHTS MATTERS	SECTO'S TARGETS
Secure employment	Per se, we provide full time permanent employment contracts.
Working time	Everyone (100%) ha flexible working time arrangements.
Adequate wages	Wages are at least on the level defined by collective bargaining agreement TES.
Social dialogue and participation rights of workers	Employees are engaged in setting and tracking the social metrics and targets.
Freedom of association	Collective bargaining is followed through industry binding collective bargaining agreement. Secto does not track or record the number of employees who are members of a union because the benefits belong to all employees.
Work-life balance	eNPS is one of the most important KPI's and it is measured twice a year. Target will be set in 2024. Result in 2023 was 40, a drop from 60 in 2022. We track the response rate and expect it to stay at a high level, in 2022 it was 100%, and 2023: 91%.
Health and safety	Target is to have no safety accidents. We want our employees to stay safe and healthy and invest in preventive actions.
Gender equality and equal work for equal pay	We aim at setting a target unexplainable unadjusted gender pay gap in 2024 and work on implementing process to detect and adjust possible instances.
Training and skills development	Everybody is part of the e-learning program. Target is set at 100% for the mandatory trainings and completion is tracked on an individual level.
The employment and inclusion of people with disabilities	No targets.
Measures against violence and harassment in the workplace	100% of the personnel to be trained on and have signed Code of conduct.
Diversity	No targets other than equal pay. Age distribution and gender diversity of employees is tracked.
Child labour and Forced labour	Increasing the awareness internally and increasing the number of suppliers signed the Supplier Code of Conduct Current coverage 95% measured by spend. For supply chain we aim at increasing the number of suppliers signed the Supplier Code of Conduct.

S1-6 – CHARACTERISTICS OF THE UNDERTAKING'S EMPLOYEES

Secto had 114 employees at the end of the year 2023, all based in Finland. Employee characteristics presented in the tables below are all based on data at year end. Data was collected by comparing organisation charts with payroll data.

TABLE S1-6-1 NUMBER OF EMPLOYEES.

GENDER	NUMBER OF EMPLOYEES (HEADCOUNT)
Male	75
Female	39
Other	0
Not reported	0
Total Employees	114

TABLE S1-6-2 EMPLOYEES BY COUNTRY.

COUNTRY	NUMBER OF EMPLOYEES (HEAD COUNT)
Finland	114

TABLE S1-6-3 CONTRACTS AND GENDER OF EMPLOYEES.

31.12.2023 HEADCOUNT / FTE	TOTAL	FEMALE	MALE
Number of employees	114	39	75
Number of permanent employees	113	38	75
Number of temporary employees	1	1	0
Number of non-guaranteed hours employees	1	0	1
Number of full-time employees	113	39	74
Number of part-time employees	0	0	0

S1-7 – CHARACTERISTICS OF NON-EMPLOYEE WORKERS IN THE UNDERTAKING'S OWN WORKFORCE

The number of non-employees is reported in headcount at the end of the reporting period. To compile the data, the organisation chart was compared to the payroll data. New recruitments or temporary help can be obtained through recruitment agencies for a short period, if appropriate. All longer-term employment is through employment contracts with Secto.

TABLE S1-7. NON-EMPLOYEES IN OWN WORKFORCE.

1.1.-31.12.2023	
Number of non-employees in own workforce	1
Number of non-employees in own workforce – self-employed	0
Number of non-employees in own workforce – people provided by undertakings primarily engaged in employment activities	0

S1-8 – COLLECTIVE BARGAINING COVERAGE AND SOCIAL DIALOGUE

All employees are based in Finland, and they are covered by industry binding collective bargaining agreements. Workplace representation in the work safety council includes representatives from all major locations and employee groups.

TABLE S1-8. COLLECTIVE BARGAINING COVERAGE AND SOCIAL DIALOGUE.

	COLLECTIVE BARGAINING COVERAGE	SOCIAL DIALOGUE
COVERAGE RATE	EMPLOYEES	WORKPLACE REPRESENTATION
80-100%	Finland: All 114 employees, 100%	100%

S1-9 – DIVERSITY METRICS

Age diversity metrics at Secto are presented below in Table S1-9. The number of employees means the headcount. Secto's definition of top management is to be a member of the top management team.

TABLE S1-9. DIVERSITY METRICS

	NUMBER OF EMPLOYEES	PERCENTAGE (%) OF EMPLOYEES
Top-management level	9	8%
Under 30 years old	14	12%
Between 30 and 50 years old	95	83%
Over 50 years old	5	4%

Gender diversity metrics are presented in chapter S1-6.

S1-10 – ADEQUATE WAGES

Adequate wage means wage that provides for the satisfaction of the needs of the worker and worker's family in the light of national economic and social conditions. All the wages are in accordance with the Directive (EU) 2022/2041 of the European Parliament and of the Council on adequate minimum wages.

S1-11 – SOCIAL PROTECTION

All Secto's employees are entitled to social protection that is supported by laws in Finland. The protection covers sickness, secure employment, unemployment benefits starting from when the employee is working for the undertaking, employment injury and acquired disability, parental leave, and retirement.

S1-12 – PERSONS WITH DISABILITIES

The percentage of persons with severe disabilities among Secto's employees is currently 0%. Secto does not require employees to report possible disabilities so there may be employees with minor disabilities. If an employee has a disability, Secto supports adjusting the working environment accordingly. Physiotherapy and ergonomic support are available for all employees, if needed. The current number of employees allows examining data on an individual basis.

S1-13 – TRAINING AND SKILLS DEVELOPMENT METRICS

Secto has a training path for all its employees. The training path covers 10 online courses, which cover ESG, ESG management, anti-money laundering (AML), know your customer (KYC), GDPR and data privacy, compliance and ethical guidelines, and employee tools such as the Decarbon Tool, which models the impact

of changes to the company's fleet on CO₂ emissions and overall driving costs.

Last year, the entire staff completed all the training programs, which amounted to 121 people, including 7 employees who were not in headcount at the year's end. Updates to the trainings will have a smaller number of hours in 2024 and will focus on AML/ KYC, data privacy, ethical guidelines, and more specific training on acting according to our values.

All new employees will go through all 10 training programs as soon as possible after starting at Secto. Average training hours per person was 8 hours in 2023. Training statistics are tracked on an individual basis, they are not reported by gender.

S1-14 – HEALTH AND SAFETY METRICS

In 2023, 100% of own workforce was covered by the health and safety management system based on legal requirements. There were no work-related incidents for own workforce. The lost time incident frequency (LTIF) was 0 and the recordable incident frequency (TRIF) was 0, meaning the number of incidents in one million work hours. No fatalities took place for own workforce or other workers working on the undertaking's sites. There were no work-related illness cases. The number of days lost to work-related injuries from work-related accidents was 0.

S1-15 – WORK-LIFE BALANCE METRICS

All employees are entitled to take family-related leave due to national social policy and collective bargaining agreements. Family related benefits at Secto exceed the national minimum. A total of 8 employees took family related leave: 2 female and 6 male. In 2023, the eNPS was 40.

S1-16 – COMPENSATION METRICS (PAY GAP AND TOTAL COMPENSATION)

Unadjusted pay gap is defined as the average gross hourly earnings of male paid employees and of female paid employees, expressed as a percentage of average gross hourly earnings of male paid employees. The unadjusted gender pay gap at Secto was 35% in 2023 (41% in 2022) indicating that the average male salary is 35% higher than the female salary. This gap is mainly attributed to the current types of jobs that are being done by male and female employees. Much of the unadjusted gender pay gap is derived from commission-based sales organisations, of which 98% of employees are male. Employment contracts and commis-

sion pay schemes are alike to all commission-based sales employees, and the possible pay gap is sales performance driven. At top management level, excluding the founding partners, the unadjusted gender pay gap is -5%. Excluding the founding partners, top management and commission-based workers, the unadjusted gender pay gap is 23% with variation of -8% to 16% based on seniority level/job description. On a salaried worker level, the pay gap is 9%. However, the number of people in these categories is low and the pay is in line with responsibilities and experience when the results are assessed by each individual. Equal pay corresponding to responsibility level and performance is important to Secto. If an unexplainable pay gap is found, corrective action is taken regardless of gender.

S1-17 – INCIDENTS, COMPLAINTS AND SEVERE HUMAN RIGHTS IMPACTS

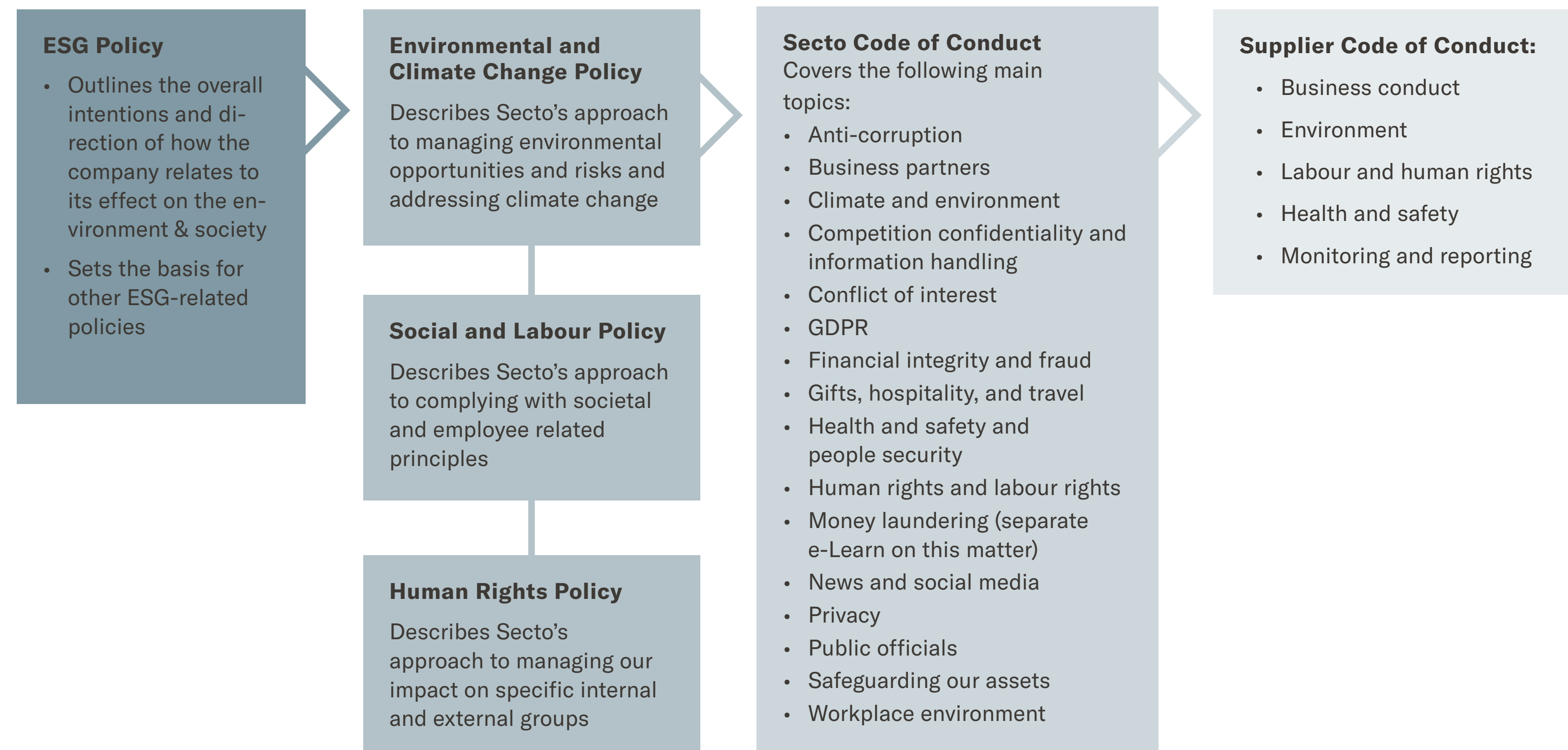
There were no grievance cases or reported severe human rights incidents in 2022 or 2023. No complaints were filed through the channel for own employees to raise concerns. No fines, penalties, or compensations for damages were reported for violations regarding social and human rights, and no human rights issues or incidents that would be cases of non-respect of UN Guiding Principles and OECD Guidelines for Multinational Enterprises, nor complaints filed to OECD National Contact Points.



4. GOVERNANCE INFORMATION

ESRS G1 BUSINESS CONDUCT

THE POLICIES THAT HAVE BEEN DEVELOPED AND THE KEY TOPICS THEY COVER



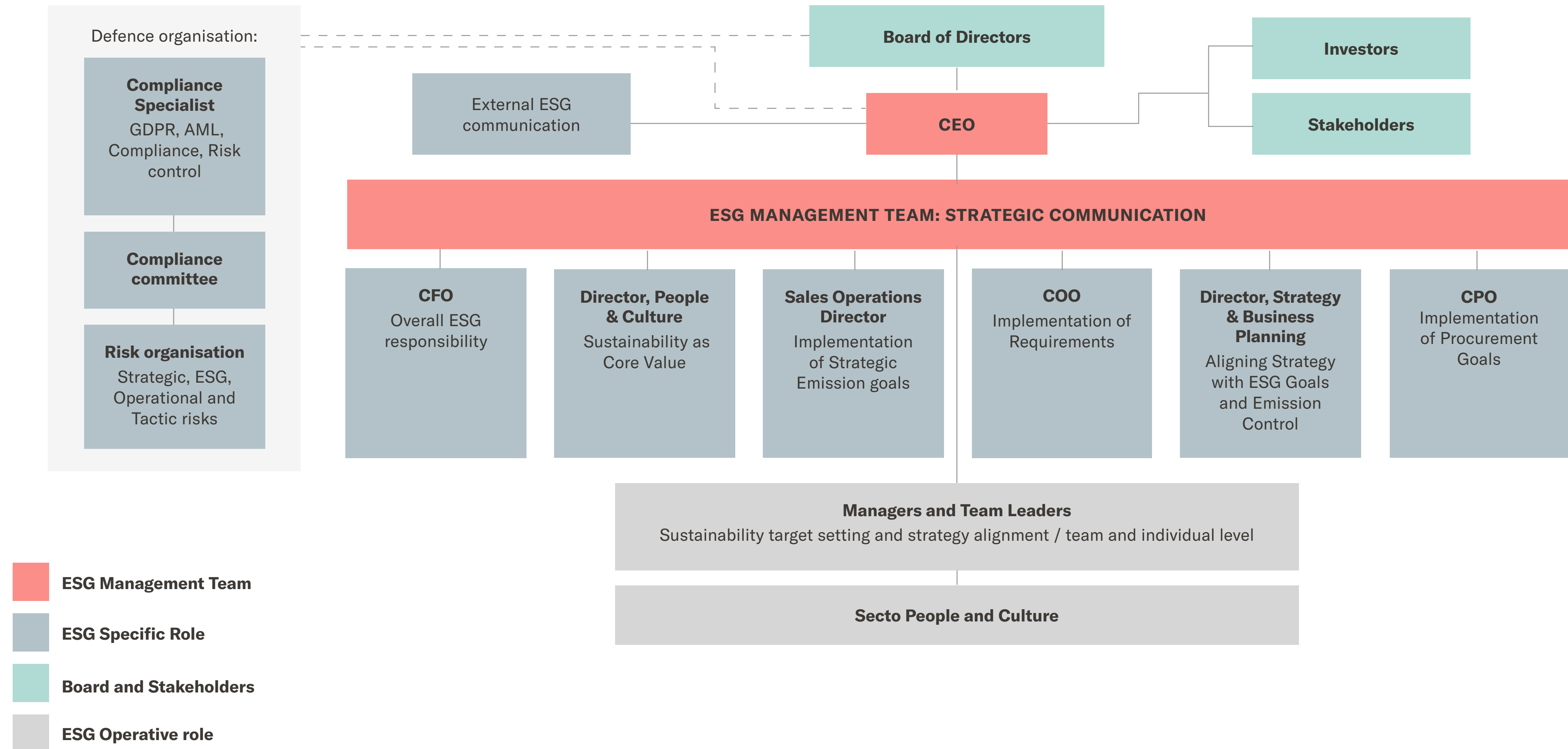
GOVERNANCE

ESRS 2 GOV-1 – THE ROLE OF THE ADMINISTRATIVE, SUPERVISORY, AND MANAGEMENT BODIES

The Secto Board of Directors has approved the sustainability program, the ESG Governance model, and Secto's ESG policies. The management team undergoes regular online training in relevant ESG matters.

A clearly defined ESG governance model ensures that our strategy is implemented successfully and updated regularly.

ESG GOVERNANCE MODEL



WE HAVE DEFINED the roles and responsibilities as per the RACI framework. RACI is a high-level matrix that maps responsibility (R) and accountability (A) to the various stakeholders involved in Secto's ESG program. In addition to responsibility and accountability, stakeholders with required or important subject matter expertise are tagged as consulted (C) parties and groups that need to be kept in communication are tagged as informed (I).

IMPACT, RISK, AND OPPORTUNITY MANAGEMENT

ESRS 2 IRO-1 – DESCRIPTION OF THE PROCESSES TO IDENTIFY AND ASSESS MATERIAL IMPACTS, RISKS, AND OPPORTUNITIES

Process of identification and assessment of material impacts, risks, and opportunities was conducted in the materiality assessment process. This process is reported in detail in Disclosure Requirement ESRS 2 IRO-1.

G1-1 – BUSINESS CONDUCT POLICIES AND CORPORATE CULTURE

At Secto, we promote sustainable business practices. Secto has developed a set of ESG-related policies to outline the overall intentions and direction of how the company will manage its effect on the environment and society, and the governance required to do so. All decisions and actions taken by Secto will be consistent with and designed to accomplish the commitments made in the ESG policies.

TO COMPILE THESE POLICIES, WE HAVE:

- Assessed our potential to align with the requirements of being a sustainable investment according to the Sustainable Finance Disclosure Regulation (SFDR), by understanding our compliance with the EU Taxonomy, including the Do No Significant Harm (DNSH) principle, as well as Minimum Social Safeguards (MSS).
- Committed to continuously monitor, report, and improve our environmental footprint, societal impact, and ownership and governance by leadership. We have done this through committing to the principles of the United Nations Global Compact (UNGC). All sustainability policies have been approved by Secto's Board of Directors. Secto will continue to operate according to its models and policies, and plans to have a positive ESG impact.

To ensure responsible business practices, training plays a key role. During the year 2023, 100% of personnel was educated about sustainable business conduct. There were also irregular discussions in the team meetings led by compliance. These discussions will become regular in the future.

Secto has identified that the sales function is most at risk in respect of corruption and bribery. Process development in operations is made especially in the customer service department to recognise and notify any suspicious activity.

IDENTIFYING, REPORTING, AND INVESTIGATING UNLAWFUL BEHAVIOUR

Secto has multiple mechanisms for identifying, reporting, and investigating unlawful behaviour or behaviour in contradiction of its Code of Conduct. These mechanisms include a whistleblowing channel (both inside and outside the organisation), online training for Secto's personnel (including management). In addition, there is Secto's internal Code of Conduct in place. Secto has a compliance specialist who is responsible for these mechanisms. Secto is committed to investigating business conduct incidents promptly, independently, and objectively.

There were no whistleblowing incidents during the year 2023 through the official and anonymous whistleblowing channel. The policies on safeguards for reporting irregularities and protection of whistleblowers are in place and described in Secto's Compliance Programme. The Programme is approved by the Secto's Board and can be found in Secto's intranet.

Whistleblower protection prohibits retaliation against the whistleblower. The employer cannot, for example, weaken the terms of employment of the whistleblower, terminate the whistleblower's employment relationship, or lay off the whistleblower because of the report.

G1-2 – MANAGEMENT OF RELATIONSHIPS WITH SUPPLIERS

Our sustainability goes beyond our own operations: we require our suppliers to follow our Supplier Code of Conduct to consider environmental, health and safety, and human rights issues throughout our supply chain. 95% of Secto's suppliers have committed to Secto's Supplier Code of Conduct, measured as euros spent on purchases.

Regarding the risks related to supply chain, Secto has built a supplier register in its ERP system and is continuing to develop it further. In the future, this enables the risk analysis of all the suppliers. At this stage, the social and environmental criteria are not considered for selection of supply-side contractual partners, but will be in the future.

Secto does not demand exceptional payment terms from its suppliers. Payment terms of approximately one month are viewed as acceptable towards suppliers. Special attention must be paid to small-to-medium enterprise (SME) payment terms, which should be the standard 14 days. SME payment terms longer than 30 days must have a sound, documented reason and be approved by a management team member or the compliance function.

G1-3 – PREVENTION AND DETECTION OF CORRUPTION AND BRIBERY

Prevention and detection of corruption and bribery is a material part of Secto's responsible business conduct. There are procedures in place to prevent, detect, and address allegations or incidents of corruption or bribery. The two main procedures are whistleblowing channels and training of personnel. In the future, there will also be surveys for suppliers.

Secto has an investigating committee that is separate from the chain of management involved in the prevention and detection of corruption and bribery. The committee includes people from the compliance and HR departments. The investigators involved are always evaluated depending on the notification. If needed, Secto will use investigators outside the company.

The outcomes of the corruption and bribery notifications are reported to administrative, management, and supervisory bodies. The processing time is 3 months for internal notifications, and between 3 to 6 months for external notifications.

The prevention and detection of corruption or bribery information is communicated in different ways. There is online training about the topic and the Code of Conduct will be an attachment to employment contracts from 1.1.2024. The Board has approved the guidelines for Secto's related party register. Both the Board and group management team communicate their related parties yearly.

During 2023, Secto provided training to all its own workers, meaning 100% of functions-at-risk are covered by training programmes. Details of training during the year are presented in Table G1-3.

TABLE G1-3. ANTI-CORRUPTION AND BRIBERY TRAINING

	EMPLOYEES	MANAGEMENT AND CEO
Training coverage	100%	100%
Delivery method and duration Online Training	0.5 – 2 hours per training	0.5 – 2 hours per training
How often training is required	Annually	Annually
Topics covered		
AML/KYC Process	X	X
Compliance	X	X
ESG 1-3	X	X
Code of Conduct	X	X

METRICS AND TARGETS

G1-4 – CONFIRMED INCIDENTS OF CORRUPTION OR BRIBERY

An anti-money laundering (AML) risk assessment and action plan was made and approved by the Board in 2023. AML processes were developed further and resources were increased to ensure that measures are taken accordingly and in a timely manner. Personnel are trained to notice any suspicious acts, such as bribery related issues. There were 0 convictions for violations and 0 euros worth of fines of anti-corruption and anti-bribery laws during the 2023 fiscal year. There were 0 confirmed incidents of corruption or bribery.

G1-5 – POLITICAL INFLUENCE AND LOBBYING ACTIVITIES

Secto does not perform lobbying activities and does not give financial on in-kind political contributions. There were no members of the administrative, management, and supervisory bodies who held a comparable position in public administration in the two years preceding.

G1-6 – PAYMENT PRACTICES

To assure payment on time, Secto encourages suppliers to send electronic invoices or PDF invoices through registering into the supplier portal. All invoices are checked for accuracy and approved by either using four eyes principle or through automatic matching based on agreement terms. Payments are made on the due date once the invoice is checked and approved for payment. Processing times for invoice approvals are followed up. Disputed or unclear invoices are paid promptly if the invoice is approved for payment.

99% of invoices received are electric. The average invoice handling days for invoices in 2023 was 1.6 days. The average number of days to pay an invoice after the due date was 1.5 days. Secto's standard payment term is 14 days. 91% of payments are aligned with standard payment terms. There are no outstanding legal proceedings for late payments. The identity of the receiver is confirmed before the payment at the end of each leasing contract before the possible contract reconciliation payment and whenever there is a change in payment terms or instructions.



APPENDIX

REPORTING PRINCIPLES

The scope and the boundary of the report is Secto Automotive Oy and its products and services. Data is collected by Secto's finance team from the existing operative management systems, purchasing records, HR system, and financial accounts. Data quality and credibility is internally reviewed, and the sustainability report is approved by the Board of Directors.

Refer to our data gathering methodology for environmental and social metrics below.

INDICATOR	REPORTING PROCESS AND COMMENTS
<p>Scope 1: Emissions from own operations</p>	<p>Data source: Captured within the internal ERP system.</p> <hr/> <p>Data gathering activity: This KPI includes all CO₂e emissions released from company vehicles. All vehicles are captured within the ERP along with the average consumption associated with each vehicle's mileage. The emissions associated with each vehicle are obtained from the Traficom website by using the vehicle registration details and captured within ERP against their respective vehicle.</p> <hr/> <p>Assumptions:</p> <ul style="list-style-type: none"> • Estimated CO₂ emissions are determined based on an estimated daily distance driven, which is multiplied by the number of days in the reporting period in which the vehicle has been leased. • The daily distance is calculated according to the estimated distance for the vehicle throughout the full lease period based on collected mileage data. • Each lease agreement's budgeted mileage for the vehicle throughout the full lease period is used if collected mileage data is not available. • If the driven distance is not available (due to missing starting data), the average by vehicle type is used to calculate distances. • Emission factors for fossil fuels are based on annual figures by Statistics Finland.

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INDICATOR	REPORTING PROCESS AND COMMENTS
<p>Scope 2: Purchased or acquired electricity, steam, heat, and cooling</p>	<p>Data source: Electricity consumption from buildings (including heating and cooling) and electricity from company EV and PHEV vehicles.</p> <p>Prior to 7/2023:</p> <ul style="list-style-type: none"> • Espoo: direct contract with Oomi (non-renewable) • Vantaa: direct contract with Keravan energia (renewable) • Oulu: direct contract with Oomi (renewable) • Porvoo: direct contract with the landlord • Laihia: no direct contract – billing done through landlord <p>7/2023 onwards:</p> <ul style="list-style-type: none"> • Espoo, Vantaa and Porvoo: direct contract with Veni (renewable) • Oulu: direct contract with Oomi (renewable) • Laihia: no direct contract – billing done through landlord <hr/> <p>Data gathering methodology: Electricity use at all leased buildings per lease agreements or per building electricity invoices. Monthly electricity use is captured, and emission factors are applied based on source of electricity.</p> <hr/> <p>Assumptions:</p> <ul style="list-style-type: none"> • The calculation includes emissions from Secto's headquarters as well as the premises that are used for Secto's own operations. • Location-based emission factors are from the Fingrid emissions and deemed to effectively reflect the emissions of heat and electricity generation used in Secto's operations. • Conversion from CO₂ to CO_{2e} made relatively based on DEFRA factors. <p>Adjustments to the base year:</p> <ul style="list-style-type: none"> • Emissions from heating of premises added to 2023 and to base year 2022.

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INDICATOR	REPORTING PROCESS AND COMMENTS
<p>Scope 3: Emissions as a result of activities from assets not owned or controlled by Secto</p>	<p>Data source: All supply chain emissions as listed below. Sum of all material Scope 3 categories (category 1, category 5, category 6, category 11, and category 13).</p> <p>Data gathering methodology: Consolidation of all Scope 3 category emissions.</p>
<p>Scope 3 – Category 1: Purchased goods and services</p>	<p>Data source: Captured within the internal ERP system.</p> <p>Data gathering activity: This KPI includes all CO₂e emissions from the production and logistics of all new purchased vehicles.</p> <p>Assumptions: Calculated based on averages of multiple sources, including vehicle supplier information on EV battery production emissions and logistics and Ecoinvent database figures.</p> <ul style="list-style-type: none"> Assumed that all EV emissions are higher due to battery production. All other fuel types calculated as with equal emissions from production. <p>Adjustments to the base year:</p> <ul style="list-style-type: none"> Emissions from Purchased goods and services is a new reported category, calculated first time to 2023 and also to base year 2022. Calculation accuracy will improve in the future with improvements in data availability.
<p>Scope 3 – Category 5: Waste generated in operations</p>	<p>Data source: Waste data is obtained from the third-party waste disposal service.</p> <p>Data gathering methodology: Secto makes use of a third-party waste disposal provider who removes all waste at their respective buildings. The data on the type and amount of waste, as well as the disposal activities, is recorded by the service provider and shared with Secto. Emission factors (DEFRA) have been applied to the data to determine the tCO₂e from waste generated.</p>
<p>Scope 3 – Category 6: Business travel</p>	<p>Data source: Any business travel is done through the internal finance approval activities on ERP.</p> <p>Data gathering methodology: All data on air travel for the year has been gathered by out travel agency and finance system.</p> <p>Assumption: The haul distance was determined by checking the flight distance for each trip and assigning the haul length and associated emission factors to each flight.</p>

INDICATOR	REPORTING PROCESS AND COMMENTS
<p>Scope 3 - Category 11: Use of sold vehicles</p>	<p>Data source: As captured on WebSales, Salesforce, and internal ERP.</p> <p>Data gathering activity: This KPI includes all CO₂ emissions released from vehicles that are sold by Secto within the period. Sold vehicles include cars, vans, and machinery that are sold from Secto to another party. All vehicles owned by Secto are captured onto ERP databases. Sold vehicles lifetime emissions are calculated by estimating the remaining mileage of the vehicles based on their average lifetime.</p> <p>Assumptions:</p> <ul style="list-style-type: none"> • Total distance that a vehicle drives until scrapping is based on country research and is broken down by fuel type (used scrapping km and km/year). • Machinery leases and sales were included in this category as all machinery has been ceased in 2023. • Due to limitations in availability of productivity data for machinery, assumptions were made related to productivity hours and associated fuel use to determine emissions.
<p>Scope 3 – Category 13: Leasing of vehicles (downstream leased assets)</p>	<p>Data source: Captured within the internal ERP and Salesforce systems.</p> <p>Data gathering activity: This KPI includes all CO₂ emissions released from vehicles that are leased by Secto within the period. Leased vehicles include cars, vans, and machinery that are leased from Secto to another party. All vehicles are captured within the ERP along with the average consumption associated with each vehicle's mileage. The emissions associated with each vehicle are obtained from the Traficom website by using the vehicle registration details and captured within ERP against their respective vehicle.</p> <p>Assumptions:</p> <ul style="list-style-type: none"> • Estimated CO₂ emissions are determined based on an estimated daily distance driven, which is multiplied by the number of days in the reporting period in which the vehicle has been leased. • The daily distance is calculated according to the estimated distance for the vehicle throughout the full lease period based on collected mileage data. • Each lease agreement's budgeted mileage for the vehicle throughout the full lease period is used if collected mileage data is not available. • If the driven distance is not available (due to missing starting data), the average by vehicle type is used to calculate distances. • Emission factors for fossil fuels are based on annual figures by Statistics Finland and emission from the production of electricity used by from EV and PHEVs by factors reported by Fingrid.
<p>Carbon footprint</p>	<p>Data source: Sum of all Scope 1, Scope 2, and Scope 3 emissions.</p> <p>Data gathering methodology: All data that has been captured on Scope 1, 2, and 3 emissions has already been obtained as part of the GHG emissions data gathering process. The available data is consolidated, and the full carbon footprint is calculated. The data owner reviews the data and makes updates based on any anomalies.</p>

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INDICATOR	REPORTING PROCESS AND COMMENTS
Share of non-renewable energy consumption and production	<p>Data source: Consumption from company vehicles, purchased electricity and heating/cooling of buildings, and all value chain activities converted to MJ.</p> <p>Data gathering methodology: All data energy that has been either consumed or produced has been captured as part of the GHG emissions reporting process. The data on the non-renewable energy consumed is obtained from the following sources:</p> <ul style="list-style-type: none"> • Fuel used by company vehicles • Non-renewable electricity used for heating and cooling • Fuel used by rental vehicles • Upstream transportation of vehicles and business travel <p>Data on renewable energy consumed is obtained from the distance travelled by EVs (owned and leased), and renewable electricity used for buildings as well as heating and cooling.</p> <p>Calculate split of non-renewable energy as a percentage of total energy.</p>
% Revenue that came from environmentally-friendly products/services during the reporting period	<p>Data source: Annual revenue (financial statements) per ERP system.</p> <p>Data gathering methodology: Environmentally-friendly products in this context will be all leased or sold vehicles with CO₂ emissions below 50 gCO₂/km. Obtain the total revenue throughout the reporting period, split by fuel type and CO₂ emission group. Determine the amount of revenue that came from vehicles with CO₂ emissions below 50gCO₂/km as a percentage of the total revenue generated.</p>
Secure employment	<p>Data source: HR System from outsourced payroll provider. Organisational charts.</p> <p>Data gathering methodology: Obtain information on current employment agreement terms and compare employees to organisation chart. Calculate number of non-employees, full-time and part time employment contracts, permanent and fixed term employment contracts. Calculate percentages of all categories at year end. Review data and make updates based on any anomalies.</p>
Diversity metrics	<p>Data source: HR System from outsourced payroll provider.</p> <p>Data gathering methodology: Obtain information on employees' gender, age and organisational level. Calculate gender split by age and organisational level at year end. Review data and make updates based on any anomalies.</p>
Training and skills development	<p>Data source: Online learning portal.</p> <p>Data gathering methodology: Obtain information on mandatory online courses available for employees in the online learning portal. Calculate percentage of successfully passed performances to all registered employees. Review data and make updates based on any anomalies.</p>

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INDICATOR	REPORTING PROCESS AND COMMENTS
Compensation metrics, unadjusted gender pay gap	<p>Data source: HR System from outsourced payroll provider.</p> <p>Data gathering activity: Outsourced payroll provider's HR system and analytics tool has all data on salaries paid to employees for different roles.</p> <p>Data gathering methodology: Obtain the annual salaries for all employees at Secto. Split the salaries, firstly, by gender (male or female), and secondly by the specific job type (level). Calculate the overall gap in pay between male and female employees as well as the gaps noted at each specific job level. Review data and make updates based on any anomalies.</p>
Board gender diversity	<p>Data source: Internal data on the Board composition.</p> <p>Data gathering methodology: Obtain gender information on current existing Board members (there are currently four, of which all are male). Calculate the number of female members and the number of male members on the Board. Calculate the percentage of female Board members out of the total number of current members. Review data and make updates based on any anomalies.</p>
Health and safety metrics, number of work-related incidents/injuries/illnesses/fatalities, number of days lost to injuries/accidents/fatalities or illness, LTIF and TRIF	<p>Data source: Data is captured by an outsourced payroll provider and insurance provider. Human Resources generate a scorecard on lost time. The analytics platform has all data on any time off taken for health and safety reasons. Employees must record time off in the system.</p> <p>Data gathering methodology: Obtain all data on days taken due to injury or illness from the analytics platform. Obtain reported injuries from the insurance provider's reporting platform. Calculate all days lost due to work related injuries (including fatalities), as well as days lost as a result of work-related illness. Consolidate these to obtain all days lost due to health and safety incidents. Calculate the lost time incident frequency (LTIF) and the recordable incident frequency (TRIF). Review data and make updates based on any anomalies.</p>
Employee satisfaction (lack of grievance/complaints handling mechanism related to employee matters)	<p>Data source: Employees are surveyed on an annual basis (at a minimum) by an outsourced service provider with a development trend being measured. Analysis is done by Secto HR.</p> <p>Data gathering methodology: Obtain feedback from the employees on the satisfaction survey. The survey calculates the overall level of employee satisfaction (%) and eNPS based on the responses obtained.</p>
The ratio of employees covered by collective agreements	<p>Data source: HR system and salary information.</p> <p>Data gathering methodology: Secto is not a member of an employer union, but Secto does undertake monitoring activities to ensure that collective bargaining agreements are being adhered to.</p>

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INDICATOR	REPORTING PROCESS AND COMMENTS
Supplier code of conduct	<p>Data source: ERP system and bookkeeping system.</p> <hr/> <p>Data gathering methodology: Secto has built a supplier register in its ERP system where signed supplier code of conduct documents are stored. Number of suppliers adhering to the Supplier CoC is cross checked of supplier register in bookkeeping to obtain the % of purchases made from suppliers adhering to the Supplier Code of Conduct compared to the monetary value of all purchases.</p>
Payment practices	<p>Data source: Invoice handling and approval system, the payment system and the bookkeeping system.</p> <hr/> <p>Data gathering methodology: Data on payment terms, handling and approval times of purchase invoices is obtained from the invoice handling and approval system from all suppliers. Data from payments made compared and payment delays is obtained from the payment system. Data is compared to the bookkeeping system. Review data and make updates based on any anomalies.</p>

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