

Polestar



# Modern Slavery Statement 2023

Under Modern Slavery Act 2015



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## About this statement

Modern slavery is a comprehensive term that covers forced and compulsory labour, child labour, servitude, human trafficking, and similar violations. Forced labour can include unreasonable fees leading to debt bondage, restriction of movement, abusive living and working conditions, wage withholding, retention of personal documents. According to the available data and experts in the field, forced labour occurs in all sectors and industries, and is unfortunately observed in all types of economic activities – and in every country.

Vulnerable groups are more likely to endure human rights abuses and forced labour. The International Labour Organization (ILO) estimates that 25 million people are in forced labour globally. Of them, 20.8 million people, many of them women and children, are working in the private economy.

Polestar acknowledges that because of the complexity of our supply chains, there are risks of human rights violations and modern slavery. We have a global commitment to Inclusion and Human Rights, and to acting responsibly, competing fairly, and complying with applicable laws and regulations. We are also dedicated to fostering a compliance and ethics culture that permeates all operations, and we fight to protect human rights, and embed social justice principles in the transition to electric mobility.

This Modern Slavery statement is issued on behalf of Polestar Automotive Holding UK Plc., pursuant to the UK Modern Slavery Act, the Australian Modern Slavery Act 2018 (Cth) and the Norwegian Transparency in Supply Chains Act. It reflects our global commitment and approach across our value chain and sets out the steps that Polestar has taken during 2022 to address modern slavery within its supply chain and its own business operations.

## About Polestar

Polestar is a Swedish electric performance car brand, headquartered in Gothenburg, Sweden, and listed on the Nasdaq in New York under the ticker PSNY. Polestar Automotive Holding UK Plc. is Polestar's holding company, incorporated in the UK. Polestar UK Automotive is a subsidiary that comprises Polestar's operations in the United Kingdom. Our offices in Coventry, West Midlands, hosts a dedicated research and development team as well as a commercial team.

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. Polestar's cars are available in 27 markets globally across North America, Europe and Asia Pacific. Polestar 2, the electric performance fastback, launched in 2019. Polestar 3, the SUV for the electric age, premiered on October 12, 2022.

We plan to introduce three new electric vehicles by 2026: Polestar 4, a sporty SUV coupe launched in China in April 2023, and Polestar 5, a luxury four-door GT; and Polestar 6, our electric roadster. Our cars are currently manufactured in the state-of-the-art Taizhou plant in China, which is owned by Volvo Cars.

In 2022, we sold over 51,000 cars and our revenues were USD 2.5 billion. Global volumes increased by more than 80 percent and in the fourth quarter alone we delivered over 21,000 cars, which is a significant achievement for a young company and demonstrates our ability to deliver at scale. In November we produced the 100,000th Polestar 2, going from 0 to 100,000 in just two-and-a-half years.

## Our approach to sustainability

Polestar is on a mission to accelerate the shift to sustainable mobility. We are determined to lead the way by speaking up and using the positive example of our actions to drive change. As a young rapidly growing company, we realise that we cannot do it alone. We will seek to collaborate and to be radically transparent on our progress to inspire others to join us. It is only through concerted effort that the automotive industry can do its part in creating a sustainable society.

In 2022, we joined the Responsible Business Alliance (RBA) and Drive Sustainability. Our membership in RBA gives us access to its multi-stakeholder initiatives such as the Responsible Minerals Initiative and the Responsible Labour Initiative. These initiatives are vital to provide us with greater insight into our supply chains and a platform to further strengthen our supplier assessments.

### Strategy and governance

Our sustainability strategy comprises four focus areas: Climate neutrality, Circularity, Transparency, and Inclusion. Each focus area has several material topics and a set of strategic initiatives, that are set to advance our business' sustainability over the coming years.

Sustainability is a global function, and our Head of Sustainability is a member of the Management Team and reports to the CEO. The sustainability team comprises a Climate Lead, Circularity Lead, Inclusion Lead, Transparency Lead, Sustainable Chemicals Lead, Compliance & Reporting Lead, and Life Cycle Assessment specialists. The sustainability team guide the organisation in implementing our strategy to foster a culture of sustainability at Polestar with the aim to embed sustainable thinking and processes in Polestar operations, and our global governance structure.

Sustainability is steered through the Polestar Management System including governance structure, processes, and policies. Each global function at Polestar is accountable for setting action plans and securing resources in line with Polestar's sustainability policy and strategy, and for ensuring compliance with sustainability related laws and regulations that are applicable to their areas.

### Risk assessment

Sustainability risks are identified, assessed, and managed throughout the organisation, by individual departments and by the Sustainability team. We have a dedicated Enterprise Risk Management & Internal Controls function, who together with Internal Audit, periodically assesses risks to the business and reports on top risks to management.

Modern slavery as well as human rights and health impacts in the supply chain have been identified as salient human rights issues in our risk assessments, and as material topics for several of our stakeholders in the annual stakeholder dialogue. We have identified the risks of human rights violations and modern slavery and forced labour to be most prominent in high-risk regions, in our production supply chain and upstream in the supply chain linked to specific raw materials, such as conflict minerals. Marginalised groups such as for example migrant workers, racial and ethnic minority groups, indigenous people, women, children, and people who are poor are often disproportionately exposed to risks and exploitation due to social, legal, and cultural marginalisation.

We are developing a new risk assessment method when entering new sales markets. The risk assessments are shared with the management team to gain insights and enable informed decisions on labour and geographical risks, freedom risks, governance indicators, gender equality, sexual orientation law, as well compliance risks associated with sanctions, corruption etc. Risk assessment is there to support strategies for risk mitigation actions.

## Policies and guiding principles

Our core pillars, Design, Innovation and Sustainability form the basis of all operations at Polestar. Our corporate policy landscape comprises policies adopted by the Board of Directors, such as Polestar's Code of conduct and Polestar's Code of conduct for business partners, the anti-corruption policy, directives adopted by the Management Team, and guidelines, instructions and process documents adopted by specialist departments.

Polestar is committed to respecting and complying with international human rights principles, including the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the UN Convention on the Rights of the Child and the ILO's fundamental conventions. We are also committed to observing the UN Global Compact's Ten Principles and conducting due diligence in line with OECD guidelines.

### Updated policies

In line with our commitment to respect and promote human rights, the Code of Conduct states that:

- Our employees have the right to form and join unions (or other associations) of their own choice and negotiate labour agreements collectively, as well as the right to not do so.
- We do not engage in child labour and forced labour and we do not knowingly engage with anyone involved in child labour, forced labour or other unfair and illegal practices.

With the purpose of strengthening our corporate values, core behaviours and sustainability strategy, and to ensure compliance with expectations on Polestar as a listed company, we launched an updated Code of Conduct in December 2021, approved by the Board of Directors. At the same time, several policies were updated, including 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 during 2022. All employees and consultants were invited to an e-learning. 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.

### Expectations on our business partners

The requirements and guiding principles for our business partners, with regard to working conditions, human rights, business integrity and the environment, are expressed and defined in our Code of Conduct for Business Partners. This Code includes principles on preventing child labour, preventing forced labour and modern slavery, non-discrimination and equal opportunities, the right to freedom of association and collective bargaining, proper management when it comes to terms of employment, wages, benefits, working hours as well as health and safety.

All Polestar suppliers must adhere to the Code or similar principles. The Code of Conduct for Business Partners is included in all contracts with Polestar Locations operators and handover centres, as well as production material suppliers. For indirect material suppliers, Polestar's Code of Conduct for Business Partners is referenced in Polestar's purchasing terms and conditions.

Business partners are screened and assessed through our business partner due diligence process.

Business partners are required to conduct their business in compliance with applicable laws and regulations and maintain awareness regarding new and updated laws and regulations. They are required to ensure that their employees and subcontractors are made aware of the Code. They are also expected to choose the suppliers they retain in relation with Polestar business with appropriate due diligence, communicate the principles set out in the Code (or equivalent principles) to their suppliers and ensure compliance with the principles.

The Code of Conduct for Business Partners is available at <https://www.polestar.com/uk/legal/ethics/>

## Combatting modern slavery in our supply chain

A car consists of some 30,000 components and rely on complex layers of suppliers and sub-manufacturers.

Many of the automotive industry's greatest sustainability risks relate to human rights in the supply chain and include child labour, forced labour and hazardous working conditions. Migrant workers, including domestic migrant workers, are of particular concern, as well as children and indigenous peoples who are often disproportionately exposed to these risks.

In addition, as the transition to a low-carbon economy accelerates, demand for the minerals that support the energy transition is ramping up and sourcing minerals in a responsible way is key.

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.

### Human rights in the supply chain

We aim to evaluate all suppliers via our Compliance Due Diligence tool prior to entering into a contractual arrangement and, again, on a continuous basis. This is to identify and mitigate legal risks in the fields of Corruption and Trade Sanctions, Money Laundering and Violations of Human Rights.

We use the RBA Risk Tool to assess potential sustainability risks in the supply chain. Risk factors include generic risks such as geographical risks related to labour rights, business ethics, health and safety and the environment. The risks assessment is used to prioritise suppliers for sustainability audits.

Additionally, for direct material suppliers, a self-assessment questionnaire (SAQ) on sustainability is part of the sourcing process and guides the selection of suppliers. The SAQ has been developed as part of the collaborative initiative Drive Sustainability. It covers areas such as business ethics, human rights, environmental management, and responsible sourcing. All answers in the SAQ are validated by an external assessor and the suppliers are provided with recommendations on how to improve. If the rating is below 70 percent, action plans on identified topics need to be agreed and implemented by suppliers within certain timeframes.

Existing suppliers are required to conduct the SAQ bi-annually. Our aim is to have all active supplier sites delivering production materials submit a completed SAQ.

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 processes.

Polestar's Supplier sustainability index (SSI) measures suppliers' maturity in relation to our four sustainability focus areas: 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 Volvo Cars Supplier evaluation model (SEM) supports the Volvo Cars selection of suppliers. The model evaluates potential suppliers from a holistic perspective, covering areas such as working conditions, business ethics and environmental impact.

#### Procurement for Polestar 2

In total, 180 suppliers manufacture components and materials used in Polestar 2. Volvo Cars have contracted these suppliers and all of them have agreed to follow Volvo Cars Code of conduct for Business partners. Most of the direct suppliers are in China, particularly in the regions surrounding the production plant in Taizhou, and some components are sourced globally.

At year-end 2022, 100 percent (2021: 71) of Polestar's suppliers were included in the Volvo Cars risk assessment tool and all suppliers have gone through screening against trade sanctions. 66 percent (2021: 63) of Polestar's suppliers have completed a SAQ developed by the Drive Sustainability Initiative. 23 percent are still in progress and 11 percent have not started. The completed assessments' average score is 82 percent. Seven suppliers have a score below 70 percent, meaning that improvement actions are needed. 99 percent of suppliers have a policy of no forced labour, no child labour and the right to freedom of association.

We have introduced the requirement that all new direct suppliers located in selected regions must go through an onsite social audit conducted by a third party. The audits cover suppliers in tier 1 and direct material suppliers in tier 2. A Responsible Business Alliance Validated Assessment Programme audit (RBA VAP), or similar system agreed and accepted by Polestar, consists of management interviews, document review, plant walkthrough and worker interviews. We expect our business partners to ensure continuous improvement of working conditions within their organisations. If non-conformance is found during the audit, the supplier must analyse the root causes of non-observance, agree on a remediation plan and following-up on the progress of the remediation. The corrective action plan (CAP) shall be shared with and agreed by Polestar. If CAPs are not remediated this might lead to termination of the relationship.

At the end of 2022, 18 percent of all suppliers in high-risk regions had valid third-party onsite audits conducted to verify adherence to Polestar's Code of Conduct for Business partners or similar principles. High-risk regions are defined using RBA's risk assessment platform and global map scoring. The onsite audits that have been conducted are RBA VAP audits. Most of the non-conformance are related to with working hours and emergency preparedness.

#### Procurement for Polestar 3 and 4

In 2022, Polestar 3 and 4 had not yet gone into production, but sourcing and nomination of suppliers was completed. Volvo Cars and Geely have contracted these suppliers. Prospective suppliers are assessed using a wide array of tools such as the 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 2022, 100 percent of suppliers for Polestar 3 and 90 percent for suppliers of Polestar 4 have so far signed agreements on human rights and Polestar's Code of Conduct for Business partners. 100 percent (2021: 79) of the suppliers were included in the risk assessment tool. For Polestar 3, 63 percent (2021: 63) and for Polestar 4, 99 percent (2021: 99) had completed the Sustainability Self-assessment questionnaire.

At the end of 2022 and before start of production, 13 percent of Polestar 3 suppliers in high-risk regions have valid third-party onsite RBA VAP audits and 8 suppliers for Polestar 4 have had audits that are being verified.

#### Procurement for Polestar 5

Polestar has built inhouse procurement capability and developed procurement processes ahead of the production of Polestar 5, which is expected to be launched in 2024. The selection of new suppliers will be completed in 2023. Sustainability aspects are embedded into Polestar's existing business processes. Implementation of these business processes with the support of digital tools is in progress. One of the first ones to be implemented would be the procurement process.

#### Tools for greater traceability

As the automotive industry is going through transformational change, we have decided to communicate openly about every step of our journey and to be transparent about the true environmental and social impact of the entire lifecycle of our electric cars, from production to end-of-life. It is in the supply chains that some of the automotive industry's greatest sustainability risks occur. These include risks to both human rights and the environment, for example child labour, forced labour, hazardous working conditions, discrimination of indigenous people, resource depletion and pollution to air, soil, and water.

Conflict minerals or other minerals of concern such as tin, tantalum, tungsten, gold, or cobalt, often originate from countries where modern slavery is prevalent. Neither Polestar, nor Volvo Cars, directly source such minerals, but these minerals are part of our global supply chain and are used in some materials and components. However, we are committed to responsible sourcing of materials and minerals.

Critical minerals used in the manufacturing of electric vehicles are essential for the transition to a low-carbon economy, yet the economic wealth generated from 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 is one of the leading countries in the global production of sheet mica.

It is only by tracing materials from raw material production to finished product, that we can ensure that our requirements regarding environmental impact and respect for human rights are met. Transparency alone is not enough; however, it needs to be followed up with concrete actions to facilitate trust.

Traceability targets are set for all new Polestar models and our list of prioritised risk materials is constantly evolving in line with new knowledge and awareness about associated risks.

#### Blockchain technology

For some risk materials, we use established standards and certifications to create traceability from raw materials to finished product. Where these standards are not well-developed, we opt for blockchain technology-based traceability. It has revolutionized supply chain visibility by offering an unchangeable, digital, and efficient way of creating transparency.

Blockchain is a proven data collection system that allows us to effectively trace materials in our cars, as we strive to be more sustainable. Coupled with audits, this will enable responsible sourcing and allow us to trace risk minerals used in battery production to understand the origin of these materials, which over time will enable more circular batteries. We collaborate with Circular, a traceability-as-a-service provider, to employ blockchain technology to trace the origins of the cobalt and mica used in Polestar 2 batteries. The traceability service tracks origin, mass, size and chain of custody. In Polestar 3 batteries, we will trace cobalt, mica, lithium, and nickel.

#### 3TG and Conflict Mineral Reporting

In politically unstable areas, the mineral trade can be used to finance armed groups, fuel forced labour and other human rights abuses, and support corruption and money laundering.

Legally defined conflict minerals include tin, tungsten, tantalum and gold, also commonly known as 3TG.

Our ambition is to only source components containing conflict minerals from supply chains with third-party validated, conflict-free smelters and refiners. Every year our manufacturers, their suppliers and our suppliers of components containing conflict minerals are requested to declare their due diligence measures and disclose the smelters used in their supply chain in a Conflict Minerals Reporting Template (CMRT). For current car programs, Volvo Cars follows 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 Responsible Minerals Assurance Program compliant smelters is 78 percent, as concluded by Volvo Cars based on its aggregated evaluation of disclosed supplier data.



## Combatting modern slavery in our own operations

Our aim is that all Polestar employees should feel comfortable and connected, and that their contribution to the workplace is appreciated. 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.

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.

We are committed to providing a sustainable working environment with fair terms of employment. An important aspect is fair and equal pay for all employees. That is why we have clear remuneration principles and a structured salary process.

We are constantly growing our teams and all our recruitment processes comply with the relevant local regulations and standards. We adopt a fair and equitable approach when scouting for talent and wages are compliant with local laws and regulations. Polestar advocates freedom of employment, which means all work should be done voluntarily and employees may terminate their employment by giving any required contractual or statutory notice. In 2022, Polestar had 2377 employees, of which 517 (2021: 301) are employed in UK. In total 48 (2021: 40) percent were covered by collective bargaining agreements. Countries with collective bargaining agreements are Austria, Belgium, Finland, Italy, Netherlands, and Sweden. Child labour and the employment of children below the applicable minimum legal age are strictly forbidden.

All employees and consultants working on behalf of Polestar must adhere to Polestar's Code of Conduct and the applicable policies. Polestar's Code of Conduct is the guiding star in our daily work and the decisions we make. It is how we make sure that all Polestar employees understand and act in accordance with our strong commitment to conduct business in an ethical way, based on the fundamental values of integrity and ownership.

Everyone working at Polestar is provided training on our Code of Conduct on a yearly basis. In conjunction with the launch of the updated Polestar Code of Conduct in December 2021, a new group-wide training was rolled out. All employees and consultants are invited to an e-learning.

### Training on sustainability

We regularly conduct townhall gatherings where all Polestar employees take time out from their day-to-day work to learn more and receive information on various subjects. Throughout the year we have arranged townhall meetings related to Polestar's sustainability strategy areas Climate neutrality, Circularity, Transparency, and Inclusion to raise awareness and engagement on sustainability.

During the year we have developed more detailed and deeper training on sustainability strategies, ambitions and goals for designers and engineers. Deeper sustainability training is also part of the onboarding training for new employees at Procurement. Those involved in supplier evaluations also receive specific training on the subject, including the risks of modern slavery and human trafficking.

In 2022, we have also developed training for our suppliers connected to sustainability, human rights topics and in preparation for our requirement on onsite audits. This training is being rolled out in the beginning of 2023.

## Grievance mechanisms

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, or directives.

Suspicions of severe violations can be reported through the global whistleblower system SpeakUp, which guarantees anonymity and complies with the European Union's Whistleblower Directive (Directive (EU) 2019/1937). The SpeakUp tool can be reached by external stakeholders through our webpage and is also included in our Code of Conduct for Business Partners.

There were 30 (2021: 9) reported cases in 2022, of which 27 were through SpeakUp. Of these cases, 2 (2021: 2) cases were closed with merit, whereas the other cases were either closed without merit or were open at year end. Of the reported cases, three were related to suspicions of corruption. Others were related to discrimination and harassment, as well as conflicts of interest or misuse of company assets. The rise in cases from 2021 to 2022 can be attributed to the ease of anonymous reporting in the whistleblower system that was launched in mid-2021, together with increased awareness of the whistleblower system and the growth in business.

Polestar did not receive any reports of incidents of human rights violations, including modern slavery, in 2022.

Signature

This statement has been adopted and approved by the Polestar Automotive Holding UK PLC Board of Directors on May 10, 2023, for the period 1 January 2022 to 31 December 2022, and in accordance with the UK Modern Slavery Act 2015.



Thomas Ingenlath, CEO Polestar