

Polarium

# Polarium Sustainability Report 2021



# Table of Contents

This report has been prepared in accordance  
with the GRI Standards 2016: Core option.

About Polarium	3
CEO-letter: A Journey Towards a Smarter and More Sustainable World	5
Our Approach: Accelerating the Shift to Renewables	8
Trends & Regulations: The Importance of Energy Storage in Society	11
Stakeholder Engagement & Significant Topics	14
Focus Area 1: Enabling Circular and Green Solutions	17
Focus Area 2: Ensuring Ethical and Responsible Business Practices	25
Focus Area 3: Empowering People and Culture	32
Sustainability Management & Governance	37
Auditors Assurance Report	40
Annex	41

# On a Mission to Create the Best Energy Storage Solutions in the World

Polarium is dedicated to providing the best performing, safe and sustainable energy storage solutions built on lithium-ion technology. We are constantly improving our energy storage solutions, finding new and innovative ways to solve our customers' challenges, and identifying new opportunities that our solutions can enable. The guiding principle that got us to where we are today, and that will guide us going forward, is to always strive to be one step ahead.

## Our Company

Polarium is an international company with headquarters and R&D in Sweden. We currently have manufacturing in Mexico, Vietnam and South Africa. Through strategic sales and technical support teams in US, UK, Nigeria, Kenya, Vietnam, Uganda, Ghana, and Indonesia, our solutions are now used on all continents and in all climate zones.

## Our Offering

Polarium offers energy storage solutions for Reserve Power and Energy Optimization. We serve businesses in the commercial and industrial market worldwide, targeting customers in telecom, industry, and commercial buildings.

By combining our energy storage with a cloud-based platform that uses machine learning and AI, we enable our customers to secure capacity, aggregate energy resources, optimize energy consumption and sell surplus energy back to the grid. Our solutions can be either bought and managed by the customer itself, or through our Energy-as-a-Service model that provides all the benefits but does not require any investment from the customer.

## KEY HIGHLIGHTS

Net sales 2021

**SEK 1,084M**

Average annual growth rate 2016-2021

**~150%**

Female representation 2021

**31%**

No. of people

**~720**

EBITDA 2021

**SEK 83M**

Installed capacity

**1.5 GWh**

Public disclosure of product carbon footprint 2021

**20% of portfolio**

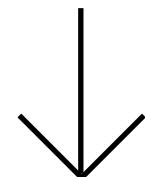
Countries with installations

**70**



# A Journey Towards a Smarter and More Sustainable World

2021 was a year characterized by change. While world leaders gathered in Glasgow to discuss solutions to the climate crisis, several extreme weather events showcased that climate change is not a distant threat but a living reality. Meanwhile, a tectonic shift of capital towards decarbonization, energy innovation and the race towards an electric future took place – where energy storage is the missing link in the renewable energy system.



The combination of energy shortages, electricity prices and an ever-increasing focus on sustainable energy generation is the wind in our back. With entrepreneurship, passion, innovative technologies, and by putting people first, we want to empower a smarter and more sustainable world.

## **The Shift to Renewables Requires Energy Storage**

Megatrends are continuously reshaping the energy landscape, driving the demand for our energy storage solutions. With 5G, more and more critical systems and applications will depend on 'always-on connectivity', thus, more and more reserve power is required. The shift from fossil fuels to renewables, and volatile energy costs, are boosting the demand for energy storage even further.

We identified early on that technological development and the sustainable transition are reshaping the role of energy storage. This culminated in the launch of our offering within Energy Optimization. With smart storage and energy optimization systems, we enable our customers to buy electricity at times of high supply and eventually

feed excess power back to the grid – making them active participants in the energy market.

## **Sustainable Operations and Products in Focus**

We have come a long way in the transformation we envision for the energy storage sector. As a company, however, we are on a journey to become a positive impact to people and the planet. We want to be the frontrunner of sustainability in our sector.

In 2021, we updated our strategic direction with a strong customer, technology, and sustainability focus, including new goals and targets. This year, I am proud to raise the bar and aim for net-zero from our own operations already by 2026. Our sustainability strategy sets out a clear direction and focus for further integration of sustainability throughout our value chain.

The energy transition demands solutions such as energy storage. This in turn results in an increased outtake of minerals, including lithium and cobalt, which creates both environmental and social risks in our value chain. We are dedicated to working in partnerships

with our suppliers to improve sustainability. In parallel, we will transition into a circular business model.

Last year we launched our battery with the highest energy density to date, as well as our new green range of batteries that will be produced with 100 percent renewable energy, in partnership with Northvolt. This is just the beginning. In the years to come, we will continue to work proactively to strengthen our products and increase our share of the growing market. We aim to be the leading force of change in our sector, while becoming a USD 1 billion revenue company.

## **Responsible Expansion**

Polarium grew across the board in 2021 as we expanded our workforce, product portfolio and geographical presence. For the first time, we reached a turnover of over SEK 1 billion. Our value chain is global, from how we source components to where our solutions are installed, and we strive to build a robust company that acts responsible through each part of the process. We have operations and sales in challenging markets, and we are committed to take charge and act

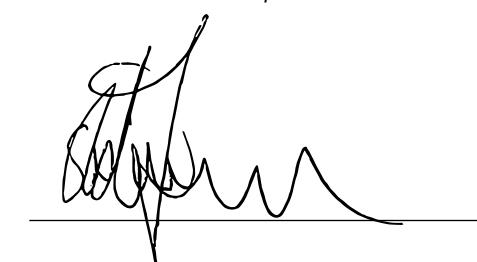
responsible wherever we are. By working closely with suppliers, customers, and other partners, and building a strong company culture, we create a common mindset to ensure that we do business in the right way.

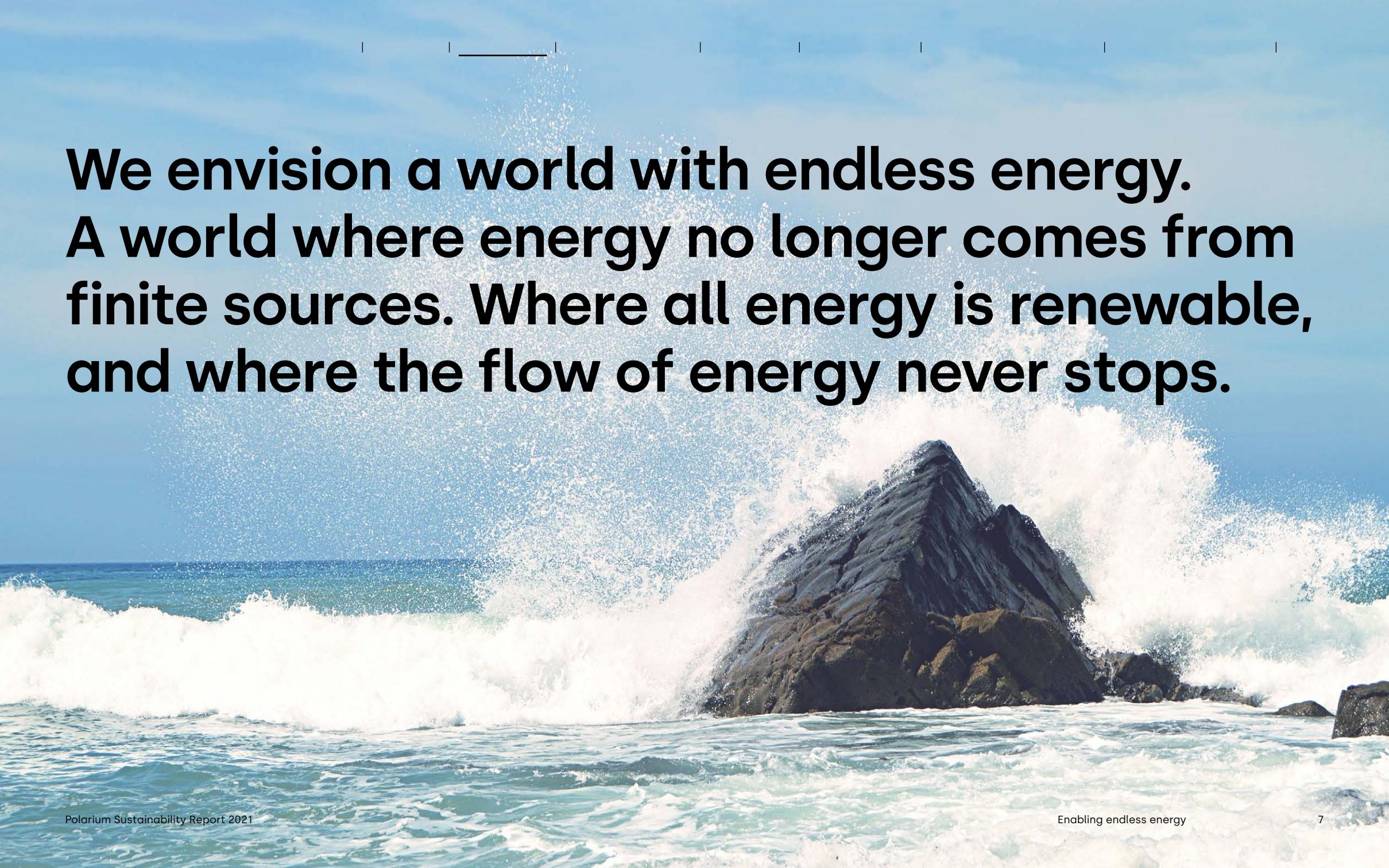
## **Accelerating Our Efforts to Enable Endless Energy**

We enter 2022 with favorable conditions and an updated roadmap to move forward. Customer centricity, responsibility, and sustainability are at the core of our culture. I am certain that by managing our business in a sustainable and purpose-driven way, we will strengthen our ability to deliver resilient financial and operational results for the long term – what is good for the planet and people will be good for our business.

### **Stefan Jansson**

*Founder and CEO of Polarium*





**We envision a world with endless energy.  
A world where energy no longer comes from  
finite sources. Where all energy is renewable,  
and where the flow of energy never stops.**



# Accelerating the Shift to Renewables

We want to be part of the transition towards a low-carbon society. By enabling our customers to change from diesel generators or lead-acid batteries to smart and safe lithium-ion batteries, or to increase the efficiency of their energy systems with our energy storage solutions, we can accelerate the shift towards renewables.

Our products are integral in the battle to combat global climate change and reduce emissions. When more energy is produced by renewable, intermittent, sources, energy storage becomes the missing link in the renewable energy system.

Polarium's energy storage solutions consist of lithium-ion batteries that store energy safely, efficiently, and conveniently. We serve businesses in the commercial and industrial market worldwide, targeting customers in telecom, industry, and commercial buildings. Our headquarters and R&D are based in Sweden, and with manufacturing in Mexico, Vietnam and South Africa, and sales offices on all continents, we have a natural global presence.

We work proactively to ensure that our sourcing and production is the best possible, for both people and the planet. Our employees are the key element to enable a world of renewable endless energy, and we work actively as part of our sustainability approach to ensure an engaging, inclusive, and diverse workplace.



## Our Sustainability Approach

Polarium is one of the fastest growing tech companies in Sweden, and we are working fast in all areas of our expansion and development. In 2021, we developed a roadmap to fully integrate sustainability into our overall corporate strategy in order to ensure that we take on the role as a frontrunner in our sector, and also ensuring compliance with coming regulations such as the EU Taxonomy and The EU Battery Directive.

The updated materiality analysis from 2021 has laid a solid foundation of our roadmap, where we also have increased our efforts to integrate sustainability and the most materi-

al topics as part of our day-to-day operations. With this we set a new sustainability approach with three focus areas as defined later in the report, which all have clear KPIs to measure and follow up our work.

Going forward, we will transparently report, to our stakeholders, progress towards our goals and also challenges that we encounter on our journey to become a frontrunner within sustainability in our sector.

Our ambition is to contribute to the transition to the renewable energy system with sustainable energy storage solutions while at the same time continue to grow and remain profitable.

# Our Three Focus Areas

## 1.

### Enabling Circular and Green Solutions

We are constantly developing our energy storage solutions because the future of society needs to rely on energy systems that are as smart and safe as they are sustainable. With innovation in mind, we work to solve our customers' most pressing needs and identify new opportunities. With our technology, we help businesses reduce their climate impact by making energy systems more efficient and by enabling the storage of more renewable electricity. At the same time, we are working towards a circular business model with increased recyclability of our products and usage of recycled material. As we improve performance of our products while reducing emissions from production we create greener solutions, that have superior impact over time.

#### **Material Topics:**

- Greenhouse Gas Emissions
- Product Lifecycle Impact
- Product Lifecycle Performance

## 2.

### Ensuring Ethical and Responsible Business Practices

To offer the best energy storage solutions we proactively work to ensure fair and ethical practices in everything we do. Our products have the potential to be part of the changes that are needed to combat climate change, and with a global value chain and production we can have a positive impact through the way we run business. Together with our suppliers we will work to address sustainability risks that are part of our value chain.

#### **Material Topics:**

- Business Ethics
- Responsible Supply Chains
- Labor and Human Right

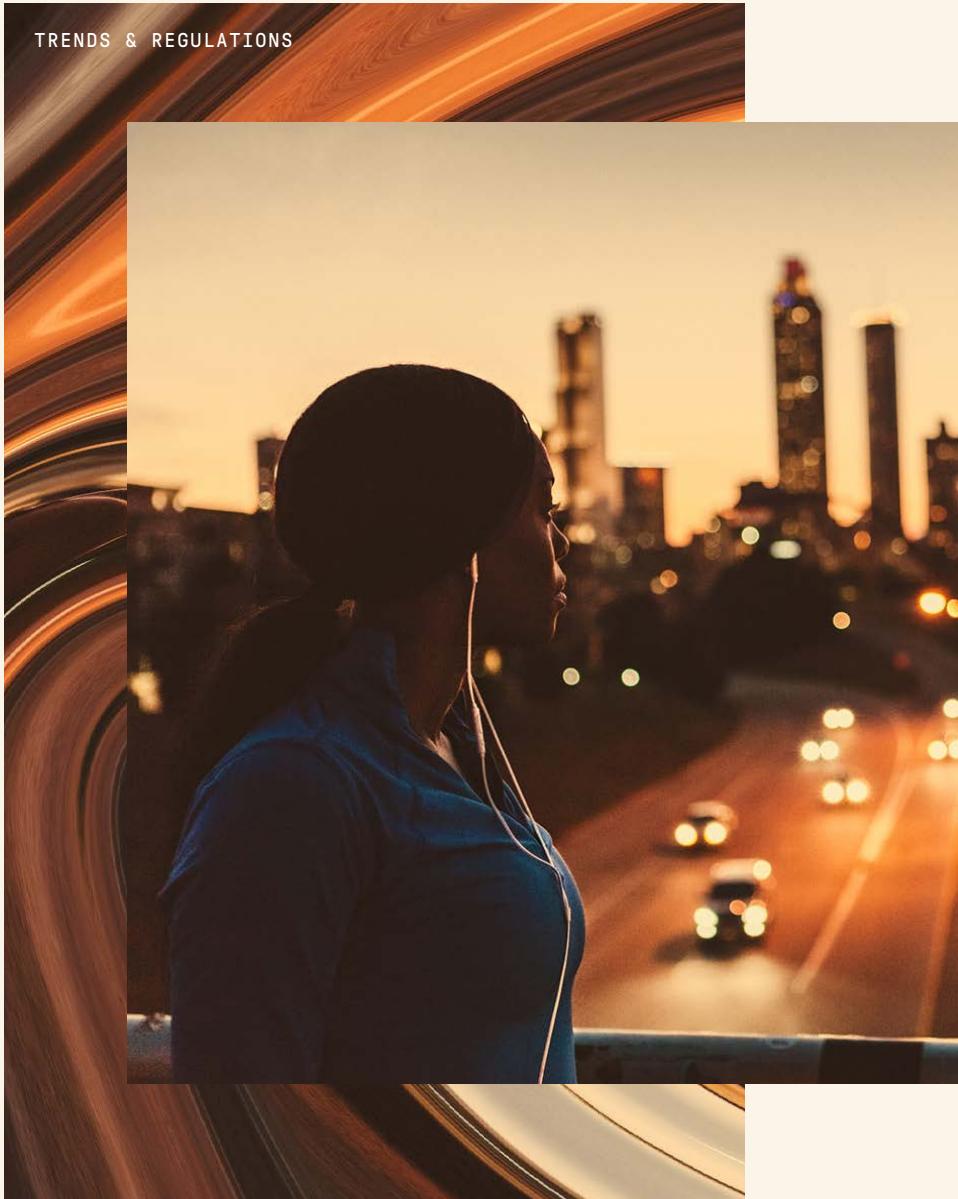
## 3.

### Empowering People and Culture

We believe empowered colleagues can accomplish powerful things together. That is why we work as one team to achieve our goals. As a fast-growing company in a diverse working environment, we put extra emphasis on working closely together to maintain our strong company culture – where geographies, cultures, divisions, and functions come together. Because we are certain that engaged employees, who feel included and are empowered to challenge status quo will drive new ideas and create value for customers and other stakeholders. That is why we always put people first.

#### **Material Topics:**

- Diversity Equity and Inclusion
- Employee Engagement



# The Importance of Energy Storage in Society

Climate change is one of the most pressing issues of our time. In order to reach the goals of the Paris Agreement of keeping global warming well below two degrees Celsius, the world needs to transition from fossil fuels to renewable energy sources.

As the proportion of renewable, intermittent energy sources grow, energy storage is increasingly recognized as an essential link in the renewable energy system. Energy storage absorbs and then releases power so it can be generated at one time and used at another. Excess energy is harvested and consumed during peaks in energy demand, resulting in cheaper and more sustainable energy consumption.

According to calculations by the World Economic Forum, global battery production must be scaled up by almost 20 times in order to accelerate the transition towards a fossil-free society<sup>1</sup>. Lithium-ion batteries, like the ones produced by Polarum, will contribute to the necessary shift towards the usage of renewable energy needed for a low-carbon society.

### Securing a Sustainable Battery Value Chain

Demand for Lithium-ion battery technology is expected to continue to increase dramatically. A stable and sustainable supply of the critical raw materials needed to do this is therefore of great importance.

The raw materials required for battery production are to a large extent mined outside of Europe, with cobalt as one of the main materials for lithium-ion battery cells. Roughly 70 percent of the world production of cobalt is mined in the Democratic Republic of Congo<sup>2</sup>. Lithium is primarily imported to the EU.

According to EIT InnoEnergy, the EU is expected to need up to 18 times more lithium and up to five times more cobalt by 2030 compared to current levels<sup>3</sup>. With this in mind, the EU has the bold aim of ensuring an independent domestic battery value chain. One of the top priorities is to secure raw materials for batteries within the EU, for example by accessing secondary raw materials through recycling or to facilitate the expansion of European sources of such material.

### Battery Regulation

The extractions of lithium and other minerals come with degradation of nature and eco systems and sometimes with risk of labor and human rights violations. It is thus vital that the battery value chain moves towards circularity. In 2020, the EU Commission communicated its intention to revise the EU

Batteries Directive with the objective to increase circularity, improve sustainability as well as keeping pace with technological development. In other words, batteries should be produced with the lowest possible environmental impact, using materials obtained in full respect of labor and human rights as well as social and ecological standards.

This is partly done by improving the recycling market and by requiring European battery manufacturers to disclose product carbon footprints by mid-2023. To be ahead of this Directive, we have already begun standardizing product-level carbon footprints. We are expecting to start delivering product environmental reports in 2022.

We have positively received the new EU Battery Directive that, among other topics, will strengthen environmental sustainability and improve comparability between products. The new legislation paves the way for a European battery value chain based on ethically sourced raw materials, sustainable battery production and increased recycling.



Lithium



1. World Economic Forum and Global Batteries Alliance, *A vision for a sustainable battery value chain in 2030: Unlocking the potential to power sustainable development and climate change mitigation*, 2019

2. United States Geological Survey 2021

3. Thomas Vranken, EIT InnoEnergy, *Critical Raw Materials in Li-ion batteries*, 2021

The Regulation will come into effect in different phases and Polarium will continuously monitor the process in order to ensure compliance and continuous improvements and developments of our business.

In addition, we have started assessing significant suppliers and their near-, mid-, and long-term availability to provide recycled materials for product manufacturing (see page 30 for more on sourcing) and will further develop how we assess and audit them against labor and human rights best practices.



## Keeping Up with an Ever-Changing Regulatory Landscape

There are several existing and upcoming regulations and directives that affect corporations in general and the battery industry in particular. We want to be ahead of future environmental and social requirements that will come into force in the markets where we operate.

With the European Green Deal presented by the EU Commission, new and updated regulations have been presented to become the first climate neutral continent, reaching net-zero emissions by 2050.

The EU Taxonomy Regulation is a classification system with the purpose of defining environmentally sustainable economic activities (under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation). In 2021, Polarim began to prepare for reporting its taxonomy alignment in 2023, for the financial year of 2022.

In addition to the Taxonomy, Polarim will also complete its first Task Force on Climate Related Financial

Disclosure (TCFD) analysis in 2022 to give us a better understanding of our long-term climate-related risks and opportunities. Both the TCFD-analysis and the alignment with the EU Taxonomy are important tools to realize Polarim's sustainability ambitions.

Another important area to assure sustainable business practices is the much-discussed mandatory human rights and environmental due diligence rules for companies in the EU. This would require companies to identify, address and remedy these aspects in their value chain. To date, EU legislation has been delayed.

The EU Electricity Directive, which is part of "the Clean Energy for all Europeans package", outlines rules for the generation, transmission, distribution, supply and storage of electricity. Regarding energy storage, the directive sets out that electricity networks companies may not own or operate energy storage facilities and charging points, as these services must be offered by players in the competitive market. This potentially opens new market opportunities for Polarim's energy storage solutions.



STAKEHOLDERS

# Stakeholder Engagement & Significant Topics

In 2021 Polarium carried out our first materiality assessment which is a core part of our business strategy, targets, and goals. With the materiality assessment we can define, determine, and prioritize the environmental, social, and governance topics that matter most to us and our key stakeholder groups.

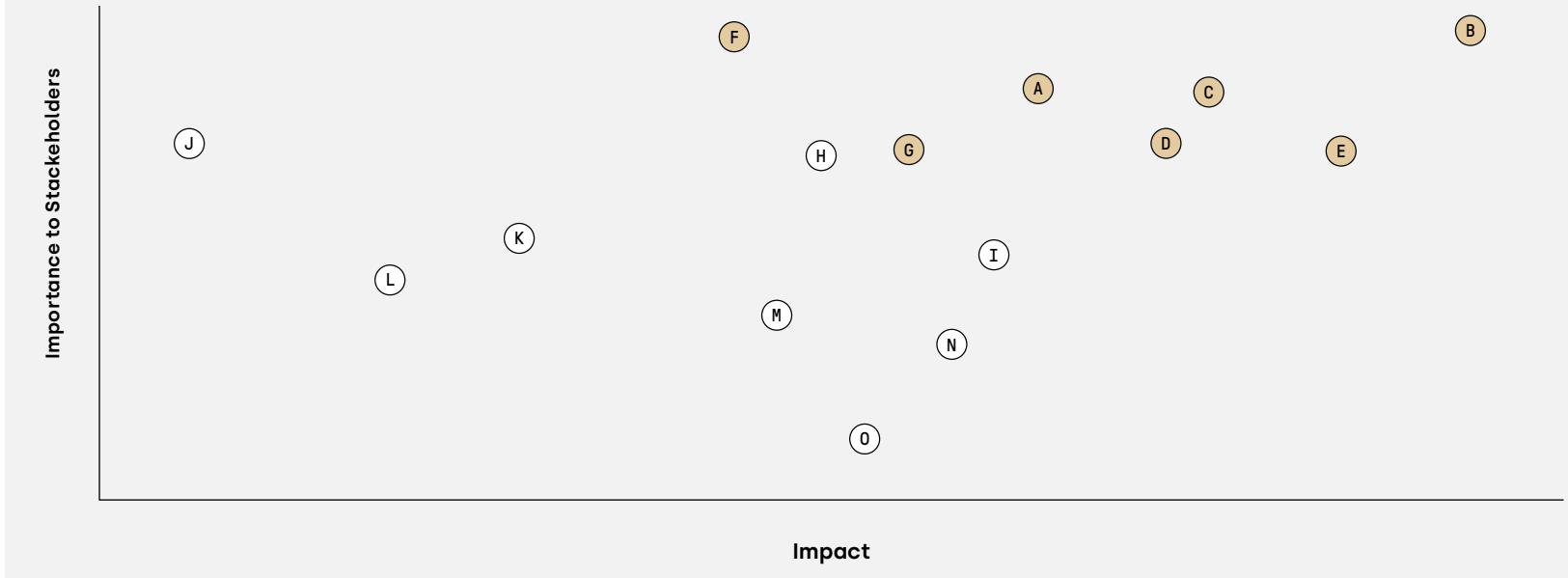
## STAKEHOLDERS

We understand that we cannot achieve our sustainability ambitions by ourselves. We need to have on-going dialogues with various stakeholders to learn about their expectations, requirements, and concerns. The assessment was carried out through stakeholder dialogues taking the form of sustainability surveys, internal workshops, meetings as well as a regulatory assessment of the topics to align with upcoming regulations. This guides us in our endeavor to work for a more sustainable battery industry.

### Significant Topics

The materiality matrix has identified seven significant topics that are of high relevance to Polarium and our stakeholders. The assessment combines the two perspectives: impact on our business and importance to our stakeholders. The topics that were rated as less material remain important to Polarium and are areas on which we continue to work even though they are not included or partially included in this year's report. They are being addressed internally and they will be evaluated for relevance to our stakeholders aligned with our stakeholder engagement approach (see page 12).

### Materiality Analysis



#### Topics covered in this report and identified as material and significant:

- A. Greenhouse Gas Emissions
- B. Product Lifecycle Impacts
- C. Business Ethics
- D. Product Lifecycle Performance
- E. Responsible Supply Chains
- F. Labor and Human Rights
- G. Diversity, Equity and Inclusion

#### Topics identified as material but not covered in this report:

- H. Occupational Health and Safety
- I. Corporate Waste Management
- J. Connectivity and Data Protection
- K. Transparency and Accountability
- L. Community Engagement
- M. Economic Performance
- N. Corporate Synergies

#### Topics identified as material and partially covered in this report:

- O. Employee Engagement and Development

*The material topics have later been grouped into our three different Sustainability Focus Areas, which are our focus areas for our sustainability work (see page 10).*

## STAKEHOLDERS

# Stakeholder Engagement

We engage on a continuous basis with our key stakeholders, and at least once a year we evaluate their relevance to our business. In 2021 we identified six stakeholder groups. These groups were asked to complete a survey where they prioritized a list of 15 topics in order of importance. The survey results have been presented and discussed in an internal workshop where the topics were rated in order of both importance to stakeholders and impact.

The table presents key stakeholder groups, which topics were raised as well as what type of stakeholder dialogue has been conducted. Our material topics now form part our engagement approach with our multiple stakeholders. To make sure our topics stay relevant to their needs, we will periodically evaluate the context of the organization and our business.

Stakeholder Group	Topics Raised	Stakeholder Dialogue	Our Response
<b>Customers</b>	<ul style="list-style-type: none"><li>• Greenhouse Gas Emissions</li><li>• Product Life Cycle Impact/Performance</li><li>• Labor and Human Rights</li><li>• Supply Chain</li></ul>	<ul style="list-style-type: none"><li>• Sustainability survey</li><li>• Innovation workshops</li></ul>	<ul style="list-style-type: none"><li>• Collaboration to launch our "Green" product range</li><li>• Strengthen our Sourcing process with sustainability criteria</li><li>• Developed a roadmap for Scope 1 and 2 greenhouse gas emission reduction</li></ul>
<b>Board members</b>	<ul style="list-style-type: none"><li>• Business Ethics and Corporate Governance</li><li>• Product Life Cycle Impact/Performance</li></ul>	<ul style="list-style-type: none"><li>• Board meetings</li><li>• Sustainability survey</li></ul>	<ul style="list-style-type: none"><li>• Incorporation of Sustainability into the Risk, Audit &amp; Sustainability Committee</li></ul>
<b>Suppliers</b>	<ul style="list-style-type: none"><li>• Labor and Human Rights</li><li>• Supply Chain</li><li>• Product Life Cycle Impact/Performance</li></ul>	<ul style="list-style-type: none"><li>• Desktop audits</li><li>• Supplier meetings</li><li>• Sustainability survey</li><li>• Sustainability Management System questionnaire and survey</li></ul>	<ul style="list-style-type: none"><li>• Strengthen our Sourcing process with sustainability criteria</li></ul>
<b>Employees</b>	<ul style="list-style-type: none"><li>• Employee Engagement and Development</li><li>• Corporate Synergies</li><li>• Diversity, Equity and Inclusion (DEI)</li></ul>	<ul style="list-style-type: none"><li>• Topic-specific pulse surveys among all employees</li><li>• Regular dialogue between Group managers and employees through performance reviews and one-on-one meetings</li><li>• Sustainability survey</li></ul>	<ul style="list-style-type: none"><li>• People Leader Day – workshops and lectures</li><li>• Revamp of company culture values after extensive workshops.</li><li>• Set DEI-specific pulse survey, communication, and improvement targets</li></ul>
<b>Partners and academia</b>	<ul style="list-style-type: none"><li>• Labor and Human Rights</li><li>• Product Life Cycle Impact/Performance</li><li>• Business Ethics and Corporate Governance</li></ul>	<ul style="list-style-type: none"><li>• Sustainability survey</li><li>• Direct contact through Polarium's teams and processes</li></ul>	<ul style="list-style-type: none"><li>• Commitment to the UN guiding principles on business and human rights</li><li>• Anticipated aligned to new sustainability regulation (e.g. EU Battery Directive)</li></ul>
<b>Banks and export promoters</b>	<ul style="list-style-type: none"><li>• Business Ethics and Corporate Governance</li><li>• Greenhouse Gas Emissions</li></ul>	<ul style="list-style-type: none"><li>• Direct contact through Polarium's Executive Leadership Team (ELT)</li><li>• Sustainability survey</li></ul>	<ul style="list-style-type: none"><li>• Polarium's Enterprise Risk Management (PERM)</li><li>• Developed an anti-corruption and fraud specific training</li></ul>



# Enabling Circular and Green Solutions

Polarium is constantly developing our energy storage solutions, because the future of society needs to rely on energy systems that are as smart and safe as they are sustainable.

With innovation in mind, we work to solve our customers' most pressing needs and identify new opportunities. With our technology, we help businesses reduce their climate impact by making energy systems more efficient and by enabling the storage of more renewable electricity. At the

same time, we are working towards a circular business model with increased recyclability of our products and usage of recycled material. As we improve the performance of our products while reducing emissions from production, we create greener solutions that have superior impact over time.

# Greenhouse Gas Emissions

The global average temperatures are rising, and climate science has found that acute scenarios such as drought, flooding and extreme heat are increasing in frequency and severity. By measuring, setting reduction targets, and communicating our carbon emissions, we contribute to the common goal of mitigating the negative effects of climate change. Because one of our top-priorities is to assure that our business operations are as low-carbon intensive as possible.

## Our Approach

Managing our carbon emissions and climate risks can be translated into greener products for our customers. Polarium has a global environmental management system (EMS) certified by the ISO 14001 standard. As part of our EMS, we have a publicly available environmental policy. In addition, through our significant environmental aspects, we have identified greenhouse gas emissions (GHG) to air as a priority area. We account for our GHG emission based on the GHG Protocol Methodology.

All employees play a key role in achieving our reduction targets. To create awareness of our environmental management system, we have a global ISO training (14001 and 45001), as part of our onboarding process. As

we set or revise our targets at least once a year, we also update the training for all employees on a yearly basis.

## 2021 Highlights and Key Events

As one of the fastest growing Nordic companies of 2021, we understand our increased responsibility to manage our environmental footprint in time. During 2021, we focused on our direct operations which comprise Scope 1 and 2 emissions as defined by the GHG Protocol.

Polarium's net Scope 1 emissions reduced with 19% as we phased out some machinery in our Mexican manufacturing site that required direct combustion from fossil fuels. Our greenhouse gas (GHG) emissions from Scope 2 however increased with 85% compared to 2020 (see table 1). The



Table. 1

	vs. previous year (%)	2021	2020
<b>Direct (tCO<sub>2</sub>)</b> Scope 1 as defined by the GHG Protocol			
Total	-19%	5,4	6,6
Mexico	-47%	3,5	6,6
Vietnam	NA	1,8	NA
<b>Indirect (tCO<sub>2</sub>)</b> Scope 2 as defined by the GHG Protocol. <sup>5</sup>			
Total	85%	296,6	160,0
Mexico	39%	222,1	160,0
Vietnam	NA	74,5	NA
<b>Direct + Indirect (tCO<sub>2</sub>)</b> Biogenic CO <sub>2</sub> emissions are N/A			
	81%	302	166,6

Table. 2

	vs. previous year (%)	2021	2020
<b>Intensity</b> Type of energy: Electricity consumption within the organization per kWh capacity			
	-5%	1,09	1,15

## FOCUS AREA 1

### Greenhouse Gas Emissions: Risks and Mitigation

Priority Risk	Proposed Mitigation
Stakeholders demand for supply chain emissions disclosure (Scope 3).	We have planned to start collecting data for significant Scope 3 GHG emissions during 2022.
Climate change risk assessment.	We will program an assessment of the impacts of climate change on our operations in 2022.



### Targets and Ambitions

In 2021, we updated our public commitment from carbon neutrality to net-zero emissions in our own operations<sup>6</sup>. This means we are now pursuing to continuously reduce our carbon emissions. Despite our year-on-year net-increase on GHG emissions, we are now moving this target forward by four years, from 2030 to 2026. With this, we can be at the forefront of the fight against climate change.

During 2021, we have also identified a need to improve the incorporation of climate risk assessment into our operations, including climate resilience as a new criterion for product development and testing. By 2024, climate adaptation principles and solutions will be incorporated into all our product offerings.

In 2021, we began identifying significant categories from Scope 3 emissions. We have now a target to communicate our efforts concerning Scope 3 accounting, disclosure, and reduction targets starting 2023. By doing so, we commit to transparent communication and continuous reduction of our GHG emissions from our value chain.

Targets	Year
Polarium will accelerate the global transition to net-zero by enabling customers to move away from fossil fuels (increase carbon handprint).	-
Annual climate risk assessments of own operations strategy resilience to be undertaken from 2022 and onwards.	2022
Yearly communication towards long-term targets aimed at reaching net-zero emissions in the value chain. (Scope 3 footprint)	2023
Climate adaptation principles and solutions will be incorporated into all product offerings.	2024
Polarium will reach net-zero GHG emissions in our own operations. (Scope 1 and 2 footprint)	2026

# Product Lifecycle Impact

Our products' environmental impacts and benefits are the most material aspect for our business. As part of our mission to create the best energy storage in the world, we focus on the environmental footprint<sup>7</sup> and hand-print<sup>8</sup> of our products. We enable businesses to reduce their environmental impact by moving away from fossil fuels to efficient lithium batteries. This helps them thrive in an ever-changing regulatory landscape that requests assurance for product sustainability.

The battery value chain is complex with many different stakeholders, producers, raw materials, and end-users for various products, and the development of a circular value chain will be needed for sustainable battery production going forward.

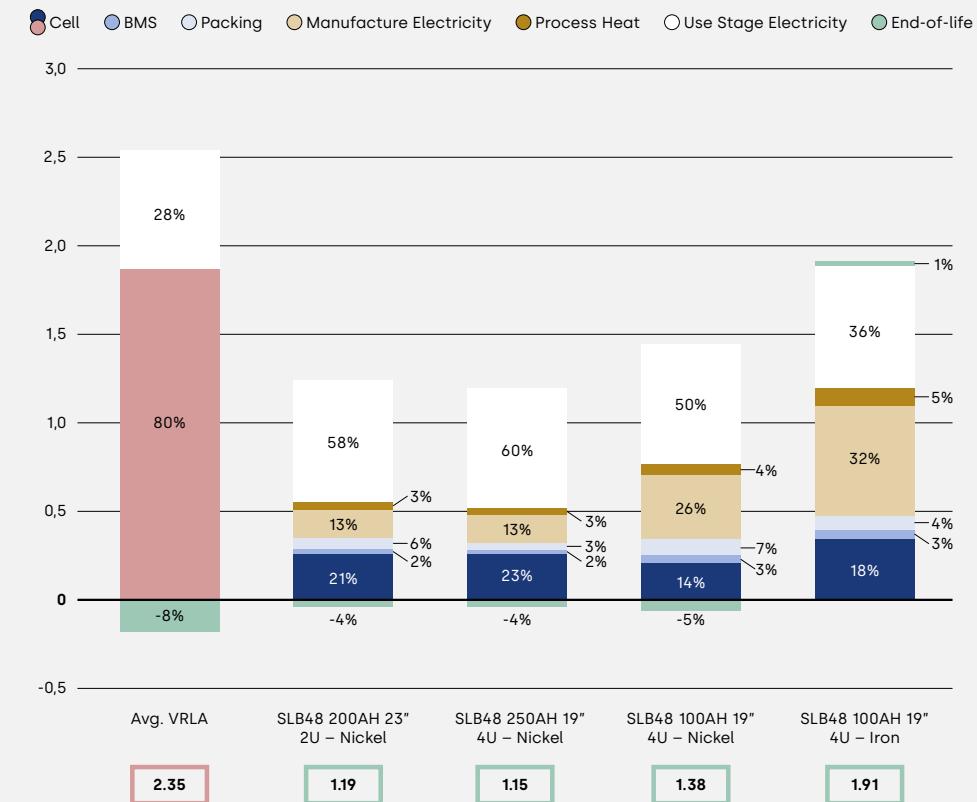
## Our Approach

We apply a lifecycle thinking to our product offering. The environmental impact and benefit, quality and duration of our products are essential to our business. Any potential environmental impact from our products is addressed through responsible practices in our supply chain (see page 30 on responsible sourcing). By doing so we target every lifecycle stage in our product manufacturing. In addition, since 2021 we are strengthening and accelerating environmental transparency towards our customers by working on standardizing carbon footprints at a product-level.

## 2021 Highlights and Key Events

In 2021, we carried out a first full lifecycle assessment<sup>9</sup> (LCA) to understand how our different lithium-based chemistries perform against lead-acid batteries. The analysis confirmed the environmental benefit that occurs when a less efficient battery is replaced with one of our products. The best performing battery is reducing more than half the environmental impact per functional unit compared to a lead-acid battery. In other words, our best performing battery is estimated to contribute to 1.15 kg CO<sub>2</sub>e per kWh energy delivered compared to 2.35 from a lead-acid battery.

LCA: Net carbon footprints kg CO<sub>2</sub>e per kWh energy delivered



7. Environmental Footprint: *impact we have on the environment by consuming resources*.

8. Environmental Handprint: *benefits our products generate to our customers*.

9. Based on a study Yudhistira, Ryutaka. "Comparative life cycle assessment of different lithium-ion battery chemistries and lead-acid batteries for grid storage application." (2021). Modelled in stand by using US electricity mix and assuming 4.8 MWh delivered over 20-year battery life span. Black portion represents the whole cradle-to-gate process of the lead-acid batteries.

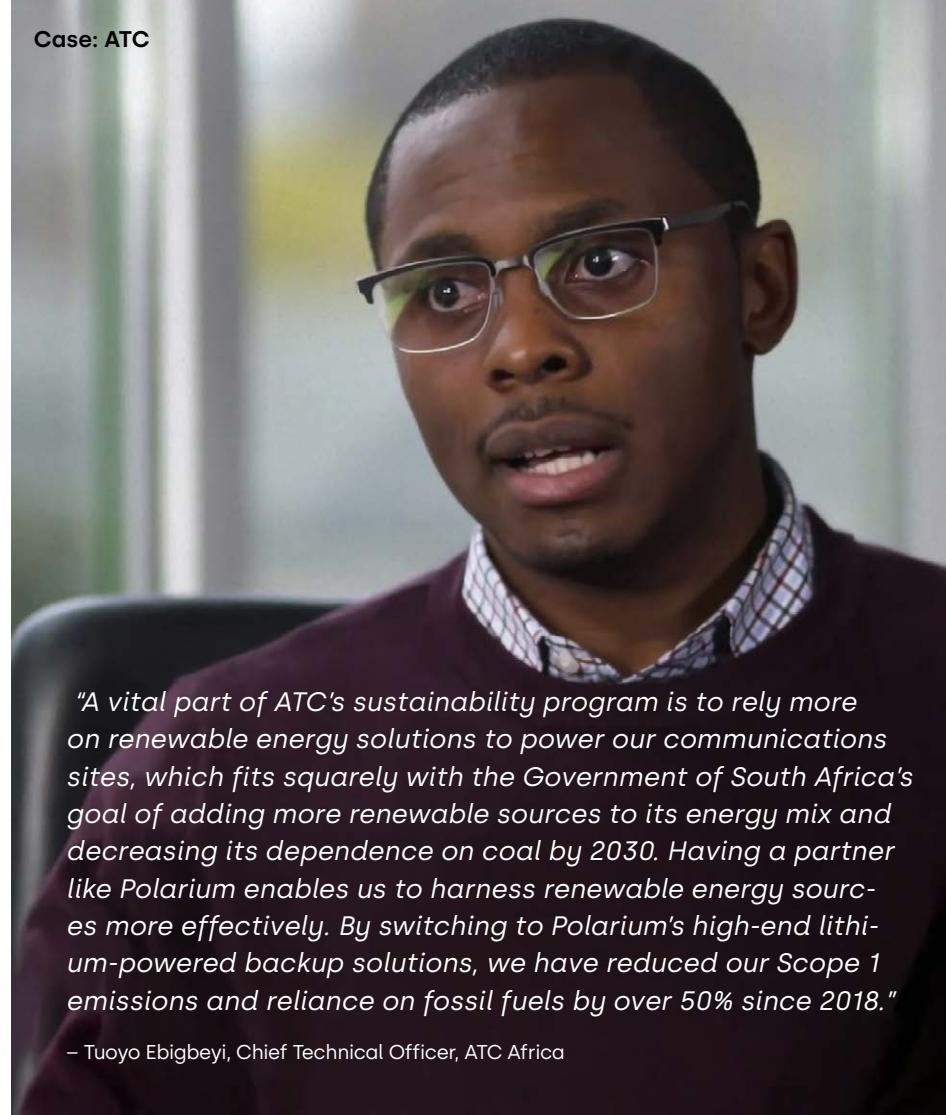
## FOCUS AREA 1

In early 2022, the European Parliament will vote on the new EU Battery Regulation for a more sustainable battery industry. The purpose of the regulation is to include circularity to a larger extent and improve recyclability of important components, whilst assuring corporate transparency. Polarium welcomes this regulation and its proposal to disclose product carbon footprint by mid-2024. We have started a standardizing process to be able to have full disclosure of all our products' carbon footprints ahead of this deadline; to this date we can disclose 20 percent of our sold products.

### Product Lifecycle Impact: Risks and Mitigation

Priority Risk	Proposed Mitigation
Battery regulation increased demand on transparency for environmental and social impacts.	We started adapting business practices for compliance to the new EU Battery Directive ahead of deadline (e.g., product carbon footprints).

#### Case: ATC



In 2021, we produced more than 500 MW capacity; we are on a target to produce more than 1 GW during 2022.

#### Improving the Carbon Handprint

Our market-leading solutions are modular in their structure and can be adapted to a variety of needs. Installed in more than 70 countries globally, we enable our customers to reduce energy cost and increase their carbon handprint.

The carbon handprint is the positive climate impact that the usage of a product or service has, compared to other products or services in the same category.

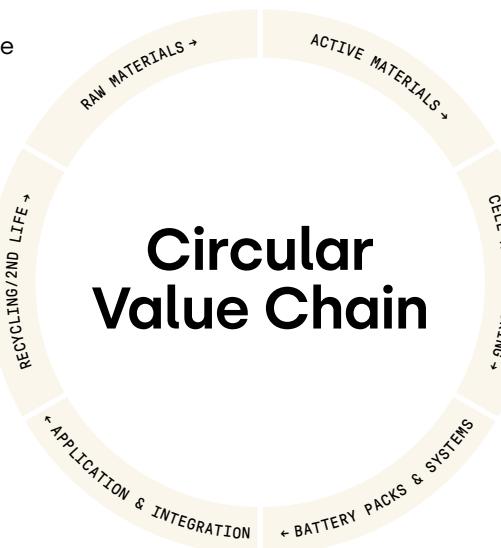


## Targets and Ambitions

We want to be part of the development of a more sustainable battery production and support the work towards achieving the global climate goals, while boosting a sustainable and competitive industry that creates growth and jobs throughout the battery value chain. All the solutions are not yet available, but Polarium is taking an active and progressive role towards driving change in the whole battery value chain.

The new regulatory landscape will strengthen product circularity and transparency; based on this, we are committed to achieving 100% of product carbon footprints and continue calculating them on a continuous basis for all our products being sold 2022 onwards.

To achieve this, we have decided to have implemented design principles for high durability, recyclability and easy disassembly into all product offerings by 2024, which will align the offering with the EU Taxonomy and the EU Battery Regulation.



Moreover, we have begun assessing significant suppliers and their ability to provide recycled material for product manufacturing. Our ambition is to use at least 50 percent recycled material for all our product manufacturing by 2030.

Our next step is to decrease our products' environmental footprint even further through key partnerships, such as the one we have with Northvolt, and by ensuring supply of green battery cells.

## Towards battery cell manufactured with renewable electricity and recycled metals.

### Red

250-150 kg  
 $\text{CO}_2/\text{kWh}_{\text{capacity}}$

Battery cell manufactured with carbon-intensive electricity.

### Yellow

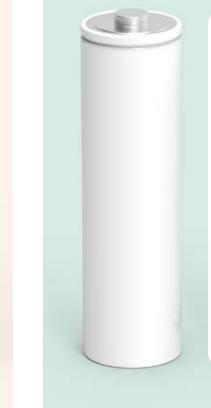
150-80 kg  
 $\text{CO}_2/\text{kWh}_{\text{capacity}}$

Battery cell manufactured with mid carbon-intensive electricity.

### Green

80-50 kg  
 $\text{CO}_2/\text{kWh}_{\text{capacity}}$

Battery cell manufactured with renewable electricity.



Targets	Year
Implementation of design principles for high durability, recyclability and easy disassembly into all product offerings aligned with the EU Taxonomy.	2024
Polarium has the ambition to power our products with green battery cells.	2030



# Product Lifecycle Performance

Quality, safety, and performance are pivotal factors for our customers, and key to decrease the environmental impact of our products. Product lifecycle performance and impact are closely interlinked. That is why we work proactively to assure the best product quality on the market.

We want to promote new design and innovation in partnership with customers and suppliers in order to provide the market with best-in-class energy storage solutions.

## Our Approach

From a quality perspective, our governance structure is based on three pillars: Integrated Management Systems, Continuous improvement, and Product quality. The quality process is a cross-functional collaboration between teams and led by Polarium's Quality Manager and Quality Council, that together promptly address potential product quality issues. The Council is the main body for collaboration between Quality, Sourcing and Manufacturing.

## 2021 Highlights and Results

Product safety is extremely important to Polarium and is one of the key differentiators for us in the market. We continuously work to develop new innovative safety features to make our products even safer. Our products

meet the rigorous battery safety requirements defined in UL 1973 (North America), and IEC 62619 (Europe/Rest of the world), making our products available to a global market.

With the upcoming technologies being developed, we will also comply with UL 9540A without limitations, making it possible to utilize even larger energy storage systems. Some of the key new technologies include new passive propagation protection functions inside, which will prevent the risks of cascading thermal runaway events. It also includes an active fire suppression system inside the battery modules, which is capable of completely extinguishing a thermal runaway event.



## FOCUS AREA 1

In 2021, Polarium won two Red Dot Design Awards for outstanding design quality on our Battery 23" 2U 200 Ah. The battery is designed for the telecom networks of the future, and our highest energy density product to date. This product incorporates crucial thermal cooling and propagation safety innovations, and it is designed to fit into any battery rack infrastructure, simplifying the transition to Polarium's products. The awards are a confirmation that our long-term work on continuously improving our products' quality and performance is paying off.



**reddot winner 2021**



**reddot winner 2021  
innovative product**

## Product Lifecycle Performance: Risks and Mitigation

Priority Risk	Proposed Mitigation
Disruption by emerging technologies or potential competitors.	Deliver superior product quality and safety whilst being innovative. In 2021, we launched our Gen 6 product line and assured a partnership to procure low-carbon emission lithium cells.



## Targets and Ambitions

In order to ensure high-quality and safe product offerings Polarium will work continuously to improve the product lifecycle performance as it is closely linked to lifecycle emissions and impact. We will continue to be a market leader in terms of quality and safety and drive innovations towards more sustainable and circular practices – both internally and together with our customer and partners.



# Ensuring Ethical and Responsible Business Practices

To offer the best energy storage solutions we proactively work to ensure fair and ethical practices in everything we do.

Our products have the potential to be part of the changes that are needed to combat climate change, and with a global value chain and production we can have a positive impact through

the way we run our business. Together with our suppliers we will work to address sustainability risks that are part of our value chain.

# Business Ethics

Compliance and business ethics are of great importance to us as a company. We have a zero-tolerance policy towards corruption, bribery, or malpractice. Our ambition is to be a responsible and relevant driver of positive change and ethical corporate culture. Our governance system aims to cover both internal and external practices in our operations and throughout the entire business.

## Our Approach

We are a process-oriented company, meaning that we are aligned according to processes rather than departments. The Sustainability process is responsible for internal integration with other processes (e.g., Sourcing, HR, Product) to ensure compliance and continuous improvements.

Polarium has several plans and policies in place to guide our sustainability work as well as ensuring fair and ethical business practices that are defined on page 27. Regardless of which region where they operate in, all business partners, employees and leadership members are covered by or have access to one or more policies/trainings/services:



### BoD/ELT

- Business ethics - External training
- Employee Code of Conduct
- Whistleblower



### Employees

- All - Employee Code of Conduct and training
- All - Whistleblower
- White-collars - Corruption and fraud training



### Suppliers

- Supplier Code of Conduct and audit
- Whistleblower



### Customer

- Business ethics clauses in contracts

## 2021 Highlights and Key Events

To build awareness of business ethics, we rolled-out a Global Anti-corruption and Fraud training available to all 249 (excl. ELT) white-collar employees during the last quarter of 2021. This was one of our goals for 2021.

The training not only includes practical examples to raise awareness of potential business malpractices but also reinforces the internal knowledge of current policies and procedures at Polarium. More than 80% completed this first-time training which is now an integral part of Polarium's way of working (see table 3). From 2022 and onwards all employees must complete the training at least once a year.

Our Anti-corruption and Fraud training is revised by a member of ELT. Polarium's Board of Directors and Executive

Table. 3

Region	Employees Trained	% From Region
Sweden	119	78%
Mexico	43	100%
Vietnam	17	74%
USA	8	89%
Others	9	75%
<b>Total</b>	<b>196</b>	<b>82%</b>

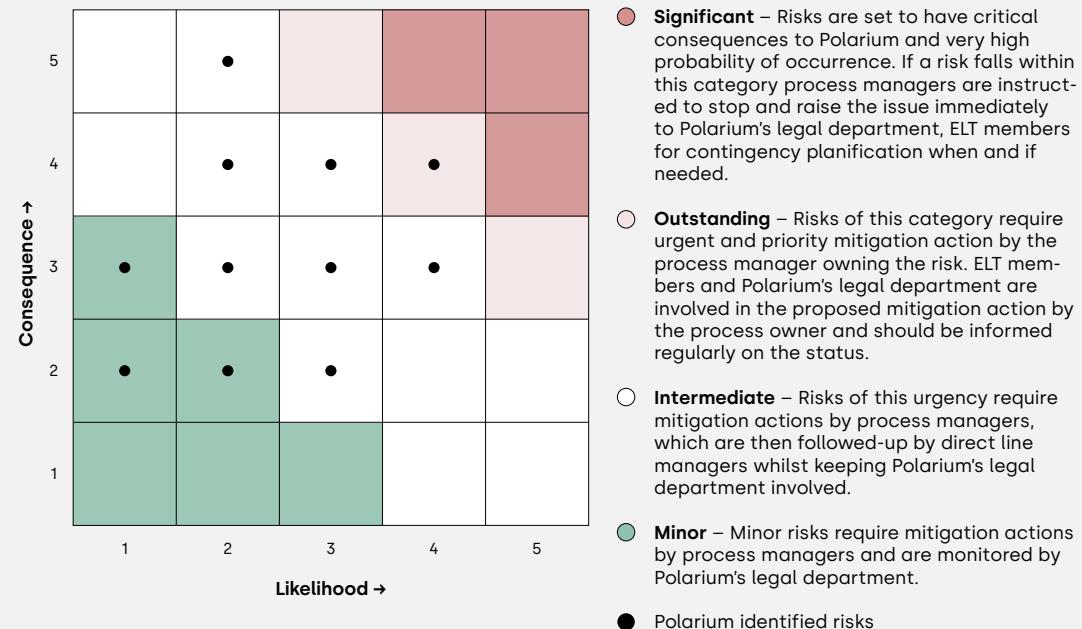
Leadership Team (ELT) receive a mandatory external training on business ethics every other year, a training that will be updated for 2022.

We have a standardized and documented process for our whistleblower service to evaluate complaints and whether Polarium's Board should be alerted. In 2021 we received 0 confirmed incidents from employees or business partners concerning corruption or fraud, nor was implicated in any public cases.

As part of this years' improvement against business malpractice, our legal department and sustainability and internal process managers built a corruption and fraud-specific risk heat map. With the map we have a tool to set out four levels of risks, which supports Polarium in addressing and mitigating malpractice.

## FOCUS AREA 2

### Polarium Corruption and Fraud - Heat Map



### Targets and Ambitions

Ensuring fair and ethical business practices means continuously working, developing and improving our ways of working and engaging with our different stakeholders. One important aspect of this is to ensure a continuous upskilling of our employees. Polarium's Board of Directors and Executive Leadership Team (ELT) undergo mandatory external training on business ethics every other year, a training that will be updated for 2022. By 2023, we aim to strengthen our anti-corruption practices by improving and rolling out location-specific training programs for our employees, as well as promoting our whistleblowing program.

Targets	Year
By 2023, strengthen anti-corruption practices by improving and rolling-out location-specific training programs on anti-corruption.	2023
By 2023, strengthening corporate transparency in the value chain by promoting Polarium's whistleblowing program.	2023

### Business Ethics: Risks and Mitigations

Priority Risk	Proposed Mitigation
Underdeveloped procedure to assure due diligence when consolidating business partnerships with companies and/or individuals.	In 2021, our Sales process implemented a new Know Your Customer (KYC) procedure to mitigate potential risks when carrying out businesses. In addition, we strengthened internal competences for business ethics, corruption, and fraud by updating and rolling out all-employee trainings.

# Responsible Supply Chains

Our products have the potential to accelerate the changes that are needed to combat climate change. Thus, the development of sustainable battery production is vital to achieving climate goals, but also as an enabler of a new competitive industry that creates growth and jobs throughout the battery value chain. Therefore, we work to address all the impacts that are part of our production from raw material to end use.

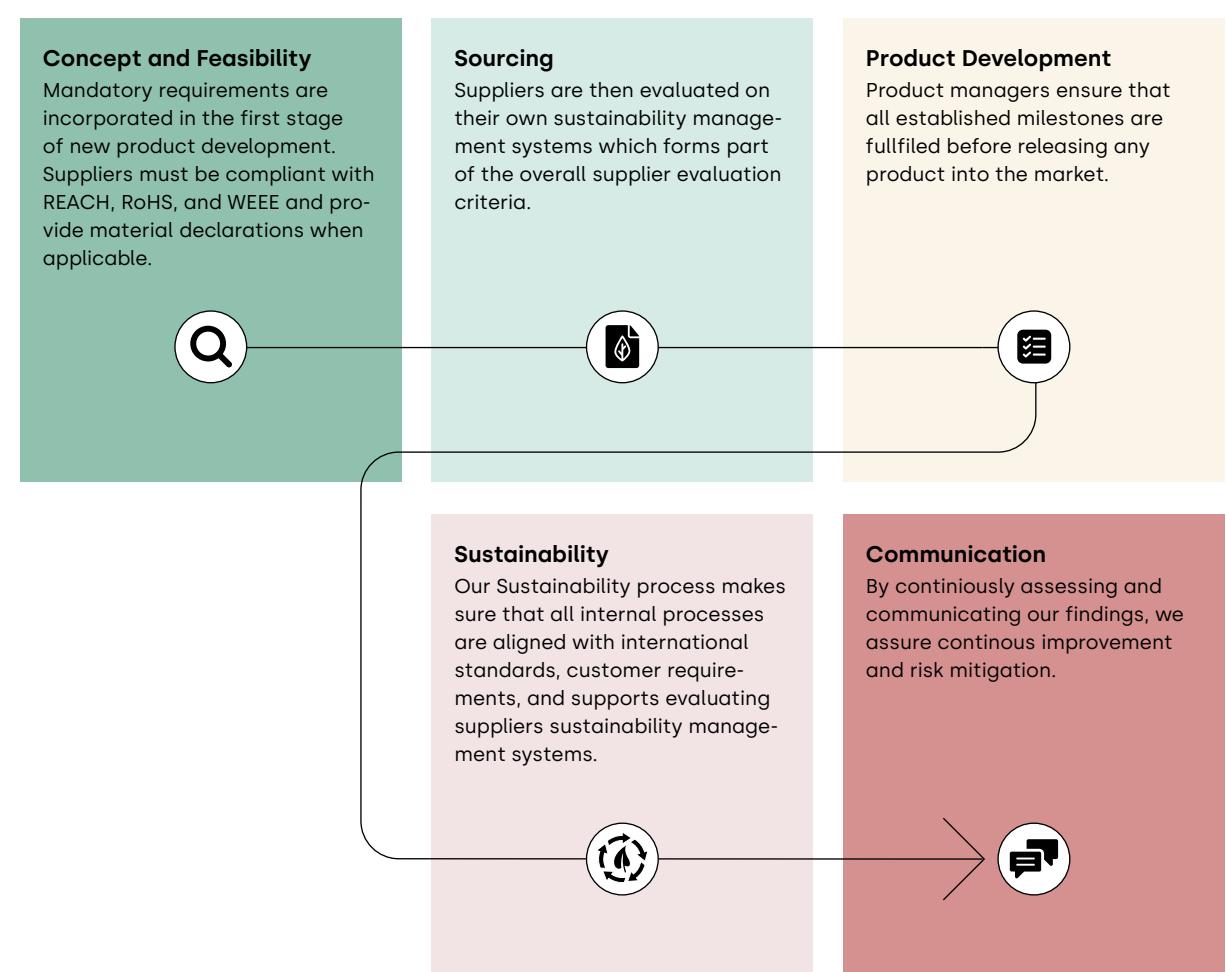
The growth of global supply chains brought benefits to developing countries, but at the same time increased risks of human and labor rights violations, including forced labor and child labor or environmental damage to mention some examples. The increase of reuse and recycling will play a vital part in achieving a sustainable battery value chain and become less dependent on virgin materials. Polarum is committed to decreasing and mitigating any potential negative impact from our business practices, including in our supply chain. We are doing so by working with our suppliers to comply with the minimum environmental and social standards to carry out business with us.

## Our Approach

Polarum has a responsible supply chain management system in place to ensure that we identify, address and mitigate all potential supply chain risks in order to eliminate our potential negative impacts. Furthermore, all of our suppliers must adhere to our Supplier Code of Conduct.

The illustration to the right of our Sustainable Sourcing framework has been developed during 2021. This framework guides us in our ambition to minimize any negative impacts throughout our supply chain.

## Sustainable Sourcing Framework



## 2021 Highlights and Key Events

During 2021, we developed the Sustainable Sourcing framework which was one of the goals in our COP (Communication of Progress) to UN Global Compact last year.



As a part of strengthening the responsible supply chain management, we are now integrating a wider set of environmental, social and governance requirements as part of our supplier selection and evaluation. With the aim of achieving full transparency and continuous improvement with our significant suppliers, we did increase the scope for our assessments in several areas during 2021, for example:

- Engagement and public commitments (e.g., UN Global Compact Membership)
- Accounting and disclosure of greenhouse gas emissions
- Availability to provide recycled material for product manufacturing
- Lifecycle analysis or carbon footprints for procured goods
- Alignment with international due diligence frameworks (e.g., OECD Due Diligence Guidance for Responsible Supply Chains)
- No retaliation policies against whistleblowers.

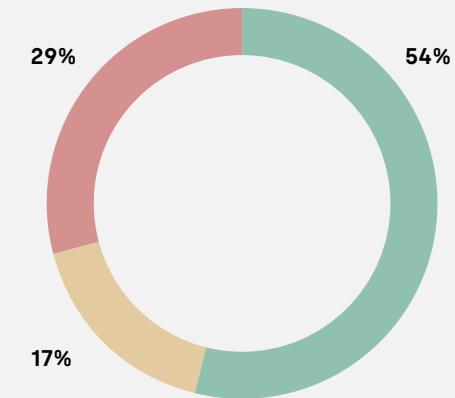
The increased scope now adds more robust and quantifiable metrics to our mandatory Supplier Code of Conduct (SCoC); this contributed during 2021 to all potential or new suppliers being

assessed for our extended approach. Moving forward we will be systematically approaching suppliers through our audit program to ensure best practices.

By the end of 2021, 96 percent of significant suppliers<sup>10</sup> had answered our updated SCoC assessment. Our engagement has resulted in identified areas for improvement and future engagement defined to the right.

Mineral(s)	Supplier response rate (%)
Cobalt	100
3TG	>90

## Where do we find areas for improvement?



- **Environmental:** GHG accounting and disclosure
- **Social:** Control mechanism for labor and human rights
- **Governance:** Whistleblowing services

## Responsible Supply Chains: Risks and Mitigations

Priority Risk	Proposed Mitigation
Suppliers' performance concerning social and environmental issues.	In 2021, we strengthened our supplier assessment against their environmental social governance (ESG) management systems. In 2022, we will be engaging with low performing suppliers towards improvement.
Impact on Polarum's environmental and social performance from supply chain disruptions and material availability.	We will work on establishing and implementing ESG minimum safeguards in our supply chain to minimize and mitigate environmental and social impacts.



### Mineral Sourcing

We are committed to responsible sourcing practices. We understand the complexity of ensuring 100% traceability and thus prefer taking an engagement approach with underperforming or non-compliant significant suppliers. Ensuring responsible practices in the supply chain for certain minerals like cobalt or tin, tantalum, tungsten, and gold (3TG) is part of our overall sustainable sourcing management system.

In 2017, the EU passed a Conflict Mineral Regulation that requires importers to track and communicate the countries of origin for 3TG minerals and metals. Polarium does not fall in the scope of the current regulation; however, our Sustainable Sourcing framework is still based on the OECD's guidelines on due diligence in the supply chain.

The scope of our minerals analysis is based on a voluntary basis for suppliers to declare the information according to their practices. Our work is aligned to the Responsible Minerals Initiative (RMI) and use its reporting templates to approach our suppliers. The reports obtained by Polarim are at either product or company level, as the supplier has the option to share information according to their capabilities.



### Targets and Ambitions

Assuring sustainable sourcing processes is of great importance to Polarim and something that we need to work with continuously with our partners over time. In 2022, we will actively engage with suppliers that are not compliant with our SCoC to address the incompliances and actions needed, and by 2026 our key strategic suppliers<sup>11</sup> will also be audited for compliance with Code of Conduct.

Targets	Year
Key strategic suppliers (representing 70% of purchasing spend) are audited for compliance with Polarim's Code of Conduct.	2026
Ambition at least 50% recycled material input for product manufacturing.	2030

# Labor and Human Rights

While our products have the potential to accelerate the transition to renewables, we also have a responsibility to address the environmental and social impacts that are part of our value chain, including labor and human rights issues.

## Our Approach

Our responsibility is addressed both from our own operations and extended to our supply chain. To ensure we continuously improve our approach towards compliance and minimum safeguards, we have our:

- Employee Code of Conduct
- Employee Handbook
- Supplier Code of Conduct

## 2021 Highlights and Results

As we carried out our first materiality assessment in 2021, we also identified labor and human rights as a material topic. In the second half of 2021 we began working in a more structured and robust way to address labor and human rights risks. In addition, we updated our screening process of suppliers to include a more robust and granular assessment of all sustainability aspects, including labor and human rights (see page 28).

We acknowledge that we still have work to do to improve our approach and to assure best practices. We are committed to strengthening our labor and human rights management system. In 2021, we began revising our Employee Code of Conduct to assure a better alignment to our commitments. We will finalize this revision during 2022.



## Targets and Ambitions

In the coming two years, we will conduct an initial human rights impact assessment on both our own operations and key suppliers to identify potential risks and how to mitigate them. We will also incorporate procedures of the UN Guiding Principles of Business and Human Rights and OECD multinational guidelines for corporates into our processes and procedures by 2022.

## Labor and Human Rights: Risks and Mitigations

Priority Risk	Proposed Mitigation
Risk assessment for labor and human rights.	<p>During 2021, we worked in compliance with all applicable regulation to our operations. In addition, we strengthened our social assessment to our upstream supply chain.</p> <p>By 2022, we will be formalizing our risk assessment for human rights. As part of this, we will be doing a gap analysis against the UN Guiding Principles on Business and Human Rights.</p>

Target	Year
Incorporate procedures of the UN Guiding Principles of Business and Human rights, and OECD multinational guidelines.	2022
We will conduct human rights impact assessments of own operations and key risk suppliers.	2024



# Empowering People and Culture

We believe empowered colleagues can accomplish powerful things together. That is why we work as one team to achieve our goals. As a fast-growing company in a diverse working environment, we put extra emphasis on working closely together to maintain our strong company culture – where geographies, cultures, divisions, and functions come together.

We are convinced that engaged employees who feel included and who are allowed to challenge status quo will drive new ideas and add value for customers and other stakeholders. That is why we always put people first.

# Diversity, Equity and Inclusion

Polarium recognizes the importance and benefits of creating an inclusive and diverse workplace. Offering diversity at all corporate levels, equal opportunities and ensuring a non-discriminatory space free from any discrimination on the grounds of race, gender, age, religion and sexual orientation is something we must work with every day. Together as a team.

## Our Approach

With support from our People and Culture process (HR), we work to ensure that we have a culture where everyone belongs, and where there is room for our many differences, backgrounds, experiences, and ideas to thrive. Polarium's Global People and Culture Manager is responsible for driving relevant initiatives and taking measures to ensure an inclusive and diverse workplace.

Furthermore, we work with recruitment and promotion practices that aim to be free from bias. We employ a system with standardized processes to support competence-based, fair, and equal recruitment. Our talent acquisition also aims to target more women to enter our company.

### Unconscious Bias

Unconscious bias or implicit bias refers to the prejudices we as humans have about other people, social groups, individuals, gender, race, and background to mention a few examples. With training on unconscious bias, we can raise awareness of the mental shortcuts that often lead to unnecessary snap judgments about others. Unconscious biases can lead to unfair judgments or discrimination, and it is a challenge we all face.



## 2021 Highlights and Results

All our teams have expanded, from R&D and production to sales and operations. We are continuously looking to both upskill existing employees and find new talent to join Polarium.

As of this year Polarium had a global gender distribution of 31% women and 69% men for white-collar employees. On our Executive Leadership Team only 11 percent are females. We are not satisfied with this gender distribution and will continue to strengthen our work within this area, please refer to page 34 for planned actions and targets.

As part of Polarium's People First strategy, we carried out our first pulse survey for Diversity, Equity and Inclusion (DEI) during the last quarter of 2021. This will become part of quarterly pulse surveys and will contribute to create Polarium's DEI index, where our ambition is to become a leading equal opportunity employer measured with 2021 as a baseline.

With this initiative, more than 300 voices across our manufacturing sites and headquarters were able to provide input on Polarium as an employer. We will use this information as a baseline for improvement and to develop and achieve our targets.

Table. 4

All Types of Contracts	White-Collar	Blue-Collar
FTE	188	453
Consultant	61	8
<b>Total</b>	<b>249</b>	<b>461</b>

Table. 5

	White-Collar – Gender		
	Male	Female	% Female
Board Members	3	2	40%
Executive Leadership Team	8	1	11%
Managers	22	13	37%
Non-managerial	142	63	31%
<b>Total (excl. Board)</b>	<b>172</b>	<b>77</b>	<b>31%</b>

Table. 6

Region	% White-Collar Female	% Blue-Collar Female*
Sweden	34%	-
Mexico	21%	71%
Vietnam	35%	40%
USA	30%	-
Others	8%	-
<b>Total</b>	<b>31%</b>	<b>64%</b>

\*No Blue-Collar employees in Sweden, USA and Others

## FOCUS AREA 3



### Targets and Ambitions

Female representation has historically been low in the tech industry, senior management, and in many board rooms. We want to be part of changing that, as we acknowledge that gender equality is beneficial to achieve our business targets. In the coming two years we plan to develop a female leadership mentoring program to support all female employees.

Moreover, we are increasing our training in unconscious bias. Our leadership program will include unconscious bias for 2022 in order to help all our leaders support coworkers to realize their potential, and thus reduce the risk of discrimination. We also look to conduct an internal bias assessment of recruitment and promotion practices and find new collaborative partners specialized in diversity and inclusion for recruitment. With these actions, we can improve our workplace and culture even more.

Targets	Year
Polarum assesses global pay gap inequalities and promotes Diversity, Equity and Inclusion (DEI) initiatives.	2023
Polarum is a leading equal opportunity employer ensuring a non-discriminatory working environment, by improving 20% points Polarum average DEI index vs 2021 baseline.	2026
45-55 percent of Polarum's management positions should be held by women.	2030

# Employee Engagement & Development

## Our Approach

The Engaged and motivated employees are the cornerstone of our company. The People and Culture function works actively to support our employees through each step of the employee lifecycle to make sure we create conditions for high employee engagement. To ensure a comprehensive approach for employee retention and development, we focus on three main areas:

**Learning and development** – We aim to deliver a customized learning cycle experience to our employees. From development initiatives like workshops, peer coaching groups to individualized competence development plans, we want to equip our employees with all the tools needed for their continuous professional growth.

**Leadership** – Our culture and values are the guiding stars for our leaders. By empowering their teams, we encourage innovation and global cooperation throughout the company. We support our leaders with tools,

coaching and leadership training to ensure conditions for high performing teams.

**Employee engagement** – We want to internalize what it is important to our employees in our culture and values. Through our quarterly pulse survey, our employees have a platform where they can engage, make their voice heard and steer our initiatives concerning our targets.

As a fast-growing company, Polarium's ELT continuously evaluate the sentiment from our employees against our purpose and targets. Through our People First approach, we work towards steering our internal and external initiatives to deliver continuous improvement.

## 2021 Highlights and Results

Culture can only be created and defined together as a team. It is both how we work together towards common goals, and the foundation for how



we treat each other. 2021 has been the year of culture, where Polarium has focused on creating new values to guide us in our everyday decisions. Together, we developed We Are One, We Take Charge and We Think Big as our pillars. It is who we are and what we stand for.

## Targets and Ambitions

In 2021, we began measuring the internal engagement at all our locations through both Employee Net Promoter Score (eNPS) and an employee engagement platform. Our ambition is to always perform above the industry benchmark.

## Employee Net Promotor Score (eNPS)

Polarium	Industry benchmark
34	23

## Employee Engagement Platform

Polarium	Industry benchmark
76	70



## Our Values

### We are one.

We believe that empowered colleagues can accomplish powerful things together. That is why we work as one team to achieve our goals. We are a global company with an inclusive work environment. We have an open mind about people and the world around us. Through close collaboration across business units and geographies, everyone can share ideas and best practices. We deliver the best results as one team. We are one Polarium.

### We think big.

What is good for our business is also good for the planet. Because customer centricity, responsibility, and sustainability are at the core of our culture. We think big to solve our customers' most challenging issues in the most innovative ways. Helping them increase revenues, decrease costs, and achieve business goals. We think big to make energy systems greener and more efficient. Enabling the transition to renewable energy. Every day, we think big for a smarter and more sustainable future.

### We take charge.

We take charge of our success through innovation, creativity, and an entrepreneurial mindset. We seek responsibility and dare to take initiatives. We look for opportunities to excel ourselves and our business. We believe that there's always one more thing to learn, one new thing to invent, and one more product to develop. We always act on our customers' problems. Even the ones our customers don't know they have yet. In this way, we stay one step ahead.



# Sustainability Management & Governance

Polarium's Board of Directors has the ultimate responsibility for the company's organizational structure and administration of the company's affairs, including overseeing and monitoring risk exposure, risk management and compliance. Moreover, the board ensures satisfactory internal control of the company's compliance with legislation and other regulations governing the company's operations.

Polarium BoD is the highest governance body in setting the organization's purpose, values, and strategy.

In addition, through their committees they oversee specific topics like Sustainability. In Q4 2021, Polarium Board merged the Risk and Audit Committees and integrated Sustainability into it. Starting 2022 Polarium will have two main committees:

**1. Risk, Audit, and Sustainability Committee** - the Committee assists the board in fulfilling its responsibilities in relation to reporting, financial planning, internal control, internal and external audit, risk management and the company's processes for compliance

with financial reporting and accounting standards, as well as monitoring the company's sustainability, risk and compliance work. The Committee shall further approve the appointment and dismissal of the Head of Internal Audit (if applicable).

**2. Remuneration Committee** – this committee prepares the board's decisions on issues concerning principles for remunerations, and other terms of employment for the managing director and the executive management.

## Governance structure



# Integrated Management System

Polarium is a process-oriented company. This is translated into continuous value generation and enhancement for continuous optimization of our operations. Our internal processes (e.g., Sourcing, People and Culture, Sustainability) are ruled by our management systems, which are based on a series of policies and practices described below.

Polarium's Integrated Management System (IMS) is a set of processes, policies, and frameworks that is structured to assure compliance with legal and contractual requirements. In addition, it is the supporting tool to uphold our commitments towards the UN Global Compact Principles, and to be able to implement the UN Guiding Principles on Business and Human Rights by 2022 in our internal processes and operations. The IMS covers, but is not limited to, the following principles, plans and procedures:

## Quality Management System (QMS)

### - ISO 9001 certified

- This management system is based on seven quality management principles: customer focus, leadership, engagement of people, process approach, improvement, evidence-based decision-making, and relationship management.

## Occupational Health and Safety (OHS)

### - ISO 45001 certified

- Our management system of health and safety is based on and certified by the international standard ISO 45001, but our internal processes go one step further than the ISO requirements. Employees are required to undertake an annual health and safety training and are invited to participate in initiatives such as first aid courses. Wellbeing is a fundamental part of OHS and as such People and Culture is responsible to assure best practice at Polarium and track relevant safety performance KPIs.

## Labor and human rights

- Our employee handbook is the basis for assuring respect for human rights and fair labor conditions. All process managers are expected to follow the requirements established in our handbook which covers working hours, use of personal data, leave of absence, workplaces free from discrimination, and human rights.

## Environmental management – ISO 14001 certified

- All our operations are certified and compliant with ISO 14001. Through this ISO standard we have identified our significant environmental aspects and we have set yearly targets for decreasing our negative impact. In addition, all employees are required to complete an annual training on environmental management and our targets.

## Business ethics

- Polarium Code of Conduct - All employees must read and sign the Employee Code of Conduct when joining Polarium. At the same time, People Managers are expected to be role models of our corporate guidelines and build transparent and open teams where concerns can be raised without any type of fear of retaliation. Polarium's General Counsel and HR department are responsible for assuring that all employees understand the guidelines of the CoC and assure it is robust enough to prevent and mitigate any type of unethical practices.
- Whistleblowing - Since 2019, Polarium has offered a publicly available whistleblowing service to employees, suppliers, customers, and anyone that wants to report potential breaches of ethical conduct. With this service we want to assure that any type of allegations against Polarium are processed in confidence of no retaliation when the complainant wants to remain anonymous. All complaints are handled by our legal and HR departments.
- Anti-bribery and fraud training – In 2021, we strengthened our approach towards risk mitigation for business mal-practice. This training, the first of its kind for Polarium, is now an integral part of our IMS (see more on page 26).

## Responsible sourcing

- Supplier Code of Conduct - All suppliers must agree and ensure that they conduct business aligned to Polarium's requirements as defined in our Supplier Code of Conduct. Suppliers' management systems are evaluated on sustainability aspects such as: human and labor rights, environment, ethics, and sub supplier engagement. Our Sourcing Process collaborates closely with our Sustainability Process to assure responsible practices in our supply chain (read more on page 28).
- Sustainable Sourcing Framework - Based on the OECD Due Diligence Guidance for Responsible Supply Chains, this framework guides us in our ambition to minimize any negative impacts throughout our value chain.

## Risk management

- Polarium's Enterprise Risk Management (PERM). Read more about PERM under "Risk Management".

The IMS is reviewed by Polarium's executive leadership team (ELT) through Management Review regularly to evaluate the level of compliance related to IMS, thereby ensuring its continuing suitability, adequacy, effectiveness, and alignment with the strategic direction of the organization. Polarium has a designated process to drive sustainability in cross-functional integration.

We assure continuous improvement for sustainability based on the PDCA (plan-do-check-act) methodology. We use this approach to control and continuously improve policies, procedures, and plans. By using this approach, we:

- Plan - Map and evaluate stakeholders requests towards setting and/or updating policies, procedures, and plans.
- Do – Put plan into action by making improvements to our internal processes.
- Check – Assess the impact of our improvements as needed.
- Act – Communicating and reporting to stakeholders, and continuous improvement iterations.



# Risk Management

Polarium's Enterprise Risk Management (PERM) framework is part of the IMS and integrates risk management at a process level. The PERM framework contains 12 categories (e.g., social responsibility, financial risk, supply and sourcing, people). Each category is covered by one or more process owners.

Each process owner is responsible to provide oversight to ensure that standards are met and to evaluate and mitigate any risks within their area. The process owners work on strategic plans and direction for their organization to effectively align the

objectives and priorities of Polarium. Process owners communicate the status of their processes at least once a year during Management Review.

Polarium's risk management function and Head of Corporate Affairs of Polarium's ELT oversee and hold the responsibility to ensure the correct implementation and execution of PERM.

Polarium's quality internal auditors' responsibility is to serve as a cross-functional governance mechanism to evaluate, test, and validate internal processes and management controls which include risk assessment.

# Auditor's limited assurance report on Polarium Energy Solution AB's Sustainability Report and statement regarding the Statutory Sustainability Report

To Polarium Energy Solution AB, Corporate Identity Number 556986-5461

## Introduction

We have been engaged by the Board of Directors and the Managing Director of Polarium Energy Solution AB to perform a limited assurance engagement of Polarium Energy Solution AB's Sustainability Report for the year 2021. The company has defined the scope of the Sustainability Report, which also constitutes the Statutory Sustainability Report, on page 42.

## Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Sustainability Report, including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 2 in the Sustainability Report and consists of parts of Global Reporting Initiative (GRI) Sustainability Reporting Standards, that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the company has developed. This re-

sponsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed, and to provide a statement regarding the Statutory Sustainability Report. Our engagement is limited to the historical information that is presented and thus does not cover future-oriented information.

We have conducted our limited assurance engagement in accordance with ISAE 3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information (revised)*. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report and applying analytical and other limited assurance procedures. We

have conducted our examination of the Statutory Sustainability Report in accordance with FAR's standard RevR 12, *The auditor's opinion regarding the statutory sustainability report*. A limited assurance engagement and an examination according to RevR12 have a different focus and substantially less scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. We are independent in relation to Polarium Energy Solution AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed in a limited assurance engagement and an examination according to RevR 12 do not enable us to obtain such assurance that we would become aware of all significant matters that might be identified in an audit. The stated conclusion based on a limited assurance engagement and an examination in accordance with RevR 12, therefore, does not have the level of assurance that a stated conclusion based on an audit has.

Our procedures are based on the criteria defined by the Board of Directors and the Managing Director as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions below.

## Conclusions

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and the Managing Director.

A Statutory Sustainability Report has been prepared.

Stockholm,  
May 16<sup>th</sup> 2022

Grant Thornton  
Sweden AB

**Serhat Eliacik**  
Authorised Public  
Accountant

**Åsa Ekberg**  
Sustainability  
Specialist,  
member of FAR

# Annex

## GHG Emissions

Scope 1 and Scope 2 are based on the GHG Protocol methodology. All calculations are based on operational control. CO<sub>2</sub> equivalent is the amount of a particular greenhouse gas, expressed as the amount of carbon dioxide that gives the same greenhouse effect.

Polarium's GHG emissions for Scope 1 and 2 are 2020 baseline. During 2020 we started standardizing data collection for GHG emissions aligned with the GHG Protocol.

## Employee information

All information concerning employees is reported in full-time employees. "0,5" represents one head count working part-time.

## Emission Factors

Aspect	Emission Factor	Source for Emission factors /Comments	GHG included - GWP
Scope 1 Mexico	0,17	Swedish Transport Administration - only related to vehicles using diesel	Emission factor stated as kg CO <sub>2</sub> per functional unit
Scope 1 Vietnam	0,24	Swedish Transport Administration - only related to vehicles using gasoline	Emission factor stated as kg CO <sub>2</sub> per functional unit
Electricity Mexico	0,4940	Gobierno de México - Country-specific emission factor	Emission factor stated as kg CO <sub>2</sub> equivalent per functional unit
Electricity Vietnam	0,5657	The Joint Crediting Mechanism - country-specific emission factor	Emission factor stated as kg CO <sub>2</sub> per functional unit
Electricity Sweden	0,0088	EEA - country-specific emission factor	Emission factor stated as kg CO <sub>2</sub> equivalent per functional unit

## White-collar

	Women	Men
Permanent	58	128
Temporary	0.5	1.5
	Sweden	Others
Permanent	114	72
Temporary	1	1
	Women	Men
Full-time	58	129
Part-time	0.5	0.5
FTE	<b>188</b>	

## Blue-collar

	Women	Men
Permanent	115	101
Temporary	176	61
	Mexico	Vietnam
Permanent	118	98
Temporary	234	3
	Women	Men
Full-time	291	162
Part-time	0	0
FTE	<b>453</b>	

## ANNEX

**Annual Accounting Act (ÅRL) Index**

<b>Section</b>	<b>Page(s)</b>	<b>Comments</b>
Business Model	4	
Environment	18-22	
Labor and Human Rights	28-31	
Employees – Social Matters	33-36	
Anti-corruption	26-27	
Policies and Procedures	38-39	Polarium follows a PDCA approach towards sustainability. Most of the policies and procedures implemented related to our sustainability process during 2021 were in the Do or Check stage for our significant topics. Based on the above, we will be able to communicate in more detail the outcomes for each policy and procedure in 2022.
Sustainability risks	At a significant topic level: <ul style="list-style-type: none"> <li>• GHG Emissions – 19</li> <li>• Product lifecycle impact – 21</li> <li>• Product lifecycle performance – 24</li> <li>• Business ethics – 27</li> <li>• Responsible supply chains – 29</li> <li>• Labor and human rights – 31</li> <li>• Diversity Equity and inclusion – 33</li> </ul>	Priority risks are presented in a box with the mitigation actions in the pages marked.

ANNEX

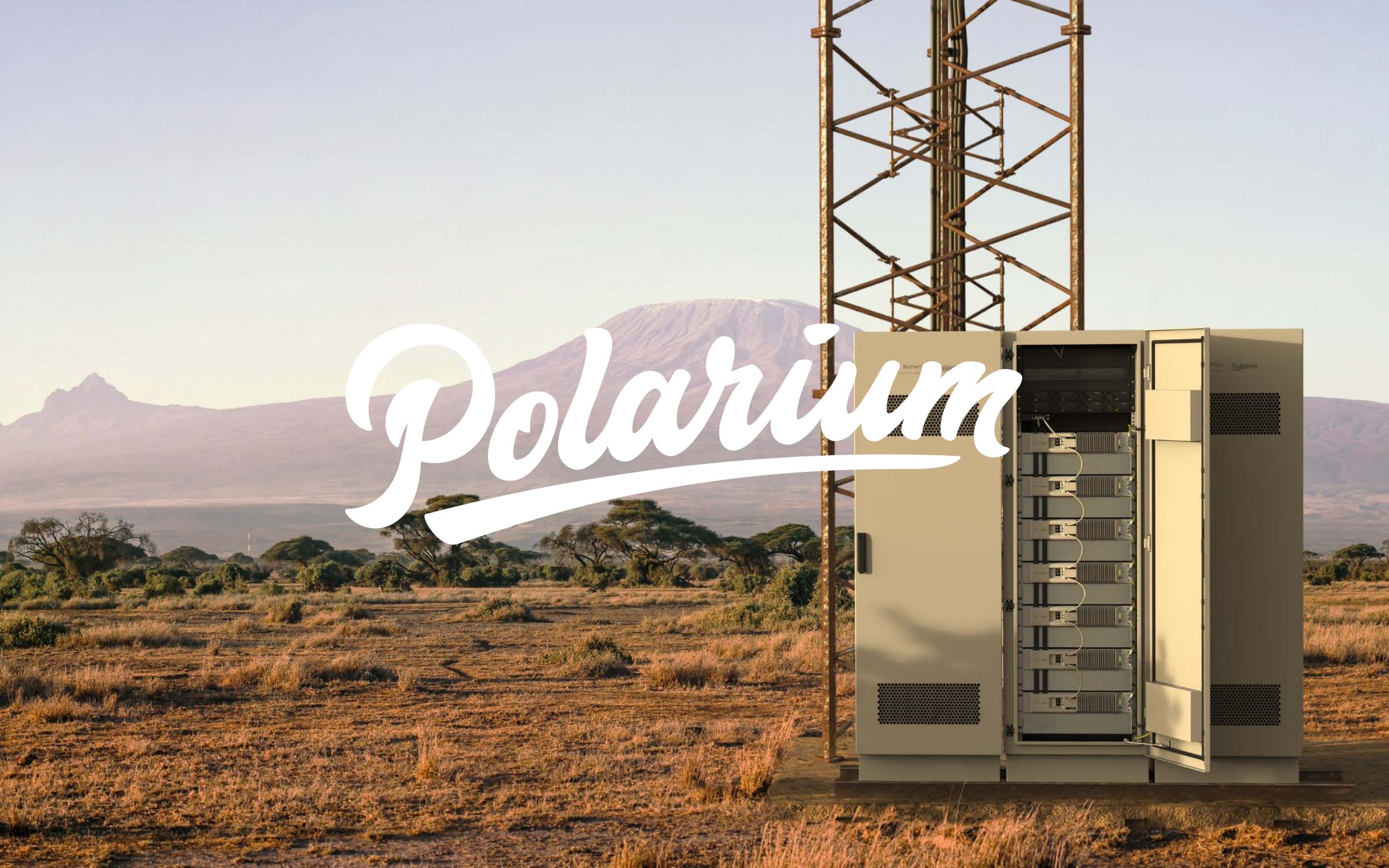
2016 GRI Standards	Description/ disclosure	Contents	Page reference	Omitted information
<b>Organizational Profile</b>				
102-1	Name of the organization			Polarium Energy Solutions AB
102-2	Activities, brands, products, and services		3-4	
102-3	Location of headquarters		4	Stockholm, Sweden
102-4	Location of operations		4	
102-5	Ownership and legal form			"Privately Held- Majority Owner - Vargas 2 Invest with more than 50% but not more than 75% ownership."
102-6	Markets served		4	
102-7	Scale of the organization		4	
102-8	Information on employees and other workers		41	
102-9	Supply chain		28-30	
102-10	Significant changes to the organization and its supply chain		5-6	
102-11	Precautionary Principle or approach		14-16	
102-12	External initiatives		12-13, 18, 29-31, 38	
102-13	Membership of associations		38	
102-14	Statement from senior decision-maker		5-6	
102-15	Key impacts, risks, and opportunities		2, 3, 9, 10, 27	
102-16	Values, principles, standards, and norms of behaviour		26, 36	
102-18	Governance structure		37	
102-40	List of stakeholder groups		14-16	
102-41	Collective bargaining agreements			Polarium upholds the rights of workers to freedom of association and to collective bargaining within national laws and regulations in its Code of Conduct. As of 2021 0%
102-42	Identifying and selecting stakeholders		14-16	
102-43	Approach to stakeholder engagement		14-16	
102-44	Key topics and concerns raised		14-16	
102-45	Entities included in the consolidated financial statements			"This report covers: Polarium Energy Solutions and its subsidiaries: -Polarium S.A. de C.V. -Polarium Inc. -Polarium Vietnam Ltd."

ANNEX

2016 GRI Standards	Description/ disclosure	Contents	Page reference	Omitted information
<b>Organizational Profile</b>	102-46	Defining report content and topic Boundaries		Unless otherwise stated, all information and data pertain to activities undertaken from January 1, 2021, to December 31, 2021. The Report covers Polarium Energy Solutions AB and its Subsidiaries
	102-47	List of material topics	15	
	102-48	Restatements of information		None
	102-49	Changes in reporting		None
	102-50	Reporting period		Unless otherwise stated, all information and data pertain to activities undertaken from January 1, 2021, to December 31, 2021. The Report covers Polarium Energy Solutions AB and its Subsidiaries
	102-51	Date of most recent report		First report
	102-52	Reporting cycle		Annual
	102-53	Contact point for questions regarding the report		sustainability@polarium.com
	102-54	Claims of reporting in accordance with the GRI Standards	2	
	102-55	GRI content index	42	
<b>103 Management Approach</b>	103-1	Explanation of the material topic and its Boundary	"Our approach and highlights can be found: -GHG emissions (page 18) -Product lifecycle impacts (page 20) -Product lifecycle performance (page 23) -Business ethics (page 26) -Responsible supply chains (page 28) -Labor and Human Rights (page 31) -Diversity Equity and Inclusion (page 33)  Partially covered -Employee engagement and development (page 35)"	
	103-2	The management approach and its components	"Our 3 focus areas described in page 10 give reference to the purpose to which each material topic belongs to: -GHG emissions (page 18) -Product lifecycle impacts (page 20) -Product lifecycle performance (page 23) -Business ethics (page 26) -Responsible supply chains (page 28) -Labor and Human Rights (page 31) -Diversity Equity and Inclusion (page 33)  Partially covered -Employee engagement and development (page 35)"	

ANNEX

2016 GRI Standards	Description/ disclosure	Contents	Page reference	Omitted information
<b>103 Management Approach</b>	103-3	Evaluation of the management approach	14, 38-39	
<b>205 Anti-Corruption</b>	205-1	Operations assessed for risks related to corruption	26-27	Omission Statement: Polarium's risk assessment for corruption is at a group level and not on a operations level.
	205-2	Communication and training about anti-corruption policies and procedures	26	For the purpose of GRI 205-2 C, Polarium has defined Business Partners as suppliers and customers in the report.
	205-3	Confirmed incidents of corruption and actions taken	26	
<b>301 Materials</b>	301-2	Recycled input materials used	20	Omission: This year's disclosure is based on lifecycle analysis and carbon footprints at a product level. Moving forward Polarium aims to increase recycled input which will be assessed by the metric presented here in GRI 301-2.
<b>302 Energy</b>	302-3	Energy intensity	18	
<b>305 Emissions</b>	305-1	Direct (Scope 1) GHG emissions	18, 41	
	305-2	Energy indirect (Scope 2) GHG emissions	18, 41	
	305-5	Reduction of GHG emissions	18	
<b>308 Supplier Environmental Assessment</b>	308-1	New suppliers that were screened using environmental criteria	28-29	
<b>401 Employment</b>	Own disclosure	Employee engagement	35	Omission : Own disclosure is based on: - Employee Net Promoter Score (eNPS) - Employee Engagement Score
<b>405 Diversity and Equal Opportunity</b>	405-1	Diversity of governance bodies and employees	33-34	Omission: Information segregated by age category is omitted due to competitive reasons
<b>414 Supplier Social Assessment</b>	414-1	New suppliers that were screened using social criteria	28-29	



Polarium

