

2019

Transparency at Sono Motors

Climate Protection, Resource Conservation and Fairness



01 _ Foreword

Dear Community,

Money is not and never has been the driving force behind the founding of Sono Motors. Money is, however, indispensable if you want to operate in a business-minded way

Our ambitious endeavours across all areas to develop our Sion in the past months have been guided by this insight, by the adherence to our values and by our responsibility towards our supporters and our team. We founded Sono Motors to take the matter of protecting resources, people, and the climate into our own hands and to play our part in the change which is urgently needed. We know this is not an easy task. Exploring new paths almost inevitably leads to confrontation, and there are many hurdles and challenges which have to be taken. These include in particular the funding of such an extraordinary project.

The overwhelming support of you, our dear community, has secured the company's financial basis, allowing us to now move on to the next Sion production steps as a sustainable, accountable, and socially responsible company. We understand this as confirmation and also as a mandate to invest all our energy in achieving the goals set in the area of environmental protection.

Your support plays a significant part in the achievement of our common goal. It is therefore a matter of course for us to transparently and openly disclose what we have been doing. We are thus delighted to present to you our 2019 transparency report and we thank you for your incredible support.

Best regards,

Laurin und Jona

(CEOs, Sono Motors)



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2020

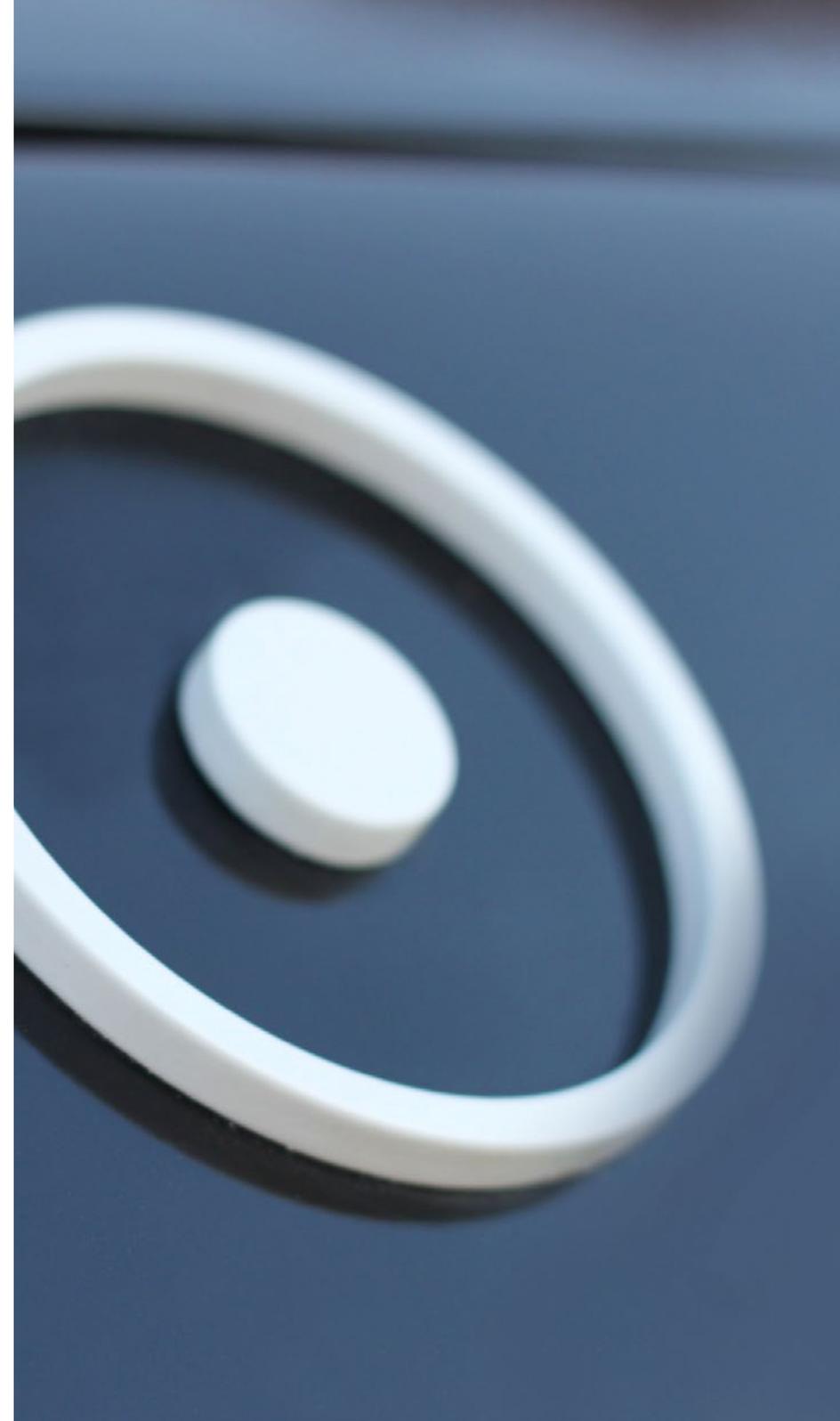


03 _ Our Mision in 2019

For us, the key to change is acting as a role model and inspiring people, recognizing the signs of the times, and being a pioneer in exploring new avenues. We have made it our responsibility to lead by example and demonstrate how our individual mobility needs – which are indispensable in this day and age – can be reconciled with protecting the environment, people, and nature.

This is the driving force behind our actions, but it also represents a challenge. Once again last year, we pledged to uphold our values. We made the decision to run Sono Motors in accordance with these values. This was a step that required a few detours here and there, but our community plays a significant part in enabling us to continue along this path. Among other things, this has made a new form of entrepreneurship and business possible. We put great value in the dialogue with our supporters because they are a significant part of the ongoing development of Sono Motors.

In this 2019 report, we present both the goals we've achieved and our goals for the future. To guarantee constant transparency, we will continue to rely on our four-step control system. This allows us to continuously bring about improvements by defining goals, deriving and implementing suitable measures, reviewing their results, and making adjustments if necessary.



04

Our Year 2019



04__ Our Year 2019

We look back on an eventful year which was characterized by significant challenges as well as major milestones we achieved. We consider looking back at the past year important in order to evaluate and understand our goals for 2019 in the context of these circumstances.

4.1 Visit in Sweden

At the very start of the year, we achieved one of our most important milestones thus far. With National Electric Vehicle Sweden (NEVS), we found a production partner who shares our vision of climate-friendly mobility. The Sion will be manufactured at the former SAAB plant in Trollhättan, exclusively using electricity from renewable energy sources.

To celebrate our partnership with NEVS, we invited our Swedish community to take part in test drives during our test drive tour around Sweden.

4.2 Move to New Premises

Grand visions need space – this is something we take literally. For our ever-growing team, an optimal environment is a basic requirement for successful work. Additionally, resource conservation is a top priority for us when expanding our office space. During the reconstruction of our premises in the north of Munich, we made sure we used eco-friendly materials and renewable resources. Rather than replacing it, we thoroughly cleaned the flooring that was already there. Likewise, rather than disposing of the previous tenant's glass doors and old furniture such as cabinets, shelves, and tables, we put them to use elsewhere. Generally speaking, our furnishings, which are made of recycled materials, and especially our team meeting arena which was created using an old theater stage set, work together as a handcrafted design object.



04__ Our Year 2019

4.3 The Team

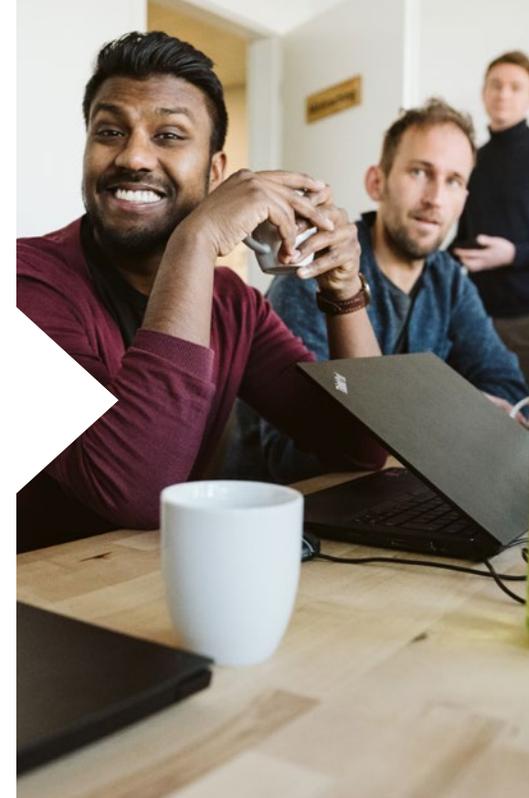
4.3.1 Reorganization of Our Team

Considering the fact that we had to ensure the financial basis of our Sion production, we had to make a decision last year on how we can and how we want to continue as a company. We decided against the traditional method of funding by major investors, opting instead to go with our community and with suitable supporters. This decision also prompted us to rethink the existing structures of our organization to ensure that our values remained embed-



We started working with OKRs to achieve our goals in a transparent and focused way

ded within all areas of the company and were as in line with the purpose of the company as they could be. We also want resource-conserving activity and business to be reflected in the way we work. We therefore created a committee at the end of 2019 that will look at various forms of organization and methods this year in order to then derive suitable measures for Sono Motors. This is reflected, for example, in our decision to define our targets based on the OKR (objectives and key results) method. The main idea behind this method is that each department has regular objectives and key results defined. We consider these measures to be relevant, especially with regard to the continuous growth of our team



04__ Our Year 2019

4.3.2 Growth and Employee Turnover

Innovative talent, many years of industry experience, and a strong team spirit make our team one of our greatest strengths. It all began four years ago with just a handful of employees. Many of them are still part of the rapidly growing Sono Motors team to this day.

In total, the Sono Motors team grew by 22 percent last year. The proportion of female employees decreased by 4 percent compared to the previous year, while the proportion of male employees increased by 36 percent.

Measuring employee turnover – something which is a natural element in every company – is an important basis for the improvement process. Not including high-turnover employee groups such as temporary employment relationships with interns and working students, there was a fluctuation rate of 9 percent in 2019, which is just below the automotive industry average.

+22%

Team growth 2019

-9%

Employee turnover 2019



04__ Our Year 2019

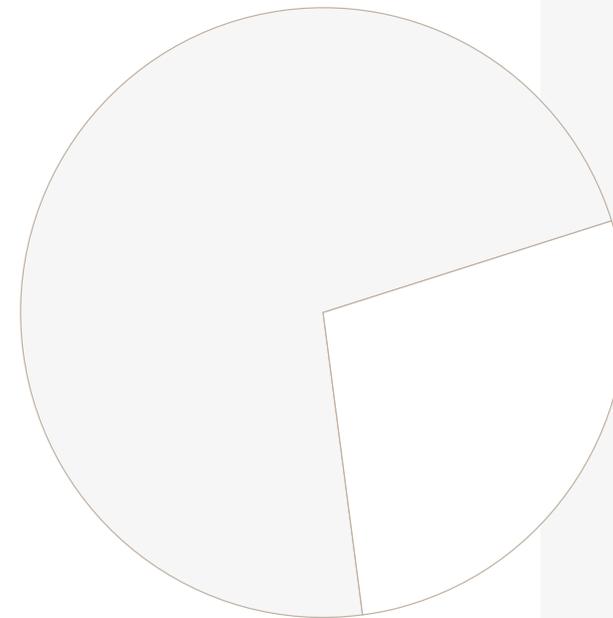
4.3.3 Team Structure

Our team consisted of 28 percent female and 72 percent male colleagues in 2019. The distribution of the age of the team members was as follows: 37 percent of the team was between 20 and 30 years of age, 49 percent between 30 and 40, and 14 percent over 40. The average age at Sono Motors was 32 in 2019, an increase of one year on 2018.



72%

Male colleagues



28%

Female colleagues



32

The average age at Sono Motors



04__ Our Year 2019

4.3.4 Income Levels

Fair compensation is a key factor when it comes to equality. We therefore developed a tool that guarantees fair compensation by taking the team members' individual life circumstances into account. This also applies to the different occupations within the team, as we firmly believe that all parts of the team are equally important for us to realize our vision. In addition to an employee's highest level of training and qualification, the key factors here are relevant work experience and above all the length of service at Sono Motors as well as employee responsibility. Other aspects which are factored into an employee's salary include the number of children they have and social circumstances such as family members who require care or supervision. Additionally, the salary of an employee can be influenced by two factors: Special qualifications and above-average commitment. Drawing on all of these factors, our tool calculates a maximum salary which develops dynamically over time. In 2019, this resulted in a gender pay gap of 5 percent in favor of male team members.

12%

*Illness-related
Absenteeism 2019*

5%

Gender Pay Gap 2019

4.3.5 Illness-related Absenteeism

Good health is the basis for a fulfilled and active life. We want to encourage our employees to lead healthy lives so we generally pay close attention to their well-being. We record absenteeism and sick days in a way which is open to public scrutiny as an indicator of the team's health and satisfaction levels. In 2019, the internal absence rate due to illness was 12 percent. We have set ourselves the goal for 2020 of gaining a better understanding of the reasons for this, in order to combat it with targeted measures in the future.



04__ Our Year 2019

4.4 Consumption and Emissions

We opted for a public community funding campaign last year in order to continue securing the financial basis needed for the further development of the Sion. This was a major step that required ambitious measures. To engage in close dialogue with you, our supporters, we therefore organized a number of community evenings in various German towns and cities in addition to the many test-drives conducted at our site. Together with our general electricity and gas consumption and our team's business travel, this resulted in greenhouse gas emissions. In total, the company's internal carbon footprint came to 112 tons of CO₂-eq¹ in 2019.

¹ CO₂-eq: When fossil fuels are burned, they release CO₂ as well as other gases that are harmful to the climate, such as methane. However, the intensity of these greenhouse gases' effects on the earth's climate varies from gas to gas. To make all gases comparable and create a uniform basis for calculations, the climate impact of other greenhouse gases is converted into CO₂ equivalents.

112 t

CO₂-eq footprint 2019

In order to reduce CO₂-eq emissions and counteract rapid deforestation, we are supporting a certified climate protection project in Madagascar via myclimate.



04__ Our Year 2019

The electricity and gas energy consumption of our 2,252-square-meter offices amounted to 186,539 kWh – approximately thirty times the annual consumption of a single-family home in Germany. As we made an effort early in the year to switch to green electricity and biogas, these account for 80 percent of our energy consumption.

21 tons of our overall CO₂-eq footprint are attributable to our energy consumption, while 18 tons were generated by test drives and events. At 73 tons, the largest proportion was caused by our team’s business travel. As was already the case in 2018, we offset² our unavoidable CO₂-eq by supporting a climate protection project in Madagascar in which efficient stoves and solar cookers replace open fires for the preparation of hot meals.

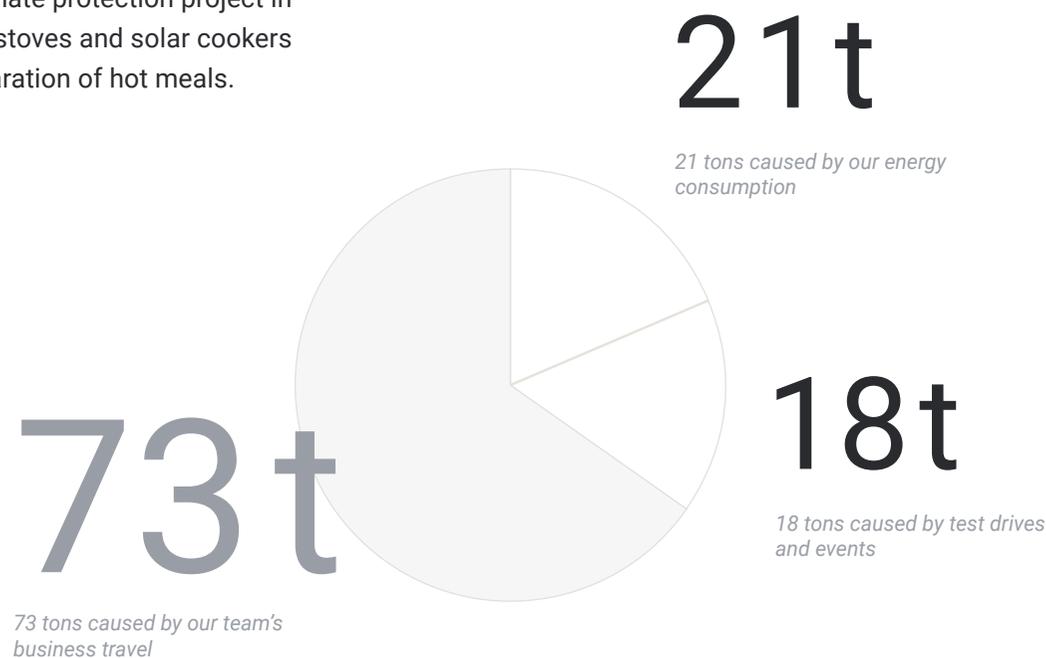
Our water consumption increased year-on-year in line with our team growth, by approximately 20 percent to 410 cubic liters. This is equivalent to around 2,733 full bathtubs with a capacity of 150 liters.



410 m³



186 539 kWh



² CO₂-eq offsetting is an instrument for global climate protection: the emission of a certain amount of CO₂-eq in one place on earth is prevented in another as the location where emissions are caused or prevented is irrelevant to the earth’s atmosphere. Aside from preventing and reducing CO₂-eq emissions, offsetting is an effective method of countering global warming. You can find more information about this topic [here](#).

05

The Targets We Achieved



05 _ The Targets We Achieved

We continuously ascertain the feasibility and progress made regarding our targets in order to guarantee a continuous process of improvement and further development. We are delighted to have been able to effect many of the projects and plans presented in the 2018 report in the past months.

5.1 What We Achieved

5.1.1 Transparency: The Basis of our Partnerships

Our vision of future-oriented and resource-conserving mobility serves us as an important criterion when selecting partners and in our subsequent collaboration with them. We see the open presentation of our mobility concept with its focus on climate-friendliness, resource conservation, and fairness as the obligatory starting point for transparent cooperation.

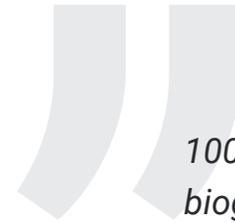
One of the biggest issues in this respect is the mining of minerals such as cobalt. In many instances, this goes hand in hand with human rights violations and negative consequences for the environment. As a company for which acting responsibly in all areas is a guiding principle, we also see it as our duty to be able to trace the raw materials we need back to their origins. We see this as a fundamental prerequisite and as a responsibility shared by companies in order to be able to improve mining conditions. Additionally, talks with prospective partners with whom we hope to cooperate so as to improve these conditions bring us a step closer to this target.



05 _ The Targets We Achieved

5.1.2 Our Office: Incrementally Energy Self-Sufficient

The holistic nature of our actions includes making our office as energy self-sufficient as possible. For example, we succeeded in converting the entire building complex in which our office is located to green electricity and biogas. We have paid particular attention to ensure a high proportion of waste materials used for biogas production, and we chose our gas supplier accordingly.



100 % green electricity and biogas for our offices!

5.1.3 Our Team: Fully Informed

To further increase our team's understanding of measures in favour of energy saving and environmental protection, we made it our responsibility to inform all team members about the background of the issues of climate protection and fairness, both of which are relevant to us. We developed a series of internal seminars and public marketing campaigns, for example on the controversial topics of batteries as storers of electrical energy and the materials used in batteries such as lithium and cobalt, in order to inform people both internally and externally about the correlations and problems. To complement this, we keep our team up to date with the latest scientific findings and current political news on the topics.



06

Modifying Planned Targets



06 _ Modifying Planned Targets

We set high demands ambitious goals of ourselves each year, which we review regularly. Wherever we have not yet achieved our goals, we continue to work toward doing so.

6.1 Supplier Survey

We have already created the basis for the planned supplier survey regarding fairness, resource conservation, and climate protection by compiling a catalogue of questions. We have not yet been able to conduct the supplier survey, but now we have secured the funding for the next production steps by means of our successful Community Funding Campaign, we can resume our partnerships in this area and have the survey conducted.

6.2 Avoiding Emissions

We intend to promote the achievement of our overall goal of avoiding greenhouse gas emissions before they are created by producing the Sion with electricity from 100 percent renewable sources.



06 _ Modifying Planned Targets

6.3 The Sion's Environmental Footprint

Last year, we set out to make a decision regarding the methodology used to evaluate the general impacts on the environment of all the components incorporated into the Sion. Already in the previous year, we had made the decision to record and offset all greenhouse gas emissions that could not be avoided or reduced relating to production and in connection with logistics processes within the Sion supply chain.

In 2019, we internally identified a partner for this. We have already made a rough estimate of our carbon footprint and we presented this to our community at our Open House event.

► Presentation

It has so far not been possible to perform precise recording of the carbon footprint due to some interruptions in our vehicle development, resulting in a lack of underlying data, but this is set to happen as one of the next steps. Now that vehicle development has fully resumed, it will be possible to ascertain the Sion's environmental footprint together with the chosen partner.

6.4 Quantitative Data

Another goal for 2019 was creating a set of quantitative data on the focal issues of fairness, resource usage, and climate protection. The key environmental figures have already been defined in consultation with our internal Supply Chain Management and Product Development departments. However, these can only be measured once production has started.



07

Our Goals for 2020



07 _ Our Goals for 2020

Protecting the environment, nature, and people as the top priority of our company is what shapes our actions and drives our ongoing development in these areas. We consider the entire life cycle of the Sion, this being at the very heart of our mission.

We categorize all our goals and actions based on the stages upstream, corporate, downstream, and reverse logistics. While we will initially continue to prioritize the implementation of adapted measures, we have also given ourselves updated goals for 2020.

In the months to come, we will focus on building series prototypes, contracting our partners with tools and production facilities, and testing our vehicles. This will allow us to simultaneously make targeted preparations for series production of the Sion.

In addition to further internal measures, our goals for 2020 therefore relate primarily to upstream processes and Sion production.



07 _ Our Goals for 2020

7.1 Upstream Processes

One of our most important pillars, transparency, proves to be highly complex in the automotive industry's logistics process, in particular in the upstream stages of the supplier network. Increasing the comprehensible, open presentation of the individual correlations in this area is especially important to us as one of our overarching goals.

7.1.1 Supplier Survey and Tracking of Raw Material Extraction

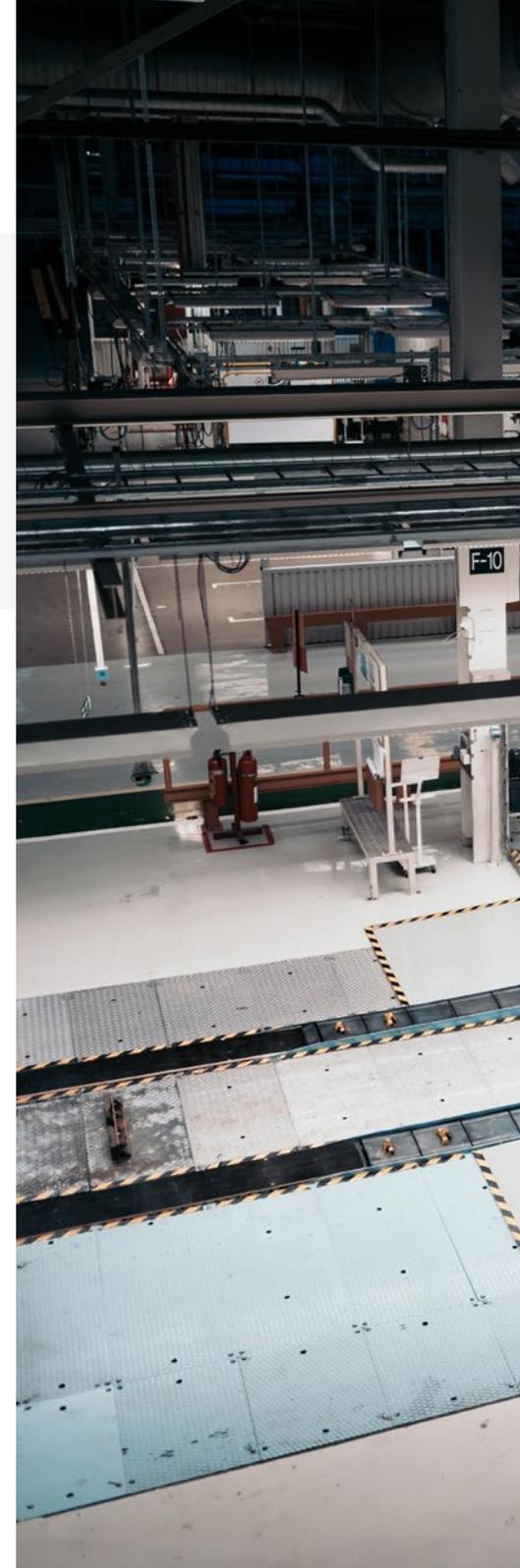
As already mentioned, the survey of our partners and suppliers (section 6.1) plays an important part in further raising our partners' awareness of our high standards in the areas of climate and environmental protection as well as our joint social responsibility as a company. We see it as our responsibility to always consider the origins of a problem, in particular regarding sensitive and critical aspects.

Among other things, this applies to the conditions under which critical raw materials such as cobalt are mined. Gaining a comprehensive understanding of the problem was the basis for being in a position to decide on targeted measures to improve the conditions in the field. For 2020, we have set ourselves the goal of entering into a coalition with the relevant stakeholders in order

to effectively combat environmental damage and labor conditions which contravene human rights.

7.1.2 Ascertaining the Environmental Footprint of Our Prototypes

Completion of the next generation of prototypes does not only serve technical testing purposes – it also allows us to make an initial assessment of the vehicle's environmental footprint. The results will allow us to identify so-called carbon hot spots and then derive measures for avoiding and reducing carbon emissions in series production. It will then be possible for us to make decisions regarding the vehicle components' material properties, origins, and transport routes that benefit the environment.



07 _ Our Goals for 2020

7.2 Internal Action

In addition to the measures already mentioned concerning our premises that will bring us closer to our goal of running an energy self-sufficient office, other factors that are part of our day-to-day activities include measurement of our corporate carbon footprint, our vegan catering, paperless work, and our strict waste separation. We have already decided to have our own PV system installed. Our next steps will be to specify the details of this project by clarifying the underlying conditions and selecting a suitable installation system, in order for the project to be realized soon. We generally want to place the aspects of fairness and environmental and climate protection more at the heart of our decision making processes. To this end, we intend to internally develop a decision matrix in order to put more focus on these basic principles, for example when selecting our partners.

7.2.1 Compensation

Whereas in the past we focused primarily on ensuring fair pay on the basis of our compensation model, this year we intend to grant our employees additional benefits to complement their financial compensation. Although we are still a very young company, meaning we cannot offer benefits on the same scale as is typical within the industry, from 2020 we will, as far as we can, endeavor to help our team dedicate sufficient time in their day-to-day lives to their health. We are therefore in contact with various partners regarding offering benefits in the areas of sport, health, and fitness. We have

also topped up the employees' vacation allowance to 30 days as a means of achieving a good work-life balance. Furthermore, we intend to be even more supportive of our employees who use public transport and those who come to work by bike or e-bike.



07 _ Our Goals for 2020

7.2.2 Training and Professional Development

We started as a small team comprising a handful of employees four years ago. Many of the original team members are still with Sono Motors today. Although the average length of service is still less than one year due to our rapid growth, the topic of staff development is becoming increasingly important for us. Making training and professional development possible is one of the measures we are planning in this context. Another instrument will be a platform which allows experienced members of staff to pass on their knowledge and expertise in various areas to interested coworkers. For example, we intend to have active exchange on the topics of project management methods or leadership techniques.



With further education and training we strengthen our team!

7.2.3 "Cultural Onboarding"

At the recruitment stage it is important to us that applicants have an understanding of our core values. Rather than requesting a conventional application letter, we therefore ask them to expand on their interpretation of "environmental sustainability". We also plan to present our corporate culture to our new employees by means of separate cultural onboarding, to continue to pursue our path in the interests of the environment, nature, and fairness.



08

2019 in Figures



08 __ 2019 in Figures

Social

Employee growth *

Men	36 %
Women	-4 %
Total	22 %

Turnover rate **

Men	7 %
Women	14 %
Total	9 %

Team structure

Men	72 %
Women	28 %

Age

20-30	37 %
30-40	49 %
40+	14 %

Average age of

team as a whole 32 years

Environment and Resources

Energy and Water consumption

Heating (gas)	137 386 kWh
of which green gas	113 331 kWh

Electricity	49153 kWh
of which green electricity	33 702 kWh

Water	410 m ³
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CO₂-eq Footprint

business travel	73 t
energy consumption	21 t
test drives and events	18 t

* Full- and part-time staff including part-time employees such as student assistants

** Calculation excluding fluctuating employee groups with limited employment contracts such as internships or student assistants



09 _ Contact

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Transparency at Sono Motors 2018

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