

Polestar
—
Sustainability report

2021

Introduction

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About the report

In this sustainability report, you will be able to explore the details of our sustainability strategy, management and progress. The report has been prepared in accordance with GRI Standards: Core option and the European Union's Non-Financial Reporting Directive through the Swedish Annual Accounts Act's requirements on the statutory sustainability report. The report also references a selection of disclosures from the SASB's sector guidelines for the automobile industry.

Polestar publishes a sustainability report annually, and this report covers the fiscal year 2021. The last report was published on 6 April 2021 and is available at <https://reports.polestar.com/>

Do you have questions or comments? We would love to get in touch with you! Please contact us at media@polestar.com or ir@polestar.com.

About Polestar

Polestar is a pure play, premium electric performance car brand headquartered in Sweden, designing products that are engineered to excite consumers and drive change. Polestar was established as a premium electric car brand and joint venture between Volvo Cars and Geely Holdings in 2017. We benefit from the technological, engineering and manufacturing capabilities of these established global car manufacturers. We have an asset-light, highly scalable business model with immediate operating leverage. In 2021, Polestar offered two performance car models: the electric performance hybrid Grand Tourer (GT) Polestar 1, and the fully electric performance fastback Polestar 2.

At the end of 2021, our cars were on the road in 14 markets across Europe, North America and China. We intend to continue our rapid market expansion with the aim that our cars will be available in a total of 30 markets by the end of 2023. We also plan to introduce three new electric vehicles by the end of 2024: Polestar 3, an aerodynamically optimised Sport Utility Vehicle, or SUV; Polestar 4, a sporty SUV coupe; and Polestar 5, a luxury 4 door GT. Our target is a production volume of around 290,000 vehicles per year by the end of 2025.

Our cars are currently manufactured in two state-of-the-art facilities in China, our own Chengdu plant, and the Taizhou plant (previously called Luqiao) that is owned by Volvo Cars.

We use a digital-first, direct-to-consumer approach that enables our customers to browse our products, configure their preferred vehicle and place their order online. Alternatively, our Polestar Locations are where customers can see, feel and test-drive our vehicles before making an online purchase. We believe this combination of digital and physical retail presence delivers a seamless experience for our customers. This customer experience is further enhanced by our comprehensive service network that leverages the existing Volvo Cars service centre network. At the end of 2021, we had 103 Polestar Locations. In addition, the Volvo Cars service centre network provides access to over 800 customer service points worldwide in support of our international expansion.

In 2021, we sold approximately 29,000 cars. Our turnover reached USD 1,337 million and our balance sheet totalled USD 3,309 million.

In September 2021, Polestar announced the intention to list on the New York Stock Exchange (NYSE) through a business combination with the special purpose acquisition company Gores Guggenheim Inc. The listing is expected to take place in the first half of 2022.

Our approach to sustainability

Sustainability lies at the heart of what Polestar is. We are a performance brand, determined to improve the society we live in by accelerating the transition to sustainable mobility. Sustainability forms one of our strategic pillars, along with innovation and design.

Our sustainability strategy, established in 2020, outlines our priorities to meet our vision of improving society through our business, as well as being a guiding star for sustainability. The strategy comprises four focus areas: Climate Neutrality, Circularity, Transparency and Inclusion. Each focus area has a set of strategic initiatives and targets, guiding strategic decisions as well as our day-to-day work.

Our aim is to embed sustainable thinking and processes in Polestar operations, and to implement this approach across our governance structure. Subject-matter experts such as our sustainability leads and lifecycle assessment specialists guide the organisation in implementing our strategy. Our aim is to foster a culture of sustainability at Polestar.

All decisions made at Polestar are guided by our values: Pure, Progressive, Performance. Our corporate policy landscape comprises corporate policies adopted by the Board of Directors, such as the Polestar Code of Conduct and the Polestar Code of Conduct for Business Partners, directives adopted by the Management Team, and guidelines, instructions and process documents adopted by specialist departments.

Through our policies, directives and processes, we adhere to the International Labour Organization's eight core conventions, The Universal Declaration of Human Rights, the United Nations' Convention on the Rights of the Child, the OECD Guidelines for Multinational Companies, the United Nations' Guiding Principles on Business and Human Rights, and the precautionary principle. During 2021, Polestar became a member of Exponential Roadmap Initiative and the United Nations' Race to Zero. Read more on page 7.

Sustainability risks are identified, assessed and managed throughout the organisation, by individual departments and by the Sustainability team. 2021 saw the establishment of a dedicated Internal Controls & Risk Management team at Polestar. The department, and our internal auditors, continuously assess risks to the business. In the longer term, we will integrate our sustainability risk management processes into our ERM process.

Our contribution to Agenda 2030

The United Nations' Agenda 2030 is an ambitious global framework, aiming to end extreme poverty, reduce inequalities and injustice, and stop climate change. It was adopted by all UN Member States in 2015. We are now halfway to the target year 2030 and immediate action is required to meet its 17 goals and the 169 targets. In this report, we present the sustainable development goals and Polestar's impact on them. Going forward, we aim to evaluate our progress in relation to the identified goals and targets annually, and to develop our strategy to ensure that we are optimising our contribution.

The goals and targets were identified through an Agenda 2030 materiality assessment carried out in 2021, where Polestar's impact on each sustainable development goal and its targets were analysed. It was conducted to account for all of Polestar's impacts: direct and indirect, positive and negative. The analysis was conducted by Polestar's sustainability subject-matter experts together with researchers at Gothenburg Centre for Sustainable Development, a research hub of Chalmers University of Technology and Gothenburg University in Sweden.

Stakeholder dialogue and materiality assessment

It is vital that we focus where we have the greatest sustainability impact to ensure we meet our stakeholders' expectations. Following the first structured stakeholder dialogue and materiality assessment in the autumn of 2020, we conducted a new stakeholder dialogue in autumn 2021.

In total, almost 1,200 respondents took part in the digital stakeholder dialogue in 2021. Together they represented employees and consultants, individual Polestar owners, fleet owners, shareholders, suppliers, NGOs and industry associations. The stakeholders were identified based on their dependency and influence on Polestar. The topics raised in the stakeholder survey were drawn from various reports such as the lifecycle assessment of the Polestar 2 and electric vehicles in general, sector guidance from the reporting frameworks GRI and SASB, a comprehensive EV consumer study commissioned by Polestar, as well as peers' sustainability reporting. The respondents were also invited to add more topics in the survey. Polestar's sustainability impact was assessed by a working group constituting subject-matter experts at Polestar and sustainability reporting advisers from an external consultancy. The materiality assessment was carried out in accordance with GRI Standards 101: Foundation 2016, and an assessment of how these topics may affect Polestar, was carried out simultaneously.

Stakeholder group	Stakeholder dialogues	Most important sustainability topics
Fleet owners	<ul style="list-style-type: none"> Day-to-day operations Customer service Digital stakeholder dialogue survey 	<ul style="list-style-type: none"> Passenger safety Energy consumption of Polestar's vehicles Circularity Human rights and health impacts in the supply chain Support for consumers in making sustainable choices
Individual customers	<ul style="list-style-type: none"> Customer service Continuous dialogues through Polestar.com and social media Digital stakeholder dialogue survey 	<ul style="list-style-type: none"> Passenger safety Anti-corruption Risk materials Human rights and health impacts in the supply chain Sustainable materials
Employees and consultants	<ul style="list-style-type: none"> Day-to-day operations Intranet Digital stakeholder dialogue survey 	<ul style="list-style-type: none"> Employee health and safety Passenger safety Circularity Environmental and eco-system impacts in the supply chain Energy consumption of Polestar's vehicles
Shareholders	<ul style="list-style-type: none"> Investor relations Regulatory communications Digital stakeholder dialogue survey 	<ul style="list-style-type: none"> Passenger safety Energy consumption of Polestar's vehicles Charging infrastructure Employee health and safety Political influence on green mobility solutions
Suppliers	<ul style="list-style-type: none"> Day-to-day operations Supplier assessments and audits Digital stakeholder dialogue survey 	<ul style="list-style-type: none"> Passenger safety Human rights and health impacts in the supply chain Employee health and safety Customer complaint management Greenhouse gas emissions
NGOs and industry associations	<ul style="list-style-type: none"> Topic-specific dialogues Digital stakeholder dialogue survey 	<ul style="list-style-type: none"> Passenger safety Circularity Charging infrastructure Support for consumers in making sustainable choices Energy consumption

Polestar's sustainability agenda

Polestar's sustainability agenda comprises our four focus areas Climate Neutrality, Circularity, Transparency and Inclusion. Each focus area has a number of material topics, defined in the materiality assessment, and a set of strategic initiatives that are set to advance our business and sustainability progress over the coming years. Through a Sustainable Development Goals materiality assessment, we have also defined the goals and targets where Polestar has the greatest impact, read more on page 3.

<p>CLIMATE NEUTRALITY Pages 6–13</p>	   
<p>Polestar's material topics Eco-economic decoupling Emissions Energy Energy consumption of Polestar's vehicles Charging infrastructure Political influence on green mobility solutions</p>	<p>Strategic initiatives Climate-neutral platform Climate-neutral materials Energy optimisation Climate-neutral manufacturing Renewable energy in the supply chain Climate-neutral company</p>
<p>CIRCULARITY Pages 14–18</p>	     
<p>Polestar's material topics Efficient use of materials Environmental and eco-system impacts in the supply chain Recycling and reuse of vehicle components and batteries at end of life Biodiversity impact Use of recycled and renewable materials Waste management</p>	<p>Strategic initiatives Circular battery design Remanufacturing, repair and reuse of parts and batteries Collaborations for second life of batteries and reuse of parts Collaborations for recycling of batteries</p>
<p>TRANSPARENCY Pages 19–22</p>	  
<p>Polestar's material topics Transparency of minerals and materials Support for consumers in making sustainable choices Connectivity and customer privacy</p>	<p>Strategic initiatives Materials traceability Supply chain transparency Product sustainability declaration Sustainability reporting</p>
<p>INCLUSION Pages 23–30</p>	     
<p>Polestar's material topics Anti-corruption Compliance and whistleblowing Human rights in the supply chain Employee health and safety Competence development Diversity & inclusion Labour conditions Passenger safety</p>	<p>Strategic initiatives Inclusive ethical business practices Human rights in the supply chain Inclusive workplace Inclusive design Inclusive customer experience</p>

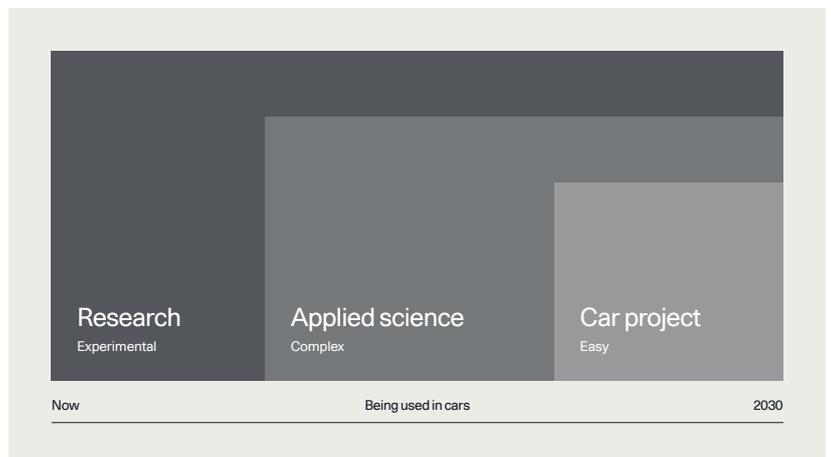
Climate Neutrality

The world is currently facing a climate crisis on an unprecedented scale. Its dire impacts can already be seen, and if not properly mitigated will result in catastrophic consequences to biodiversity, human life, society and the global economy. In August 2021, Working Group II of the Intergovernmental Panel on Climate Change (IPCC) released its sixth assessment report, which attested that climate change is widespread, rapid and intensifying. The report also confirmed that most of the greenhouse gas emissions, causing climate change, are results of human activities, and that its effects are already seen across the world. The report also stressed the importance of limiting global warming at 1.5 degrees Celsius compared with pre-industrial times. So far, we have already seen an increase of 1.1 degrees. Significant efforts, and investments, are required to decarbonise the global economy in time, and to mitigate physical climate risks. The IPCC report 'Mitigation of Climate Change' by Working Group III, released in April 2022, stressed that global GHG emissions must peak before 2025, at the very latest, to reach the 1.5 degrees Celsius limit. The transition to a low-carbon must be accelerated.

Most industries are still struggling to innovate low-carbon alternatives to conventional products and services. In the automotive industry, the low-carbon alternative has already been placed on the market. Electric vehicles are therefore a part of the transition to a carbon-neutral economy. However, the lifecycle of electric vehicles still substantially contributes to climate change through emissions of greenhouse gases in the supply chain, manufacturing, logistics, use-phase and at end-of-life. This is something that we are committed to change.

Our overarching climate targets

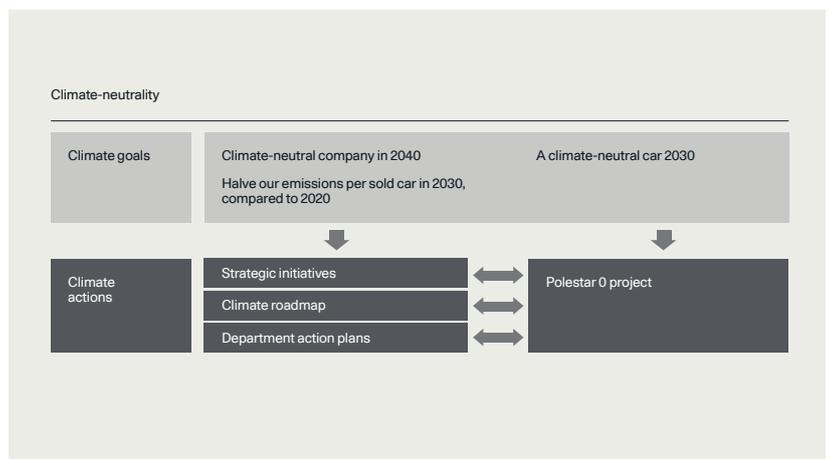
Challenging times call for bold action. In spring 2021, we launched the moon-shot goal of delivering a climate-neutral car by 2030. The project was dubbed Polestar 0. The project builds on the data and insights from Polestar's lifecycle assessments. To take on the task to remove all greenhouse gas emissions in the supply chain is an unprecedented challenge, but our LCAs clearly showed us how electric cars offer us a route to climate-neutral mobility. The project sets out to eliminate all emissions from raw material extraction, material manufacture, product manufacture and end-of-life. The Polestar 0 project will therefore require us to operate, and cooperate, to an extent not seen before. Not only to advance existing technology, but to tap into solutions that are still in the ideation stage. To reach our target by 2030, we need to start now! A call for action to join Polestar in partnerships to develop Polestar 0 kick-started the project in 2021, and in early 2022 we signed letters of intent with SSAB, Hydro, ZKW, Autoliv and ZF, and more will follow. Over the coming eight years, the project will go through the three phases of research, advanced engineering and product development.



We have also set the overarching target of reaching climate neutrality across our value chain by 2040. A climate roadmap for our journey to reach the climate targets has been drawn up and endorsed by our management team. The climate roadmap encompasses our strategic initiatives: climate-neutral platform, climate-neutral materials, energy optimisation, climate-neutral manufacturing, renewable energy in the supply chain, and climate-neutral company. It sets out targets for the four five-year periods leading up to the target year 2040. Each focus area has been assigned to a specific department within Polestar, apart from climate-neutral company which covers all group function departments.

Annually, each department is tasked with putting together a climate action plan, setting out the path and initiatives for the coming year. In line with our integrated approach, climate investments are allocated from the departments' regular budgets. The climate action plans are approved by the relevant management forum and followed up biannually. Climate neutrality was also included as a key performance indicator in the global employee bonus programme in 2021, to kick-start Polestar's departmental action plans and reduction efforts. This integrated way of working enables action in all departments and makes sure that we take the necessary steps to reach our targets.

In 2021, Polestar joined the Exponential Roadmap Initiative as well as the UN initiative Race to Zero. When joining Exponential Roadmap Initiative, Polestar not only committed to reach net zero before 2050, but also to decrease our emissions in accordance with the Carbon Law. This law states that we as a world need to halve our emissions every decade until 2050, in order to not overshoot and thereby emit more greenhouse gas emissions than the remaining carbon budget allows. However, as a new and fast-growing company, creating and manufacturing cars to phase out fossil-fuelled cars and decrease global transport emissions, we know our company's greenhouse gas emissions will increase for a few years. We have therefore set the target to halve our emissions per sold car by 2030, compared with 2020. By selling our product, we will provide our customers with the opportunity to heavily reduce their climate impact.



The road to climate neutrality

With these goals, we have a clear vision of the future and we know that every internal combustion engine car replaced by an electric vehicle is a step in the right direction and enables the fulfilment of climate-neutral mobility. But we are also well aware that our rapid growth will increase Polestar's absolute greenhouse gas emissions over the coming years. Therefore, we primarily track our progress by looking at the greenhouse gas emissions intensity, that is, the quantity of carbon dioxide equivalents emitted for each new car put on the market. In 2021, the greenhouse gas emissions intensity was 40.2 (2020: 42.8) tonnes CO₂e per sold car. This is a decrease of six percent compared with the baseline year 2020. Our target is to halve our carbon intensity by 2030, compared with 2020. Achieving this target would be a result of eco-economic decoupling, where economic growth is no longer dependent on increased carbon and environmental footprints.

Our 2040 target is set based on absolute emissions and these are closely followed up. To meet this target, our absolute emissions must start reducing in the second half of this decade. In 2021, the absolute emissions across our value chain increased by 165 percent, up to 1,126,224 tonnes CO₂e.

Greenhouse gas emissions¹⁾

tonnes CO ₂ e	2021	2020	Change, %
Direct GHG emissions, Scope 1 ²⁾	733	897	-18
Indirect GHG emissions, Scope 2 ³⁾ (market-based)	8,734	1,031	747
Total GHG emissions in Scope 1 and 2	9,467	1,928	391
Other indirect GHG emissions, Scope 3	1,116,961	422,777	164
Total GHG emissions in Scope 1, 2 and 3	1,126,428	424,705	165
Total GHG emissions per sold car	40.2	42.8	-6

1) Emissions are calculated based on the guidance of the Greenhouse Gas Protocol and this includes emissions within our financial control. The following categories have been excluded: capital goods, processing of sold products and investments. For detailed information about the methodology used, see page 37.

2) Polestar had biogenic GHG emissions of 0.6 (2020: 0.6) tonnes CO₂e in 2021.

3) Location-based emissions in Scope 2: 9,640 tonnes of CO₂e in 2021.

The main contributors to our greenhouse gas emissions are the purchased goods for producing our cars, followed by the use of our cars by the customers, together making up for 83 percent of the total greenhouse gas emissions. Some factors related to our company's growth have led to increased absolute emissions, such as increased sales, more employees, and greater market presence with new retail locations. However, a certain scale effect can be seen as the emissions per vehicle has decreased year-on-year.

Emission source, tonnes CO ₂ e	2021	Share of total emissions 2021, %	2020	Change, absolute emissions year-on-year, %
Overhead ¹⁾	2,718 ²⁾	0	937	188
Manufacturing	16,558	1	16,518	0
Transportation and logistics	84,398	7	45,931	84
of which inbound	21,793	2	27,000	-19
of which outbound	62,605	6	18,931	231
Purchased goods	715,109	63	277,090	158
of which direct materials	658,144	58	239,182	175
of which indirect materials	56,965	5	37,908	50
Sales ³⁾	10,306	1	1,266	714
Use of sold products	282,725	25	77,950	263
of which EMEA	125,175	11	N/A	N/A
of which China	59,830	5	N/A	N/A
of which APAC (excl. China)	1,914	0	N/A	N/A
of which Americas	95,806	9	N/A	N/A
End-of-life treatment of sold products	14,410	1	5,013	187
Total GHG emissions in Scope 1, 2 and 3	1,126,428	100	424,705	165

1) Includes offices, business travel and employee commuting.

2) This increase is almost entirely a result of updates in emission factors used to calculate emissions from travelling.

3) Includes locations, events and company-owned cars.

Climate neutrality

Energy and emissions in the supply chain

In total, 63 percent of our value chain greenhouse gas emissions can be traced to the supply chain. Most of these emissions are related to the use of fossil fuels in energy conversion. Coal power is highly present in our supply chains as we operate, and predominantly source, in China. Aside from greenhouse gas emissions, the burning of fossil fuels also leads to emissions of sulphur dioxide, nitrogen oxides and particulates that affect the environment and the health of people living in the areas around the power plants. This means that the use of renewable energy in the Polestar supply chain is key for us to reach climate neutrality and improve local air quality. That is why an increased share of renewable energy in the supply chain is one of our strategic initiatives. Our climate roadmap includes milestones identifying the share of renewable energy for every five-year period throughout our supply chain. We also have a target that all electricity use in Tier 1 is fossil-free by 2025.

Continuous reduction of greenhouse gas emissions

To maintain the pace needed in the reduction of our greenhouse gas emissions, it is not enough to work with emission reduction in the development phase of our cars. The cars stay in production for many years, and during this time we are as committed to lower the emissions year by year, as before the car launches. This is why we started a CO₂ reduction programme for Polestar 2, where we chase continuous improvement to the cars' carbon footprint, both through design changes and changes to our supply chain.

Besides the use of renewable energy, material resource efficiency is crucial for Polestar as well as for any manufacturing business trying to reach climate neutrality. Our climate road map also includes milestones when certain levels of recycling, remanufacturing and reuse must be achieved for different materials used in our cars. We clearly see that only relying on recycling comes with a high risk in terms of supply of recycled material, which is why we also want to explore the possibilities of increased remanufacturing and reuse of parts. Read more about or work on circularity on pages 14–18.

Energy and emissions at Polestar

Our greenhouse gas emissions in Scope 1 and 2 represents one percent of our total greenhouse gas emissions. They can be derived from electricity and fuel consumption from company-owned cars, natural gas used for heating and in the paint shop of the Chengdu plant, as well as purchased electricity for running the machinery, cooling and lighting at the plant. In 2021, electricity consumption increased by 224 percent to 100,122,556 (2020: 30,876,602), mainly because of a large increase in company-owned cars, which is a result of the company's rapid expansion. Electricity and natural gas use in the Chengdu plant decreased due to the phasing out of Polestar 1 production.

Energy at Chengdu plant

Polestar's plant in Chengdu was the first car factory in China to attain Gold status in Leadership in Energy and Environmental Design (LEED) ratings, making it one of the most environmentally responsible car factories in the country. LEED measures environmental performance in building design, construction and use. Polestar has secured 100 percent renewable electricity contracts for the plant, of which around 65 percent of the electricity is now hydroelectric, while the remainder comes from solar, wind and other renewable sources.

MJ	2021	2020	Change, %
Electricity	100,122,556	30,876,602	224
Fuels			
Natural gas	10,728,000	14,105,618	-24
Petrol	232,481	235,282	-1
Total non-renewable fuels	10,960,481	14,340,901	-24
Ethanol (admixture in petrol)	7,933	8,029	-1
Total renewable fuels	7,933	8,029	-1

Climate neutrality

Energy at the Taizhou plant, leased offices and Locations

We also report on electricity and natural gas consumption at the Volvo Cars-owned Taizhou plant, where Polestar 2 is manufactured, as well as electricity consumption in Polestar's leased offices and Locations. We include the share of energy use from Taizhou corresponding to the share of the produced cars in the plant that are Polestar cars. 54 percent of the electricity consumption at Taizhou plant is renewable through Renewable Energy Certificates and on-site solar panels. In total, the centre's energy consumption fell by 5.2 percent in 2021 due to improved energy efficiency. 55 percent of the energy purchased for leased offices and Locations is renewable.

MJ ¹⁾	2021	2020	Change %
Electricity, operations ²⁾	135,547,417	73,827,366 ³⁾	84
Natural gas, operations	80,301,059	53,262,002 ³⁾	51
District heating	5,713,524	2,828,498	102

1) Consumption of energy in kWh is converted to MJ with conversion factor 3.6MJ/kWh.

2) 'Electricity, operations' includes electricity from the Taizhou factory (both from grid and on-site PV), offices, spaces. For 2021, the five biggest marketing events are also included.

3) The numbers for 2020 have been restated. The row 'Electricity, operations' includes the electricity consumption from on-site PVs at the Taizhou factory in 2020. Furthermore, both rows have been adjusted to account only for Polestar's share of the energy consumption at the Taizhou plant, corresponding to 34.2 percent of the total energy use.

Use-phase energy and emissions

The energy consumption of our vehicles is one of our strategic initiatives within Climate Neutrality. To reach our decarbonisation targets, the energy consumption of new models will have to decrease over time. Milestones regarding the energy consumption per kilometre for future car models are part of our climate road map. These milestones play an important role for us to contribute to climate neutrality also in the use of our products. Polestar has taken on the challenge of assessing lifecycle performance in the R&D phase of new models. This includes powertrain technologies and materials selection. In 2021, we strengthened the process of acquiring relevant data from suppliers throughout the R&D process and integrated lifecycle considerations into the process of all new models. These are now included at all major project gates, and roadmaps will be developed for each project.

There are indirect emissions relating to the electricity which our cars are charged with. Many customers do not have access to 100 percent renewable energy. To read more about the climate impact of different charging scenarios, read about our Polestar 2 LCAs on page 19.

Total energy consumption in the use-phase¹⁾

MJ	2021	2020	Change, %
Electricity	3,797,987,760	1,421,151,048	167
Petrol	933,660	6,162,156	-85
Ethanol (admixture in petrol)	31,860	210,276	-85

1) Consumption of energy in kWh is converted to MJ with conversion factor 3.6MJ/kWh. For consumption of fuel in litres, litres are converted according to the heat values from Energimyndigheten and Drivkraft Sverige. Petrol is assumed to have an admixture of 5 percent ethanol in general. Use-phase is calculated for an average lifetime distance of 200,000 km per sold car. WLTP (Worldwide Harmonised Light Vehicle Test Procedure) cycle is used as consumption.

In total, the consumption of electricity and fuels in the use-phase increased by 158 percent due to more vehicles being sold. Use-phase emissions are closely connected to the energy type used to charge the car. If charged with renewable energy, Polestar 2 has half the lifetime carbon footprint of an equivalent petrol car. Therefore, we urge politicians and charging station providers to put renewable energy on the charging grid and transparently communicate the origin of the electricity to customers. As our 2040 climate target includes the use-phase, we are dedicated to work with charging partners with superior sustainability credentials and the greatest share of renewable energy. In 2021, we developed an assessment tool aimed at evaluating the partners' sustainability approach and performance.

Polestar continuously forms partnerships with both public charging providers and companies providing wall boxes for home charging. One of our larger charging partners is Plugsurfing, an e-mobility alliance gathering charge point operators across Europe. Together, they offer more than 250,000 charging points in the region, using the same app and payment solution regardless of location. The partnership allows us to set up campaigns and preferential pricing, which facilitates and makes charging more affordable for our customers. We are also working to cut out the drama of charging, inspiring new electric vehicle owners to embrace the possibilities of charging, rather than fuelling the car.

Polestar's biggest sales are in countries with rather low emissions from their average electricity mix. Increased sales in markets such as China and the US will lead to increased emissions from the use of sold products. This further underlines the importance of actively working to influence what electricity our customers use to charge their vehicles.

Leading the way

We truly believe in collaboration, which is why we have joined up with Exponential Roadmap, an initiative bringing together some of the world's most progressive companies. Through 36 solutions, aided by policy, funding, digital technology and climate leadership, participants in the initiative can make true progress towards the goal of halving emissions by 2030, as outlined in the Paris Agreement. These actions will be crucial to hold off some of the worst impacts of climate change, and avoid irreversible damage to societies, economies and the natural world.

Through the partnership, we also join the United Nations' Race to Zero campaign, just in time for its one-year anniversary. This global campaign is rallying companies, cities, regions, and financial and educational institutions, assembling the largest ever alliance committed to halving global emissions by 2030 and achieving net-zero emissions by 2050. All members are committed to the same overarching goal: reducing emissions swiftly and fairly in line with the Paris Agreement, with transparent action plans and robust near-term targets.

We also push for more companies in our industry to take climate action. For instance, during 2021 we participated in COP26 in Glasgow and Climate Week NYC in New York. We use these platforms to push OEMs and suppliers alike to embrace transparency with regards to measuring and communicating carbon footprints, supply chain ethics and materials traceability. This is the same reason we publish the LCAs of all our models, starting with Polestar 2 – read more on page 19.

Another area where collaboration is important is the use of batteries in the energy infrastructure. While the transition from internal combustion engines to electric vehicles drives demand for electricity, electric vehicles' batteries could potentially also be used as a solution to expand power grids. The batteries can balance out fluctuations in power supply and offer benefits in terms of flexibility in the load and the possibly of also discharging back to the grid. This would enable electric vehicles to be a part of an energy system, providing back-up capacity for peak periods. In a five-partner project supported by the Swedish Energy Agency, Polestar has joined Chalmers University of Technology, Gothenburg energy supplier Göteborg Energi, charging solution provider CTEK and energy provider Ferroamp. The project aims to accelerate the development of technical solutions while also investigating benefits, barriers and potential business models.

Climate-related financial risks

The climate crisis poses unprecedented risks, but also opportunities, to businesses. These include transition risks in meeting market change, new legislation and stakeholder expectations, but also physical risks such as flooding, heatwaves and other extreme weather events that may cause disruption to supply chains and manufacturing sites. To better understand these impacts on Polestar, we have conducted a gap analysis to see what is required from Polestar to follow the recommendations from the Taskforce on Climate-Related Financial Disclosures (TCFD), together with an external partner. The analysis showed that although Polestar has strategies and actions in place managing financial risks in general, climate-related financial risks have not been included in these processes. Climate-related financial risks need to be managed alongside other financial risks. The gap analysis resulted in an action plan with clear steps on how to implement governance specifically around climate-related financial risks and incorporate climate-related risks in the risk management work.

We have now identified areas where we have major climate-related financial risks, such as (but not limited to): high concentration of suppliers in areas that are often subjected to extreme weather (physical risk), increasing prices of sustainable raw materials (transition risk), not being able to access enough renewable energy for our supply chains (reputation and transition risk), changes in legislation and carbon pricing (transition risk / opportunity). We will now start our work on mitigating these risks, alongside work to implement and report according to TCFD for 2022.

Reporting in accordance with the Taxonomy Regulation

With the intention of facilitating the financing of more sustainable businesses, the European Union has developed the taxonomy on sustainable activities. It defines screening criteria for specific economic activities, rendering certain performance sustainable. So far, the taxonomy defines criteria related to the objectives for climate change mitigation and adaptation, and focus on activities that have disproportionate negative environmental impacts or are enablers in the transition to a sustainable economy.

Polestar and the EU taxonomy

As electrical vehicles play a crucial role in the development of sustainable transportation, one of the enabling activities listed is 'Manufacture of low-carbon technologies for transport'.

Polestar is not formally included in the scope of the Taxonomy Regulation. However, we fully support the intention of the taxonomy and aim to report in line with the Taxonomy Delegated Act 2021:4987 supplementing Article 8 of the Taxonomy Regulation, as a part of our ongoing transparency efforts. For the reporting year 2021, companies only have to report the share of taxonomy-eligible turnover, capital expenditure and operational expenditure.

	Total (USD million)	Taxonomy eligible, %	Non-taxonomy eligible, %
Turnover	1,337	97	3
Capital expenditure (Capex)	517	100	0
Operational expenditure (Opex)	22	94	6

Turnover

Turnover refers to the total turnover of Polestar. In total, 97 percent of our turnover in 2021 was taxonomy eligible, comprising the items 'Sale of vehicles' and 'Vehicle leasing revenue' (Note 1, F-4¹). This includes both Polestar 1 and 2. Polestar 2 is manufactured by Volvo Cars, but Polestar owns the product specification.

¹Filed with the Securities and Exchange Commission 21 April 2022.

Climate neutrality

Capital expenditure

Capital expenditure includes additions to right-of-use assets (Note 9), intangible assets (Note 12) and property, plant and equipment (Note 13). This includes leases of buildings and manufacturing production equipment, internally developed intellectual property and acquisitions of intellectual property, for instance.

All the capital expenditure reported above is considered taxonomy-eligible as it relates to the activity 'Manufacture of low-carbon technologies for transport'.

Operating expenses

Operating expenses include non-capitalised costs that relate to research and development, short-term leases, as well as maintenance and repair related to the Chengdu plant where Polestar 1 was manufactured.

In total 94 percent of our operating expenses, were taxonomy-eligible. In addition to non-capitalised costs for research & development and maintenance & repair, relating to the activity 'Manufacture of low-carbon technologies for transport', eligible operating expenditure also include items associated with the the activity 'Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)' as Polestar set up charging stations in Sweden in 2021. Short-term leases of of temporary spaces and small IT-equipment are considered non-taxonomy eligible.

Looking ahead

In 2022, we will assess our economic activities based on the taxonomy's 'do no significant harm' criteria and its minimum safeguards, to be able to report taxonomy alignment going forward. This will include an assessment of physical climate risks for the climate adaptation criteria, water and biodiversity assessments of the manufacturing, and continued integration of the UN Guiding Principles of Business and Human Rights as well as the OECD Guidelines for Multinational Enterprises, into our processes.

We are closely following the European Union's new delegated acts and guidance, which may further clarify certain definitions and boundaries in the Taxonomy Regulation and consecutive delegated acts.

Circularity

Circularity has been dubbed the next frontier of sustainability. While the mainstream transition to circularity is still in its infancy, there is immense potential in a circular approach. For Polestar, it is an important instrument in our decarbonisation strategy and in our ambition to minimise our environmental footprint. It is also a path to create new business opportunities, innovation and production efficiency.

We focus our efforts to leverage the four strategic circularity initiatives: circular battery design; remanufacturing and repair of parts and batteries; collaborations for the second-life and reuse of batteries and parts; as well as collaborations for recycling batteries. Circular battery design is led by our R&D department, and the remainder of the strategic initiatives are managed by the Customer Experience department in collaboration with other departments and functions. The work is overseen and supported by Polestar's Circularity Lead. Preparations for a baseline circularity evaluation of Polestar have been initiated in 2021 and the work will be completed in 2022.

A circular approach to minimise negative impacts

The use of materials is at the root of our biggest social and environmental impacts. Paraphrasing a well-known adage: 'the most sustainable material is the one we do not use'. The extraction, processing, use and waste treatment of materials is associated with risks and potential negative impacts such as resource depletion; pollution to air, soil and water; climate impact; loss of biodiversity; and human rights violations. Pollution from metallurgical processes and mining activities also affects the health of people working in the supply chain and their local environments. Since automotive personal mobility requires materials, the most sustainable solution is to use the materials we already have. By closing material loops, less virgin materials and minerals need to be extracted and produced, which reduces the total environmental impact.

Our circular design approach enables us to meet these challenges by using an increased share of recycled or biobased materials, as does designing for easy disassembly where parts and materials can be upgraded, repaired, reused, remanufactured or more efficiently recycled. These circular strategies reduce our negative impacts associated with materials, along with the risks. As demand for recycled and more sustainably produced materials is expected to soar in the coming years, we are increasing emphasis on prolonging the use of material and increasing component value, to mitigate the need for new materials.

Product development and materials strategy

Together with our sustainability strategy, sourcing strategy, procurement process and product development process, our materials strategy provides us with the framework for many of our circularity efforts. It is continuously developed, based on new insights and increased availability of data. In addition to lifecycle assessments (LCA), we use global standards and recognised methodologies, various best practice benchmarks and custom restricted substances lists to maintain and set even stricter new standards for sustainable materials in cars. Particular materials that we aim to phase out over the coming years, due to disproportionate negative environmental impacts, lack of feasible end-of-life treatment options or incoming regulatory changes, are also included in the strategy. Short- and long-term targets for critical materials with significant environmental impacts have been drafted in 2021.

New materials, that may replace conventional choices, are continuously assessed. One of the materials assessed in 2021 was natural fibre polypropylene (PP), which combines a natural fibre such as hemp for pulling strength and recycled polypropylene for rigidity. The material is very light-weight and generates half the greenhouse gas emissions of a fully polypropylene-based material, as well as requiring less plastic material to fulfil the same function.

Polestar's materials strategy covers both new and existing Polestar models. For new models, materials considerations are managed in the product development process. Criteria for new vehicle models include share of recycled or biobased material contents, recycled minerals in batteries and easy disassembly of batteries and other components to enable repair, reuse and remanufacturing at end-of-life.

Circularity

For Polestar 2, materials changes are introduced in new model years. With the aim to extend our future cars' lifespan and increase recyclability, we initiated a circular design assessment for Polestar 2 in 2021, which will be completed in 2022.

Materials used per car, 2021

kg	Polestar 1	Polestar 2 Long range Dual motor	Polestar 2 Long range Single motor	Polestar 2 Standard range Single motor
Aluminium	441	391	380	367
Copper	74	71	73	73
Elastomers	85	83	78	78
Fluids	81	26	77	71
Glass and ceramics	62	57	58	58
Magnesium	7	2	2	2
Other metals	29	25	22	23
Other polymers	242	89	86	91
Others	135	245	199	183
Steel and iron	991	880	826	818
Thermoplastics	230	239	229	225
Total	2,376	2,109	2,030	1,989

Maximising value at end-of-life

In total, 85 percent of the materials used in Polestar 1 and Polestar 2 are recyclable, as required by the EU Directive on End-of-Life Vehicles. The directive is currently undergoing review and an updated directive is expected to be proposed in the fourth quarter of 2022. Polestar fully supports the European Union's intention to facilitate the disassembly of vehicles to recycle and reuse parts. However, whereas the European Union currently allows for downcycling of materials at end-of-life, our ambition is that our cars should allow for at least 85 percent closed-loop recycling, which is material recycling without loss of quality. A major challenge for the industry is maintaining material quality after recycling, which often leads to downcycling, as well as identifying feasible recycling pathways for low-value materials such as plastics and textiles. We aim to build a better understanding of these challenges to influence change.

During 2021, we developed Polestar 0₂, which was launched to the world in early 2022. The more sustainable, performance-enhancing materials were integral in the design of the roadster concept. For instance, we used flax-fibre composites from Bcomp and labelled aluminium, which facilitates recycling, in the bonded-chassis car. A mono-material consisting of a highly recyclable thermoplastic makes up all the soft components of the interior.

A significantly valuable part of an electric vehicle at end-of-life is its battery. For instance, disused batteries from electric vehicles can potentially be used for grid balancing, back-up power for telecommunications or low-voltage mobility. In 2021, we teamed up with Volvo Cars for end-of-life management of batteries. In the future, Volvo Cars' service centre network will route used batteries recovered at service centres to regional battery centres where they will be sorted and deployed for repair, remanufacturing or recycling. Currently, very few batteries have entered this system as they are still in active use in cars that are almost new.

Targets and partnerships to enhance circularity

In our quest to become a fully circular company, we are developing a set of circularity metrics. The ambitious, overarching aim is to reduce the mass of non-circular (i.e. non-recycled or non-biobased) materials per lifetime vehicle mileage to as close to zero as possible. This gives us two levers of impact: increasing the share of circular materials, and increasing car mileage. To reach this target, we will need to rethink the way we make, sell and treat cars during the whole lifetime of the vehicle and the customer journey. An indication of the challenge we face to achieve this is how the recycled content of cobalt in our batteries dropped to <2% in 2021 due to a shortage of supply of recycled cobalt on the market. This marks the general trend where battery EV technology mass production drives up demand for virgin material, whereas recycled content has not yet returned back to the market in sufficient quantities.

To better assess the circularity of our materials, we have scouted tools and methodologies for circularity assessment. We have also started to evaluate Cradle-to-Cradle certifications for the automotive industry. These measure both qualitative and quantitative criteria across areas such as water usage, soil degradation, air pollution and greenhouse gas emissions, circularity, health and human rights.

One way of extending the cars' mileage is to design for easy maintenance and upgradeability, which also leads to lower cost of ownership. We have joined the two-year research project FAD-EV (Future Adaptive Design for Electric Vehicles) together with Research Institutes Sweden (RISE) and industry partners. The project, which is funded via the Swedish Energy Agency, aims to explore how our LCA of Polestar 2 can be used to rethink the design approach to create more sustainable products over their lifespan. Another way to prevent premature obsolescence of cars and get more miles out of our cars is through partnerships with car-sharing companies. On average, cars are parked for 95 percent of their lifetime and the average occupancy is 1.15 persons per journey, which presents a great opportunity for their more resource-efficient use.

Another particularly important stakeholder group is our suppliers. From 2025, we intend to source batteries manufactured with a reduced carbon footprint and increased circularity attributes, through the joint venture between Volvo Cars and Northvolt, as announced in February 2022. All our suppliers are assessed for their environmental impacts throughout the supply chain, and requested to commit to more sustainable pathways. Read more about supplier assessments on pages 21–22.

Circularity in manufacturing

Not only do our products, materials and supply chain need to meet our high standards, but we also have high standards for our manufacturing, where we aim to reduce waste and send zero waste to landfill. We follow up hazardous and non-hazardous waste per car manufactured and on an aggregated level. For the management of hazardous waste, we work with a small number of suppliers that are certified by the Chengdu Ecological Environmental Protection Bureau. Waste data is reported to the authorities. The Central Management Team at the Chengdu plant is responsible for production waste management with support by the local environment, health and safety team.

In 2021, our plant in Chengdu, China, generated 355.1 (2020: 238.9) tonnes of waste, of which 66.1 (2020: 41.1) tonnes was hazardous waste. The increase in generated waste is mainly a result of an increase in car production. Of the total waste generated, 78.15 (2020: 82.8) percent was recycled and 21.85 percent was sent to incineration with energy recovery. No waste was sent to landfill.

Waste generated, Chengdu plant

Tonnes	2021			2020		
	Waste generated	Waste diverted from disposal	Waste directed to disposal	Waste generated	Waste diverted from disposal	Waste directed to disposal
Plastics	6.71	6.71	—	5.22	5.22	—
Wood	174.49	174.49	—	129.78	129.78	—
Cardboard	82.95	82.95	—	55.11	55.11	—
Body iron	5.69	5.69	—	4.29	4.29	—
Other iron	3	3	—	2.30	2.30	—
Aluminium	0	0	—	0.14	0.14	—
Copper ¹⁾	0.039	0.039	—	—	—	—
Rubber	1.69	1.69	—	0.98	0.98	—
Containers	2.92	2.92	—	1.63	1.63	—
Solvent	40.69	—	40.69	26.23	—	26.23
Paint	1.50	—	1.50	0.72	—	0.72
Contaminants	7.84	—	7.84	6.31	—	6.31
Oil	0.72	—	0.72	0.03	—	0.03
Glue	7.27	—	7.27	5.94	—	5.94
Carbon	0.18	—	0.18	0.18	—	0.18
Slag	0.11	—	0.11	0.04	—	0.04
Office waste ¹⁾	14.4	—	14.4	—	—	—
Filter box ¹⁾	4.88	—	4.88	—	—	—
Total	355.08	277.49	77.59	238.90	199.45	39.45

¹⁾The categories Copper, Office waste and Filter box were not included in last year's sustainability report.

Waste diverted from disposal, Chengdu plant

Tonnes	2021			2020		
	Onsite	Offsite	Total	Onsite	Offsite	Total
Preparation for reuse	—	—	—	1.63	—	1.63
Recycling	—	2.92	2.92	—	—	—
Total, hazardous waste	—	2.92	2.92	1.63	—	1.63
Recycling	—	274.57	274.57	—	197.82	197.82
Total, non-hazardous waste	—	274.57	274.57	—	197.82	197.82
Waste prevented	—	277.49	277.49	1.63	197.82	199.45

Waste directed to disposal, Chengdu plant

Tonnes	2021			2020		
	Onsite	Offsite	Total	Onsite	Offsite	Total
Incineration (with energy recovery)	—	63.19	63.19	—	—	—
Incineration (without energy recovery)	—	—	—	—	39.45	39.45
Total, hazardous waste	—	63.19	63.19	—	39.45	39.45
Incineration (with energy recovery)	—	14.4	14.4	—	—	—
Total, non-hazardous waste	—	14.4	14.4	—	—	—

Transparency

Our planet deserves real action. We are aware of the true social and environmental impact of electric vehicles and the realities of the supply chain and manufacturing involved. But we also see the great potential in electric vehicles, and we are committed to addressing our impact, proactively and transparently.

By integrating sustainability into everything we do, and by setting ambitious targets for the years to come, we are raising the stakes. This approach provides us with a clear vision, but also poses a reputational risk to our business and brand. To ensure that we make real progress, we are transparent about where our risks and impact lie and what methodologies and data we use to measure ourselves. We are also setting a standard that others who want to make similar claims must follow. Our focus area transparency includes the strategic initiatives materials traceability, supply chain transparency, product sustainability declaration, and sustainability reporting.

Product sustainability declaration and communication

This year, we launched our product sustainability declaration, which helps customers assess the sustainability performance of our cars. The declaration, displayed both in spaces and on our website, discloses the cradle-to-gate tonne greenhouse gas emissions and traced materials. For instance, Polestar 2 rolls out of the production facilities with a 26.2-tonne CO₂e footprint. We also disclose the traced risk materials in the car, which during 2021 was cobalt. As we progress in data transparency, we hope to add more parameters to the declaration, for example recycled content. Our endeavour to provide customers with transparent information was celebrated by the Swedish Association of Green Motorists, as Polestar won the 2021 award for best lifecycle assessment and transparency. Polestar 2 was also dubbed 'Product Innovation of the Year' at the edie Sustainability Leaders Awards 2021.

The greenhouse gas emission footprint in the product sustainability declaration has been drawn from our lifecycle assessment (LCA) of Polestar 2. The Polestar LCA provides information on the cars' cradle-to-grave greenhouse gas footprint and describes the full methodology behind these estimates. The LCA, first published in 2020 on Polestar's long-range, dual motor Polestar 2 variant, has been complemented with two LCAs on the long range, single motor and standard range, single motor Polestar 2 variants launched in 2021. The LCAs highlight that the choice of energy source for charging has significant effects on the lifecycle emissions of an electric vehicle. Compared with a Volvo Cars XC40 with an internal combustion engine, all the Polestar 2 variants have a lower cradle-to-grave carbon footprint, spanning from a 14 percent reduction for 'Long range Dual motor with global electricity mix' to a 57 percent reduction for 'Standard range Single motor with wind power'.

Communications activities in 2021

We have also launched communications activities in 2021 to further educate and inspire consumers. The collaboration with mechanical engineer and former NASA astronaut Karen Nyberg resulted in a film about the so-called Overview Effect, highlighting the interconnectedness and the need for action to combat our common challenges. We also participated in a scientific study to survey the use of renewable energy at charging stations in our markets. The study concluded that charging stations in reality supply a lower share of renewables than the grid mix, something that must change. We urge charging station companies to increase the share of renewable energy in their products and disclose their share of renewable energy to consumers. Our Polestar 0 project is another great example of how we want to educate and inspire both consumers and our industry. Read more on page 15.

Materials traceability

The mining of battery minerals and processing of batteries has intensified some of the automotive industry's environmental and social challenges. It is vital that we avoid shifting the burden from one supply chain to another in this transition. Rather, we must manufacture batteries and cars as sustainably as possible, from mineral sourcing to manufacturing and end-of-life.

Transparency

These critical minerals used in the manufacturing of electric vehicles are essential in the transition to a low-carbon economy, yet the economic wealth generated from the mining often does not benefit the local communities. Around half of the world's known cobalt reserves are in the Democratic Republic of Congo, and Russia and India together supply more than 90 percent of the global production of sheet mica. In many of these supply chains, there are also high risks of human rights violation, particularly child labour and forced labour, as well as negative environmental impacts, not to mention military conflicts and weak rule-of-law. Materials traceability is a key enabler of supply chain transparency and can work as a tool to create a greater sustainability impact if coupled with programmes for responsible sourcing.

We collaborate with Circular, a traceability-as-a-service provider, to employ blockchain¹ technology to trace the origins of the cobalt used in Polestar 2 batteries, throughout our supply chain. We are constantly working to add more critical minerals, and in 2021, we started tracing mica which is used in the thermal barriers of Polestar 2's batteries. The traceability service tracks origin, weight, size, chain of custody, and information showing the participants' adherence to OECD Guidelines on Responsible Sourcing of Minerals. Starting in spring 2022, customers buying a Polestar 2 are also given the choice of traced leather as upholstery. All hides have 100 percent traceability and are sourced from suppliers in the United Kingdom and Ireland. The suppliers are regulated within the Cattle Tracing Scheme and are rated by the Animal Protection Index. Their leather also carries a superior carbon footprint – in fact a lifecycle assessment has shown that it has the lowest carbon intensity in the industry. The leather is tanned using chrome-free production and certified to Leather Working Group Gold level.

All new Polestar models have traceability targets to ensure that we are pushing ourselves and making a lasting impact. We are looking to expand these efforts to further mitigate the risks related to materials. This includes additional assessments of critical risk materials and a materials strategy. Read more on pages 14–16. We are also looking to enhance our supplier due diligence processes through international benchmarks and new digital systems. This will allow us to improve business partner due diligence and provide us with better insight into the sub-suppliers further down the supply chain.

Traceability initiatives are led by Polestar's Procurement department with support from Polestar's Sustainability team. In early 2022, a Transparency Lead was appointed, who will support our strategic initiatives and ongoing processes. To read more about our sourcing practices and how we integrate sustainability assessments into our procurement process, see pages 21–22 and 29. Through our collaboration with Volvo Cars, Responsible Mining Initiative's tools and resources are implemented in our supply chain.

Our ambition is to only source components with tin, tantalum, tungsten and gold, so called '3TGs' or 'conflict minerals', from validated conflict-free smelters. 3TG suppliers need to disclose the smelters in their supply chain in a Conflicts Minerals Reporting Template (CMRT) provided by Responsible Minerals Initiative (RMI). By tracing minerals in the supply chain and promoting smelters validated to conform with the Responsible Minerals Assurance Program (RMAP), RMI's third-party verification of smelter and refiner management systems as well as sourcing practices is carried out in line with global standards.

Volvo Cars conducts regular supply chain investigations to identify, assess, and mitigate risks and to improve supply chain performance. Volvo Cars has investigated the smelters' conformance to RMI's requirements since 2017. 147 suppliers participated in this year's conflict minerals survey. Volvo Cars follow a due diligence process for conflict minerals to identify potential discrepancies, select suppliers for independent OECD-aligned audits and follow up on risk mitigation action plans to address adverse impact. The current level of conflict-free smelters is 82 percent, as concluded by Volvo Cars based on its aggregated evaluation of disclosed supplier data.

¹A blockchain is a digital register of records which are linked to one another via cryptography. It creates transaction records within a supply chain which cannot be altered, recording the same set of data in each transaction. It also guarantees that the information contained in these records cannot be changed without detection. Circular's traceability service is based on a permission-based blockchain platform. It does not use the energy intense proof-of-work blockchain technology.

Supply chain transparency

Polestar's main suppliers play a major role in the design and production of our products. Sustainability is therefore a vital part of the procurement process. Our procurement department integrates sustainability into day-to-day operations, and the department is supported by our Global Procurement Sustainability Lead and Supply Chain Climate Expert. Our Code of Conduct for Business Partners provides the foundation for our supplier requirements and expectations. We require our suppliers to protect working conditions and human rights, care for the environment and do business with integrity. The Code of Conduct for Business Partners is included in the contract package for new suppliers.

Procurement for Polestar 1 and 2

In total, around 500 suppliers manufacture components and materials used in Polestar 1 and 2. Volvo Cars have contracted these suppliers. Most of the direct suppliers are in China, particularly in the regions surrounding the production plants in Chengdu and Taizhou, whereas some components are sourced globally. Volvo Cars analyses suppliers using a Risk Assessment Tool developed by Responsible Business Alliance. Suppliers are also requested to fill out a Sustainability Self-Assessment Questionnaire (SAQ) that has been developed by the Drive Sustainability Initiative. The SAQ covers sustainability areas such as business ethics, human rights, environmental management and responsible sourcing. At year-end 2021, 71 (2020: 71) percent of Polestar's suppliers were included in the Volvo Cars risk assessment tool and 63 (2020: 89) percent had completed the sustainability self-assessment questionnaire.

Procurement for Polestar 3 and 4

In 2021, Polestar 3 and 4 had not yet gone into production, but sourcing and nomination of suppliers for Polestar 3 started in 2021. Volvo Cars and Geely have contracted these suppliers. Prospective suppliers are assessed using a wide array of tool such as Risk Assessment Tool developed by Responsible Business Alliance and the Sustainability Self-Assessment Questionnaire (SAQ) by Drive Sustainability Initiative, as well as sustainability audits carried out by third-party auditors.

At year-end 2021, 79 percent of Polestar's suppliers were included in the risk assessment tool and 73 percent had completed the sustainability self-assessment questionnaire.

Procurement for Polestar 5

In 2021, Polestar built inhouse procurement capability and developed procurement processes ahead of the production of Polestar 5, which is expected to be launched in 2024. The nomination process of suppliers to Polestar 5 started in the first half of 2021, and the selection of new suppliers is expected to close in the first half of 2022.

We have developed a sustainability assessment programme to promote Polestar's values and sustainability goals in the supply chain. It consists of three main elements: a sustainability Self-Assessment Questionnaire (SAQ), the Polestar Supplier Sustainability Index and our Code of Conduct for Business Partners. The industry-wide SAQ, aligned with the Global Automotive Sustainability Guiding Principles, is used to assess social and environmental sustainability, business conduct and compliance, and supplier management. The SAQ is completed and submitted by the supplier.

Prospective suppliers are assessed using a wide array of tools and shortlisted based on parameters such as quality, engineering, sustainability supplier assessment score, and price. Direct material suppliers that qualify for the submission of quotes are also assessed via Polestar's newly developed Supplier Sustainability Index (SSI) which measures suppliers' maturity in relation to our four sustainability pillars: climate neutrality, circularity, transparency and inclusion. Prospective suppliers are required to commit to our sustainability approach, track their progress and implement initiatives related to the focus areas in their business and supply chains. The SSI is filled out and submitted by the supplier and analysed and assigned a score by Polestar's Global Sustainability Procurement Lead. This year's score will provide a baseline for future improvements among selected suppliers and will be a part of all contracts signed with suppliers. The methodology of including required continuous improvements related to sustainability in contractual agreements is a completely new approach in the automotive industry.

As the sustainability performance of the final product always starts with the design and product specifications of a new product, we are also looking to include findings from the supply chain assessments into our product development and factor in human rights and inclusion considerations into the materials selection and design processes. Further developments relating to supply chain transparency, that are currently in the pipeline, include continuing development of our due diligence process, audit scheme and indirect material procurement process.

Customer data privacy

As a manufacturer and seller of connected vehicles, the use and integrity of customers' data must adhere to the various privacy regulations applicable around the world to build and retain customer trust. The greatest risks are related to the collection and use of customer data in connection with the different business processes and from the connected vehicles. Data breaches, both in relation to vehicle data and to customer data, as well as security incidents, remain threats to customer privacy. In addition, connected vehicles are subject to increased attention from supervisory authorities, as they contain ample possibilities for data collection using cameras, sensors or other measuring points. Vehicles as a potential data source also open possibilities for data monetisation, which adds another perspective to customer privacy.

Polestar is a global actor and must ensure its business follows applicable privacy regulations worldwide. We are committed to respect and safeguard the privacy of our customers, prospects, employees and business partners. Customer data privacy is managed by our Legal department – please see pages 23–24 for more information on Polestar's ethical business practices.

Polestar's data privacy activities are based on the EU GDPR, containing key principles such as data processing activities having a clear and defined purpose, processing activities having a legal basis, individuals being informed of Polestar's processing activities, setting retention times for data, and honouring individuals' rights. Data privacy regulations generally apply to all of Polestar's use of customer and prospect data, as well as vehicle data related to customers' vehicles.

In addition to Polestar's Code of Conduct and the Code of Conduct for Business Partners, the Data Protection Policy and the Data Protection Directive are applicable. Polestar's commitments to customers and other data subjects are codified in its Privacy Policy published on polestar.com

Polestar is currently developing the compliance programme relating to data privacy and data protection. This includes the implementation of processes related to the California legislation CCPA and the roll-out of data privacy champions across Polestar's business. In 2021, an improved consent management system was introduced to Polestar's corporate website, allowing visitors to more easily accept or reject cookies.

In 2021, there were 11 (2020: 6) substantiated breaches of customer data privacy. Of these, two were reported to data protection authorities under the obligation to report data breaches under the EU GDPR, comprising a total of 1,000–5,000 data subjects. The other cases were documented by Polestar as unlikely to result in a risk to the rights and freedoms of natural persons. There were no complaints from regulatory bodies.

Inclusion

Inclusion is diversity, representation and equality working in harmony. We see inclusion as a powerful tool to promote human rights. By committing to this strategic focus area, we strive to stand up for the rights of people throughout our value chain – from the workers producing the material of our cars, to our employees in factories or Polestar Locations, to customers and consumers around the world.

Within the focus area Inclusion, we have launched five strategic initiatives: inclusive ethical business practices, human rights in the supply chain, inclusive workplace, inclusive design, and inclusive customer experience. All strategic initiatives are managed by their respective department, making it a priority throughout the company. The departments are supported by our Inclusion Lead.

Inclusive ethical business practices

Polestar is committed to act responsibly and compete fairly and always adhere to applicable laws and regulations. All employees and consultants working on behalf of Polestar must adhere to Polestar's Code of Conduct and the applicable policies. Key compliance areas for Polestar include anti-corruption, data privacy, human rights, environmental compliance and socioeconomic compliance. The latter comprises topics such as competition law, labour law and trade sanctions.

Compliance, including anti-corruption and data privacy, is managed by Polestar's Compliance and Ethics function which in 2021 gained two employees. Additionally, an internal auditor has been appointed in 2021, reporting to the Audit Committee of the Board of Directors. The Audit Committee receives biannual reports on Polestar's compliance programme, whistleblowing cases and internal control.

Updated Polestar Code of Conduct

With the purpose of strengthening our corporate values, core behaviours and sustainability strategy, we launched an updated Code of Conduct in December 2021, approved by the Board of Directors. At the same time, a number of policies were updated, including the Conflict of Interest Policy and the Speak Up Policy. Additionally, the messaging relating to human rights was further developed.

In conjunction with the launch of the updated Code of Conduct, group-wide training was rolled out within Polestar. All employees and consultants with company computers were invited to an e-learning. At the Chengdu plant, employees were invited to face-to-face training. By the end of 2021, just three weeks after the launch, 40 percent of our employees had undertaken Code of Conduct training, with the aim to have all relevant employees covered by the end of the first quarter of 2022. The Code of Conduct, anti-corruption policy and compliance also constitutes part of the mandatory onboarding training for new employees, and a similar introduction to compliance, including anti-corruption, is provided to all new Board members on appointment to Polestar's Board of Directors.

Code of Conduct for Business Partners

We expect our business partners to follow our Code of Conduct for Business Partners or similar principles. Polestar's Code of Conduct for Business Partners is included in all contracts with Polestar Locations operators and handover centres, as well as production material suppliers, and is also communicated to all potential production material suppliers requested to provide a quote to Polestar. For indirect material suppliers, Polestar's Code of Conduct for Business Partners is referenced in Polestar's purchasing terms and conditions. In 2022, we are looking to invite business partners to voluntary training on our Code of Conduct for Business Partners.

SpeakUp – our whistleblowing system

Polestar encourages a speak-up culture where our employees ask questions and raise concerns without fear of retaliation. We encourage employees and other stakeholders to report, via several channels, any suspected breach of laws or regulations as well as any conduct that is not consistent with our Code of Conduct, corporate policies and directives.

Inclusion

Suspicions of severe violations can be reported through the global whistleblower system SpeakUp, which was launched in summer 2021. The whistleblower system guarantees full anonymity and complies with the European Union's Whistleblower Directive (Directive (EU) 2019/1937). Before the launch of SpeakUp, whistle-blower cases were reported to Polestar's Human Resources or Legal team. Nine (2020: 4) cases were reported in 2021, of which seven were reported through SpeakUp, an indication of a successful implementation. However, we will continue our efforts to spread awareness of the whistleblowing system and facilitate for external stakeholders to report cases through our website. Of the cases reported in 2021, two (2020: 3) cases were closed with merit, whereas the other cases were either closed without merit or were open at year end.

Anti-corruption

It is important for governments and companies, like Polestar, to combat corruption as it destroys business value and undermines efforts to achieve sustainable development. Polestar has a zero-tolerance approach to bribery and corruption, and we are committed to following applicable laws and rules in all countries where we operate. Employees will never face any adverse consequences for refusing to pay or accept a bribe, even if it would lead to a loss of business.

The most significant risks of corruption in Polestar's value chain occur in the extraction of minerals, materials in the supply chain, and distribution of vehicles. Specific activities that are considered high-risk include the mining of raw materials, the establishment of production facilities and the production of vehicles. There are also corruption risks associated with logistic partners, tolls and customs, and interactions with governmental actors. Business partners in high and medium risk markets based on Transparency International's Corruption Perceptions Index are assessed through our Business Partner Due Diligence process.

In 2021, there was no (2020: 1) confirmed incident of a violation of the Code of Conduct related to corruption brought to the attention of management.

Socioeconomic compliance

Socioeconomic compliance includes competition law, trade sanctions and export control, as well as labour law. In addition to the Polestar Code of Conduct, the following policies are applicable within the area of socioeconomic compliance: the Conflict of Interest Policy, the Trade Sanctions and Export Control Policy, the Competition Law Policy, the People Policy, and the Speak Up Policy.

Competition law and unfair business practices topics are important to Polestar, not least because there are legal provisions in the markets Polestar is active in around the exchange of information with competitors and the abuse of dominant positions of undertakings. Trade sanctions prohibit trade with selected countries, organisations and individuals. Through our Business Partner Due Diligence process, we screen business partners against trade sanctions lists.

There have been no significant fines or non-monetary sanctions for non-compliance with laws in the social and economic area in 2021.

Environmental compliance

Environmental compliance includes regulations with regards to the cars' environmental performance, site permits and other environmental regulations. All Polestar cars meet strict international environmental requirements and are homologated by the relevant certifying authorities in each sales market. Polestar's R&D department collaborates with Volvo Cars in ensuring the cars' environmental compliance.

The plants where our cars are being manufactured have ISO 14001 certifications that ensure compliance with environmental laws and regulations, while also guaranteeing ongoing improvements. In 2021, Polestar's environmental management system at the headquarters in Gothenburg was also certified to ISO 14001.

There have been no significant fines or non-monetary sanctions for non-compliance with environmental laws in 2021.

Inclusion

Inclusive workplace

To meet the rapid growth target of producing 290,000 vehicles per year by the end of 2025, we are constantly growing our teams. In 2021 alone, we almost doubled the number of employees. We are focused on building a workforce that better represents our users and our world, and we strive to bring in different personal experiences, perspectives, and backgrounds. It is in our differences that we will thrive and we are committed to make diversity, equality, and inclusion part of everything we do. We have set out key priorities such as inclusive recruitment, inclusive retention and inclusive leadership to ensure that we find the right competencies and ensuring continued employee engagement, a prerequisite for our continued success. Our aim is that all Polestar employees should feel comfortable and connected, and that their contribution to the workplace is appreciated.

The human resources department at Polestar drives the People agenda and is responsible for Polestar's People Policy. The policy is complemented by other specific directives and guidelines addressing Polestar's role as a responsible employer, such as Work environment; Discrimination, harassment and bullying; Diversity and inclusion.

In 2021, Polestar had 1,302 employees, of which 40 (2020: 39) percent were covered by collective bargaining agreements, a reflection of the markets we are present in and their different conditions. In some parts of the company, such as the digital team, consultants are engaged. There are no significant seasonal variations in the number of employees during the year.

Total number of employees by employment contract, by gender

Full-time equivalents (FTE)	2021	2020
Men	826	459
Women	354	149
Gender not disclosed	113	49
Total, permanent employees	1,293	657
Men	4	9
Women	5	6
Gender not disclosed	0	7
Total, temporary employees	9	22
Total, all employees	1,302	679

Total number of employees by employment type, by gender

Full-time equivalents (FTE)	2021	2020
Men	828	462
Women	355	153
Gender not disclosed	112	54
Total, full-time employees	1,295	669
Men	2	6
Women	4	2
Gender not disclosed	1	2
Total, part-time employees	7	10
Total, all employees	1,302	679

Total number of employees by employment contract, by region

Full-time equivalents (FTE)	2021	2020
EMEA	936	434
Asia (incl. APAC)	284	204
Americas	54	19
Total, permanent employees	1,293	657
EMEA	9	22
Asia	0	0
Americas	0	0
Total, temporary employees	9	22
Total, all employees	1,302	679

Employee hires and turnover

	Total number of hires	Rate of recruitment, %	Total number of employees who have left the company	Employee turnover, %
Under 30 years old	243	56	86	20
30–50 years old	406	39	110	11
Over 50 years old	73	34	11	5
Total, by age	722	43	207	12
Men	415	37	155	14
Women	193	42	36	8
Gender not disclosed	114	95	16	13
Total, by gender	722	43	207	12
EMEA	551	46	59	5
Asia	129	29	141	32
Americas	42	66	7	11
Total, by region	722	43	207	12

For the last four years, our Chengdu plant has been the manufacturing site of our inaugural Polestar 1. As the model was discontinued in autumn 2021, we have supported our employees at the plant by being transparent about the end of production in a timely manner. Employees have been offered redundancy compensation according to labour law, as well as vacancy offers at Volvo Cars' and Geely Automobile's plants in Chengdu.

Diversity and inclusion

Diversity and inclusion is about gathering people with different competencies, backgrounds, experiences and personalities to build an innovative and inclusive global culture and organisation. We take pride in our company's role in society, and striving for diversity and inclusion in all parts of our company will contribute to becoming a global employer of choice. Diversity broadens the talent pool and leads to better innovation.

We strive to give every employee the same rights and equality of opportunities regardless of gender, gender expression, ethnicity, religion, age, disability, sexual orientation, nationality, political opinion, union affiliation, social background and /

Inclusion

or other characteristics protected by applicable law. Working conditions and terms of employment should as far as possible allow equal opportunities for all, and to facilitate a sound balance between work and private life. We set out to create the right conditions for all individuals to use their talents to advantage and to be able to develop. We do not tolerate any form of discrimination or harassment.

Our approach to diversity and inclusion is to be reflected in all aspects of our internal everyday work, as well as in our daily relations and communication with all employees, customers and business partners. Our work on diversity and inclusion is driven by the active involvement of management in all parts of Polestar. Our stance on this issue is described in our Diversity and Inclusion policy and is managed by the HR department.

Currently, our top priority is to ensure gender diversity in our recruitment. Even if the share of female employees at Polestar exceeds the industry standard, we are convinced that an improved gender balance will make us a better company. That is why we have set the target that 50 percent of our recruits in 2022 will be female. To support this target, we introduced bias training to all recruiters in 2021. We have also altered the recruitment process to ensure that job advertisements and interviews are not biased. In 2022, Polestar aims to support this priority with further leadership training and employer branding initiatives to encourage more women to consider the automotive industry as a viable career path.

Diversity of governance bodies, by age

%	2021		2020	
	Board of Directors	Executive Management Team	Board of Directors	Executive Management Team
< 30 years old	0	0	0	0
30-50 years old	0	70	30	56
> 50 years old	100	30	70	44

Diversity of employees, by age

%	2021			2020
	Leaders	Other employees	Total	Total
< 30 years old	6	32	28	24
30-50 years old	76	57	60	56
> 50 years old	18	11	12	11
Age not disclosed	—	—	—	9

Diversity of governance bodies, by gender

%	2021	
	Board of Directors	Executive Management Team
Men	83	75
Women	17	25

Inclusion

Diversity of employees, by gender

%	2021		
	Leaders	Other	Total
Men	70	62	64
Women	26	28	28
Gender not disclosed	4	10	8

Competence development

Competence development is all about providing employees with the right skills for the continued success. At Polestar we want to invest in our employees and provide them with the opportunities to further boost their competence by developing specific skills. This benefits both our employees and Polestar. Employees also feel that they are valued which increases employee satisfaction and performance. Additionally it provides us with the opportunity to address weaknesses in workplace skills and increase workplace productivity and adherence to quality standards.

The Polestar Performance Management process describes the way in which targets and results are followed up for each employee. Its quarterly cycle enables Polestar's overall priorities to be cascaded through the organisation and teams to individual employee priorities. Employees set a handful of priorities and discuss them with their closest manager. Throughout the quarter, employees share their progress and receive feedback, coaching and support. Towards the end of the quarter, employees review their individual priorities and perform self-assessment, and teams review their priorities in a group setting ahead of the next quarter. Employees are offered training and on-site learning depending on their needs.

In 2021, Polestar offered employees around 100 webinars for continued learning. These include product training, commercial training and onboarding for new employees. In addition to the bias training for recruiters, specific competence development initiatives in 2021 included customer experience training and training on sustainability topics such as the new Code of Conduct as well as climate, circularity, transparency and inclusion.

Health & safety

The health and safety of our employees is our top priority. Polestar's long-term objective is to ensure that nobody is fatally or seriously injured at the workplace and we work proactively towards a safe and secure workplace.

Our Work Environment Directive covers all employees as well as agency personnel who work at Polestar's premises or under the direction of Polestar. At every site, a systematic work environment programme is employed and followed up annually. The Work Environment Committee or Safety Review Board (SRB) in the line organisation of each unit approves objectives and action plans for the work environment. Risks are investigated and assessed regularly, and in the event of changes, necessary steps are taken. Polestar offers all employees the introduction and training they need to work safely and managers are provided with the skills, resources and powers to work for a good and safe working environment. Employees must follow instructions and procedures and report any risks identified.

In China, Health and Safety is carried out in accordance with the Production Safety Law of the People's Republic of China. The Chendy plant has a team of dedicated Environment, Health and Safety (EHS) specialists. Safety walks are carried out regularly and reported to the EHS committee along with follow-up actions. Employees must report work-related hazards and hazardous situations as well as potential risks, to the team leader who records these in a digital system. The health and safety specialist consolidates reports and shares the findings at the EHS committee's meetings, tracks status and launches action plans. Polestar undertakes basic safety assessments by employing a checklist outlining the purpose, method, current situation, plan, objectives and results. To further strengthen safety awareness,

Inclusion

each month the EHS team distributes 'Safety Talk', an internal newsletter addressing health and safety topics. There are also a yearly health and safety month and contest. In Sweden, Polestar carries out quarterly safety walks and meets union representatives to review risks and actions plans for work environment health and safety.

We strive to provide a sustainable work-life balance and prevent work-related illnesses that leads to long-term sick absenteeism. Managers are responsible for implementing rehabilitation programmes at an early stage and employees are expected to contribute and participate in the activities. Every unit has guidelines and routines in place for work-related rehabilitation. The line organisation sets objectives and decides on action plans to follow up the rehabilitation of each individual. Each Polestar site has an occupational health service provider supporting with preventive care and rehabilitation care. Employees are also offered annual health benefits and blue-collar employees are offered occupational health check support.

In 2021, there were no fatalities or work-related injuries at Polestar. This includes Polestar employees as well as consultants and agency personnel. There have been no stoppages or days idle.

Human rights in the supply chain

Some of the automotive industry's greatest sustainability risks occur in the supply chain and many of these relate to human rights and for example child labour, forced labour and hazardous working conditions. Children and indigenous peoples are often disproportionately exposed to these risks, and the conditions surrounding the extraction and refining of minerals are particularly precarious. In some countries with raw mineral extraction there are high-intensity conflicts funded by mining.

Our Code of Conduct for Business Partners sets strict requirements on our suppliers to uphold human rights throughout the supply chain. All Polestar suppliers, including those managed by Volvo Cars, must adhere to the Code. We address human rights and labour rights in the supply chain through key strategies and processes such as our sustainability strategy, sourcing strategy, procurement process and product development process. To read more about our work on improving the traceability of materials and minerals, please see pages 19–20. To find out how we are managing our suppliers, please see pages 21–22.

Polestar did not receive any reports of incidents of human rights violations, including the rights of indigenous peoples, in 2021.

Collaborations through multi-stakeholder initiatives

The complexity of the supply chain, along with the high-risk materials required to make electric vehicles, makes it necessary to collaborate within and outside of our industry. In 2021, we looked to join the Responsible Business Alliance (RBA) and Drive Sustainability, and became members of these organisations in early 2022. The RBA membership also gives us access to its initiatives Responsible Minerals Initiative and Responsible Labor Initiative. These multi-stakeholder initiatives are important as we build our own procurement processes and they will provide us with greater insight into our supply chain and give us a platform to further develop our supplier assessments.

Traditionally, the automotive industry has relied heavily on supplier self-assessment questionnaires. In 2021, Polestar and Volvo Cars jointly introduced the requirement that all new suppliers located in select regions, based on a sustainability risk assessment, must have a third-party audit. The audits cover suppliers in tier 1 and direct material suppliers in tier 2. Most commonly, corrective action plans are implemented but if the risks cannot be mitigated, collaboration with the supplier is halted. Due to the Covid-19 pandemic, the opportunities to conduct audits have been restricted. In total 12 (2020: 1) audits of high-risk suppliers were carried out in 2021. Audit findings include excessive working hours and weaknesses in health and safety management systems. Follow-up corrective actions were implemented to promote the suppliers' performance towards Polestar's Code of Conduct for Business Partners.

Inclusion

Inclusive customer experience and design

We want everyone in the Polestar universe to feel included. Our customers, current and prospective, all have different needs and preferences. What would be better than to base our customer experience and products on our inclusive approach? That way we can build our brand and a more engaging customer experience.

In 2021, we launched The Polestar Way which is a credo that will permeate the company. The 'digital first, human always' approach in The Polestar Way was launched through company-wide training. A total of 1,300 hours was spent on this training during 2021 and was one step on the road to establish the approach and create a deeper knowledge of how our decisions impact customer decisions. The training was the basis for Inclusive Customer Experience, in which all employees had a hands-on experience on how decisions affect our customers and how we should communicate with them.

In 2021, we also began assessing our customer experience from the gender and age perspectives. We also explored how we can develop sales materials for customers with disabilities, such as a hearing impairment. In the longer run, we aim to continue tailoring the customer experience to other diversity groups, and extend diversity considerations into the design process of new products. We want to challenge the norm.

Passenger safety

Polestar has health and safety close to our heart – it is part of our heritage from Volvo Cars. Our vehicles come equipped with a suite of protective and preventative safety features including Advanced Driver Assistance System (ADAS), which minimises the risk of collision or injury. The responsibility for passenger health and safety at Polestar lies with the R&D department. We are always aiming to make our cars as safe as possible, and this is an integral factor when designing new cars, both in terms of passive and active safety.

All three models of Polestar 2 have secured overall 5-star safety ratings by Euro NCAP and ANCAP (Australia and New Zealand New Car Assessment Program). This corresponds to 100 percent of the tested models, as Polestar 2 have not yet been tested in any other regional new car assessment programmes. According to Euro NCAP, a 5-star safety rating translates to an 'overall excellent performance in crash protection and well equipped with comprehensive and robust crash avoidance technology'. In 2021, 100 percent of safety-related defect complaints have been investigated by Polestar, and in total, 13,091 vehicles were recalled. Remediation work continued to rectify vehicles affected by the voluntary service recall issued in 2020. The voluntary service recall addresses the risk of a blown fuse on the Battery Distribution Unit.

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¹⁾ Polestar is a privately-owned company which comprises the parent company Polestar Automotive Holding Limited and its subsidiaries.

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Polestar's material topics

Reporting Standard		Disclosure	Page ref.	Omissions
Anti-corruption				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	23-34	
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	23	
	205-3	Confirmed incidents of corruption and actions taken	24	
Materials				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	14-16	
SASB Automobiles Standard 2018: Materials sourcing	TR-AU-440a.1	Description of the management of risks associated with the use of critical materials	14, 19-20	
SASB Automobiles Standard 2018: Materials Efficiency & Recycling	TR-AU-440b.2	Weight of end-of-life material recovered, percentage recycled	15	
	TR-AU-440b.3	Average recyclability of vehicles sold	15	
Energy				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	7, 9-11	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	9	
	302-2	Energy consumption outside the organization	10	
Biodiversity				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	6, 14	
GRI 304: Biodiversity 2016	304-2	Significant impacts of activities, products, and services on biodiversity	6, 14	
Emissions				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	6-12	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	8, 36	
	305-2	Energy indirect (Scope 2) GHG emissions	8, 36	
	305-3	Other indirect (Scope 3) GHG emissions	8, 36-38	
	305-4	GHG emissions intensity	8	
SASB Automobiles Standard 2018: Fuel Economy & Use-phase Emissions	TR-AU-410a.3	Discussion of strategy for managing fleet fuel economy and emissions risks and opportunities	10	

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Reporting Standard		Disclosure	Page ref.	Omissions
Waste				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	14-16	
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	14-16	Only covers waste from Polestar's Chengdu plant. ²⁾
	306-2	Management of significant waste-related impacts	14-16	
	306-3	Waste generated	17	
	306-4	Waste diverted from disposal	17	
	306-5	Waste directed to disposal	17	
SASB Automobiles Standard 2018: Materials Efficiency & Recycling	TR-AU-440b.1	Total amount of waste from manufacturing, percentage recycled	16	
Environmental Compliance				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	23-24	
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	24	
Supplier Environmental Assessment				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	21-22	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	21	
Employment				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	25	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	26	
Occupational Health and Safety				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	28	
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	28	
	403-2	Hazard identification, risk assessment, and incident investigation	28	
	403-3	Occupational health services	29	
	403-4	Worker participation, consultation, and communication on occupational health and safety	28-29	
	403-5	Worker training on occupational health and safety	29	
	403-6	Promotion of worker health	29	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	29	
	403-9	Work-related injuries	29	

2) For information on waste management at Volvo Cars' plants, please see Volvo Cars' Annual and Sustainability Report 2021 and its Sustainability Reference Index 2021.

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Reporting Standard		Disclosure	Page ref.	Omissions
Occupational Health and Safety (cont.)				
SASB Automobiles Standard 2018: Labour Practices	TR-AU- 310a.1	Percentage of active workforce covered under collective bargaining agreements	25	Covers Polestar's employees.
	TR-AU- 310a.2	(1) Number of work stoppages and (2) total days idle	29	
Training and Education				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	28	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	—	Unavailable information. Polestar aims to report on this disclosure in the 2022 Sustainability Report.
Diversity and Equal Opportunity				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	26-27	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	26-27	
Child Labour				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	20, 29	
GRI 408: Child Labour 2016	408-1	Operations and suppliers at significant risk for incidents of child labour	20, 29	
Forced or Compulsory Labour				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	20, 29	
GRI 409: Forced or Compulsory Labour 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	20, 29	
Rights of Indigenous Peoples				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	29	
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	29	
Human Rights Assessment				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	29	
GRI 412: Human Rights Assessment 2016	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	29	

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Reporting Standard		Disclosure	Page ref.	Omissions
Supplier Social Assessment				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	21-22, 29	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	21	
Customer Health and Safety				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	30	
SASB Automobiles Standard 2018: Product Safety	TR-AU-250a.1	Percentage of vehicle models rated by NCAP programs with an overall 5-star safety rating, by region, %	30	
	TR-AU-250a.2	Number of safety-related defect complaints, percentage investigated	30	
	TR-AU-250a.3	Number of vehicles recalled	30	
Customer Privacy				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	22	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	22	
Socioeconomic Compliance				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	23-24	
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	24	
Company-specific topic: Traceability of materials and minerals				
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its management approach and boundary	19-20	
Company-specific disclosure		Smelters and refiners approved according to Responsible Minerals Initiative	20	

Greenhouse gas reporting principles

Emissions are calculated based on the guidance of the Greenhouse Gas protocol and this includes emissions within our financial control. The following categories have been excluded: capital goods, processing of sold products and investments.

Scope 1

Company-owned facilities

Consist of the GHG emissions from our manufacturing plant in Chengdu and include refrigerant leakage and energy for heating and the paint shop. The energy consumption / refrigerant leakage is multiplied by a specific emission factor.

Company vehicles

GHG emissions from company vehicles are related to the fuel consumed by cars (Polestar 1) owned by Polestar, estimated using external emission factors based on data from the Swedish Energy Agency and the Swedish Environmental Protection Agency.

Scope 2

Purchased electricity, steam, heating and cooling for own use

Includes electricity consumption at the manufacturing plant in Chengdu. Polestar does not own any other buildings. All other buildings are leased and are therefore included in scope 3.

Company vehicles

GHG emissions from company vehicles are related to the electricity consumed by cars (Polestar 1 and Polestar 2) owned by Polestar, estimated using emission factors shown in the table below.

Location-based emissions: 9,640 tonnes of CO₂e

Scope 3

Purchased goods and services

Emissions from purchased materials for Polestar 1 is derived from the material compositions of the vehicles and CO₂e emissions factors from the GaBi professional database and Ecoinvent 3.7 (including the climate-relevant gases CO₂, CH₄, NO₂, HFC, PFC and SF₆), multiplied by the total number of manufactured vehicles in respective years. Additional upstream GHG emissions related to supplier activities not already captured in the generic emissions factors mentioned above, for example from the production and logistics of the components at suppliers, are added based on internal analysis. Emissions from purchased materials for Polestar 2 is based on the latest Carbon Footprints published for the cars multiplied by the total number of manufactured vehicles in respective years. All details on the methodology can be found in the Polestar 2 LCA report. GHG emissions caused by materials and services not directly relating to the car are calculated on a spend-based approach using emission factors from US EPA.

Transportation and distribution

GHG emissions from logistics include inbound and outbound transport for road, air, sea and rail transport managed by Volvo Cars and paid for by Polestar, using emission factors provided by Volvo Cars.

Waste generated in operations

This category includes the waste generated at the manufacturing plant in Chengdu. GHG emissions from waste generated in our Chengdu operations are calculated by categorising waste volumes into types and treatment methods (landfill, material recovery and energy recovery), as well as using external generic emissions factors from Ecoinvent and the Swedish Energy Agency.

Business travel

GHG emissions from air travel are calculated by using number of flights, routes, and travel distance (extracted from our travel agencies) and calculated using flight distances between airports and emissions factors from NTM. Radiative forcing factors are used. Emissions caused by other modes of business travel are calculated based on travel data reported by the offices, using emissions factors from external sources.

Employee commuting

GHG emissions from employee commuting are based on assumptions on Polestar employees' travel modes and patterns. The assumptions are based on number of employees, type of personnel, country and transport mode. Emission factors used are based on data from the Swedish Transport Administration as well as NTM.

Leased assets

This category includes Polestar offices, leased spaces, and the manufacturing plant in Taizhou. For the offices in Sweden, China and UK the calculations are based on reported energy consumption. For offices in the US market, the energy consumption for the offices in Sweden, China and the United Kingdom are extrapolated using square meters. For offices in other markets the energy consumption for Sweden, China and the United Kingdom are extrapolated using number of employees for every office. Emissions factors for electricity is based on data presented in the table below. The office in Sweden also uses district heating from renewable sources. GHG emissions from spaces are based on collected energy use data from most of the spaces. For other spaces, data have been extrapolated based on square meters. The GHG emissions from the manufacturing plant in Taizhou include waste generated in operations (based on weight and waste treatment method), energy (electricity and heating) and refrigerant leakage.

Use of sold products

Average GHG emissions from the use of sold products are based on official data (WLTP) of Polestar's manufactured cars. The WLTP consumption is multiplied by an assumed average lifetime distance of 200,000 km per car. The total GHG emissions from the use of produced products are calculated by multiplying the lifetime consumption per car by the number of sold cars per market. For each specific market, the average electricity mix is used to calculate the electricity consumption emission. For Polestar 1, data from The Swedish Energy Agency is used to calculate the emissions from petrol use. Refrigerant leakage during lifetime has been included and is based on leakage assumptions. The accuracy of the calculation method can be influenced by real world factors not covered by the official data, such as driving behaviour and different usage of auxiliary loads. Polestar's ambition is to increase knowledge and accuracy over time and to be as transparent as possible regarding our GHG emissions from the use of our products.

End-of-life treatment of sold products

GHG emissions caused by the end-of-life treatment of sold products are estimated based on LCA data for Polestar 2 and number of sold cars. Emissions at end-of-life treatment for Polestar 1 is assumed to be the same as for Polestar 2. This category also includes potential refrigerant leakage in the end-of-life treatment process.

Franchise

This category includes spaces categorised as franchise. The GHG emissions is calculated on the same principles as for leased spaces where the energy consumption for each space was either collected or extrapolated based on square meters. Emission factors are based on each market's electricity mix.

Electricity mix used for 'use of sold products' calculations

Country	gCO ₂ e / kWh	Source
Norway	8.0	AIB European Residual Mixes 2020 ¹⁾
Netherlands	374.0	AIB European Residual Mixes 2020 ¹⁾
Sweden	90.4	IVL 2020 (Nordic average)
United Kingdom	196.0	AIB European Residual Mixes 2020 ¹⁾
Germany	399.0	AIB European Residual Mixes 2020 ¹⁾
Belgium	162.0	AIB European Residual Mixes 2020 ¹⁾
China	657.0	IEA CO ₂ emissions from fuel combustion 2017
United States	456.0	IEA CO ₂ emissions from fuel combustion 2017
Switzerland	12.0	AIB European Residual Mixes 2020 ¹⁾
Canada	151.0	IEA CO ₂ emissions from fuel combustion 2017
Denmark	143.0	AIB European Residual Mixes 2020 ¹⁾
Finland	95.0	AIB European Residual Mixes 2020 ¹⁾
Hong Kong	657.0	IEA CO ₂ emissions from fuel combustion 2017
Iceland	0.0	AIB European Residual Mixes 2020 ¹⁾
Kuwait	659.0	IEA CO ₂ emissions from fuel combustion 2017
New Zealand	124.0	IEA CO ₂ emissions from fuel combustion 2017
Singapore	435.0	IEA CO ₂ emissions from fuel combustion 2017
UAE	659.0	IEA CO ₂ emissions from fuel combustion 2017

1) Country average production mixes are used..

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Polestar Performance AB,
corporate identity number 556653-3096

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2021 in this document and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Göteborg, May 16, 2022

Fredrik Jonsson
Authorized Public Accountant