

A scenic photograph of a mountain range with green hills and valleys, partially obscured by a light blue mist or haze. The image is framed by a teal border on the right side.

REVOLUTIONIZING ENERGY STORAGE TO ENABLE A SUSTAINABLE FUTURE.

Environmental, Social & Governance Report 2022

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A Word from our CEO

QuantumScape was founded with a clear mission: develop a better battery to help accelerate the transition to sustainable transportation. In 2022, we made important progress toward this goal. For the first time, we shipped 24-layer A0 prototype battery cells in an innovative new format for testing by prospective automotive OEM customers. Our work in 2023 focuses on advancing our prototypes toward a commercial product that aims to enable electric vehicles to drive farther and charge faster.

As we move from prototype to product, we have been careful to design our scale-up strategy to match our sustainability mission. For example, our new fast separator production process uses fully electrified heat treatment equipment which does not require thermal energy generated by natural gas or other fossil fuels. This is just one example of our future-oriented production design.

Our sustainability-driven mission does not end with our core technology development. We believe that a circular economy is the future of the battery supply chain. That’s why we entered into a battery component recycling agreement. By diverting select manufacturing scrap and waste, we limit the environmental impact from our core operations and realize savings by allowing critical battery minerals to return to the supply chain.

We are focused on the sustainability not only of our own operations but also those of our suppliers. We have put in place a Supplier Code of Conduct that lays out clear standards for labor practices, health and safety, environmental impact and responsible sourcing of materials, with mechanisms for ensuring transparency and enforcement. As we scale our operations from prototype to product, we believe these standards will help us scale up a responsible and sustainable supply chain as well.

We are pleased to share this update on our progress, and will continue working toward our environmental, social and governance goals as we build better batteries to electrify transportation and support a more sustainable future.

Our Mission

At QuantumScape, we're on a mission to revolutionize energy storage to enable a sustainable future.

As of December 31, 2022, we have:

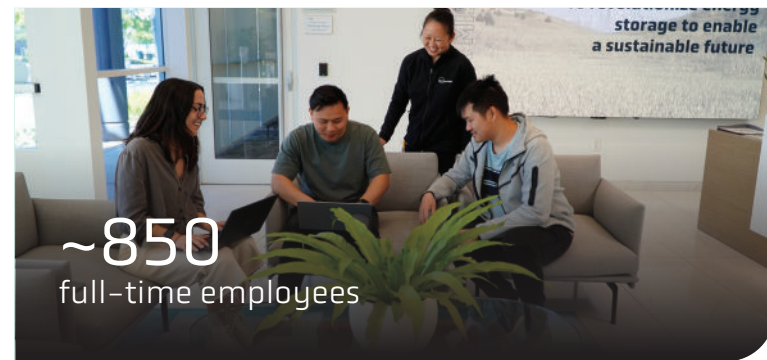
300+

U.S. and foreign patents and patent applications



Commercial agreements

with several automotive OEMs, from global top-10 manufacturers by revenue to premium performance and luxury automakers, encompassing both pure EV and conventional OEMs



Core Values



PASSION FOR THE PROBLEM

Unrelenting pursuit of the best battery technology. We know it won't be easy, but our passion to solve this problem is why we're here.



COLLABORATE

Great results are achieved by teams working together with trust and actively sharing information. Innovative work requires diversity of thought and unified commitment to execution.



BIAS TO ACTION

We act and learn quickly and adjust and try again.



PRIORITIZE THE CUSTOMER

We do what it takes to ensure our customers' success. Everyone's work has a customer.



ACT AUTHENTICALLY

We act with good intentions, integrity and respect for each other. Our actions reflect our words and we do the right thing.

Driven to Revolutionize Energy Storage

QuantumScape was founded in 2010 to develop and commercialize next-generation battery technology to accelerate the mass-market adoption of electric vehicles (EVs).

Batteries are at the heart of the next transportation revolution; however, we believe today's conventional lithium-ion batteries fall short of meeting the mass market needs of the automotive sector in key areas like driving range and charging speed.

Since our founding, our goal has been to build a battery that minimizes compromises when switching from combustion vehicles to EVs. We believe that our proprietary solid-state lithium-metal battery technology has the potential to offer greater energy density and faster charging when compared to today's conventional lithium-ion batteries.

By eliminating the anode as manufactured in our battery architecture, our technology is also designed to reduce materials consumption, waste, and emissions associated with anode materials sourcing and electrode manufacturing.

To aid in the transition to a low-carbon economy, we believe we must electrify transportation and make internal combustion engines a thing of the past. Electrifying transportation won't happen overnight, but with the help of our automotive partners, our dedicated team of world-class scientists, engineers and technicians is working diligently to put our breakthrough solid-state technology on the road as soon as possible.



QuantumScape's ESG Approach

As a development-stage company, we are still in the process of developing and implementing our environmental, social and governance (ESG) programs. We recognize that our priority issues and our ESG strategy will be shaped by our evolving operations, business strategy, and stakeholder needs as we transition from technology demonstrations to a commercial product. We are committed to continually assessing and improving our management of ESG risks and opportunities and being transparent about our progress by reporting publicly on a regular basis.

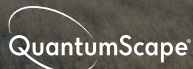
As a leader in the development of next-generation solid-state lithium-metal batteries, our stakeholders hold us to a high standard, and we strive to meet and exceed these expectations. We focus on ESG issues that we believe are relevant to our industry and business and serve the long-term interests of our employees, customers, partners, investors, communities and other stakeholders. With a mission to transform energy storage, our business strategy incorporates ESG considerations. With the support of our board of directors, we formed a sustainability working group with representatives of senior management and other leaders in multiple areas, including EHS, facilities, operations, manufacturing, investor relations, finance, legal, and human resources, to evaluate the most material ESG issues for our business and stage of product development. This work provided the building blocks for the continued development of our ESG strategy and established the focus for our purposeful and pragmatic approach.

Our initial process included:

- **Identifying issues** – We examined issues important to investors, rating agencies and ESG frameworks, such as the Value Reporting Foundation's Sustainability Accounting Standards Board (SASB) standards, the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the United Nations Sustainable Development Goals (SDGs). We also incorporated feedback from internal stakeholders on what they consider to be our most relevant issues.
- **Benchmarking** – We researched peer disclosures and best practices to understand the current ESG landscape.
- **Committing** – We committed to an ESG statement: "QuantumScape is committed to improving the environment by developing a battery which will reduce society's need for fossil fuel. We work sustainably by considering potential environmental and socioeconomic impacts of our operations while balancing considerations of stakeholders including employees, customers, suppliers, and the environment. We strive for inclusivity at our sites and among our suppliers."
- **Prioritizing** – Based on our analysis, we prioritized the following ESG topics for our business and stakeholders:

Environmental

Product lifecycle management
Natural resource use
Waste generation
GHG emissions



ESG REPORT 2022

Social

Human capital management
Diversity, equity and inclusion
Occupational health and safety
Data protection and security
Product safety
Product quality

Governance

ESG governance
Board composition
Ethics and compliance
Supply chain management

Alignment with the U.N. SDGs



We have aligned our ESG framework with the [United Nations Sustainable Development Goals](#) (U.N. SDGs). The 17 SDGs are bringing together governments, companies, nonprofits and academia to create solutions to global sustainable development challenges by 2030. We recognize the important role we can play in helping to meet the SDGs and have aligned our efforts with seven goals where we are positioned to have the most significant contribution.

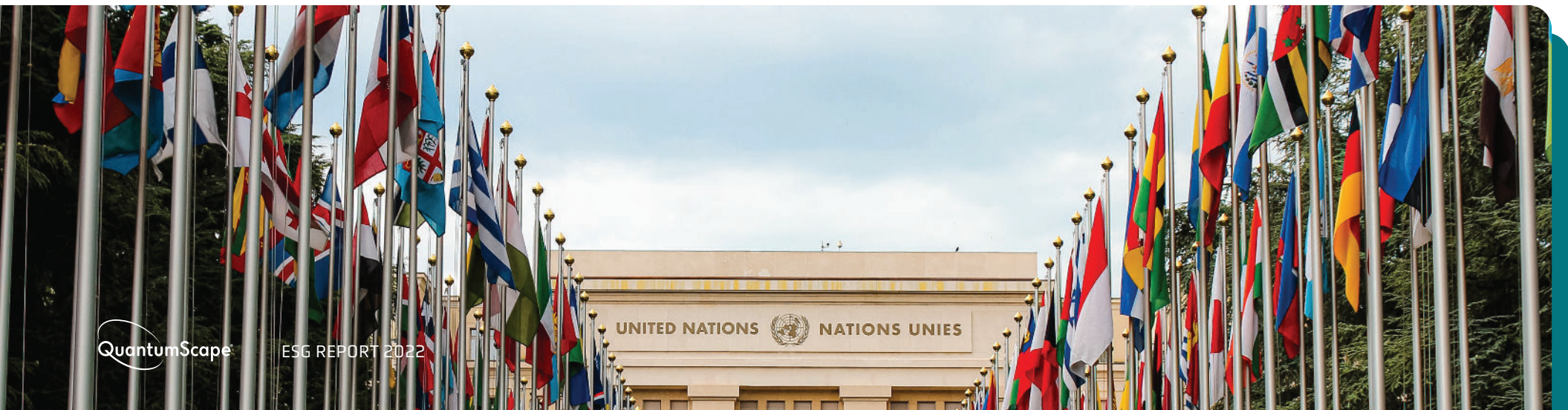
Environmental Contributions to the Goals

We have prioritized alignment with four SDGs where QuantumScope's environmental mission, research and solutions can make the biggest impact. Our continuous R&D efforts are focused on bringing to market a disruptive battery technology that seeks to accelerate widespread access to clean alternatives to fossil fuels--alternatives indispensable to meeting the U.N. collective net-zero emissions goal by 2050 or sooner. We expanded efforts throughout our supply chain, both upstream, through a formalized supplier code of conduct, and downstream, through an expanded focus on recycling efforts of battery component scrap material. Through our efforts, we are helping to achieve SDG 7: Affordable

and Clean Energy, SDG 9: Industry Innovation and Infrastructure, and SDG 13: Climate Action by the U.N. 2030 target. We also aim to be efficient with our use of natural resources, reduce waste, and limit environmental impacts during the product lifecycle, in alignment with SDG 12: Responsible Consumption and Production, and SDG 13: Climate Action.

Social Contributions to the Goals

We have aligned with three SDGs where QuantumScope's social initiatives and practices have the greatest contribution. Our mission is strengthened by the impact we have on our stakeholders. Creating a safer EV battery is core to our product design and the value we offer our customers. To further support our corporate goals, we value and work to continue to be a safe, responsible and diverse organization. Additionally, our board is currently composed of 11 directors with diverse skill sets and professional backgrounds which we believe are critical to support the company and its mission to revolutionize energy storage. We continue to make progress on SDG 3: Good Health and Well-Being, SDG 8: Decent Work and Economic Growth, and SDG 10: Reduced Inequalities.





ENVIRONMENTAL STEWARDSHIP

Environmental Stewardship


Environmental sustainability is the reason we do what we do. EVs play an important role in the transition away from fossil fuels, and we were founded with the goal of driving EV adoption by creating a better battery that helps make the transition from combustion engines to EVs easier for drivers. When designing our products and processes, managing natural resources responsibly and sustainably, and minimizing environmental impact are always front of mind – anything less would defeat our purpose. We seek to maximize our positive environmental contributions, not only in the use phase of our products, but across the product lifecycle, also meeting the demands of our environmentally conscious partners and customers.


Environmental Product Impact


We are at the beginning of a forecasted once-in-a-century shift in automotive powertrains, from internal combustion engines to EVs. While conventional lithium-ion battery technology has been sufficient to drive limited adoption of EVs, there are fundamental constraints of this technology that we believe must be overcome to fully supplant combustion engines used for transportation.

The Challenge

In our view, major limitations of conventional lithium-ion batteries include:

- 


Energy density – Energy density is the amount of energy that can be stored per unit volume or unit mass and determines how far a vehicle with a given volume or weight of batteries is able to drive. We believe to unlock broader market adoption, EVs must be able to, on a single charge, drive a distance comparable to combustion engines on a full tank of gas, typically between 300 and 500 miles. Higher energy density is necessary to allow automotive original equipment manufacturers (OEMs) to further increase vehicle range without prohibitive increases to the size and weight of the vehicle.
- 


Charge time – Gasoline and diesel vehicles can be refueled rapidly, in approximately five minutes, whereas current EV batteries often require more than 30 minutes to fully recharge. Charging faster requires switching to power cells, which have greater power capability, but this currently comes at the expense of energy density, or range. To narrow the gap with combustion engines, we believe EVs should ideally be able to charge from 10% to 80% in approximately 15 minutes, significantly faster than what conventional batteries can deliver, without compromising energy density.
- 


Safety – Conventional lithium-ion batteries have been involved in high-profile safety incidents, from burning down homes to causing hours-long fires on the highways. These safety risks exist because some materials used in conventional batteries, such as the polymer separator and liquid electrolyte, are combustible and provide energy-rich fuel in the event of a fire. One strategy to minimize fire risk is to replace as many of the flammable components in the battery as possible with nonflammable equivalents. Even if such flammable components are not completely eliminated, we expect that a reduction in the fuel content of the battery should produce safety benefits.

Our Solution

Our solid-state lithium-metal battery technology is designed to overcome the limitations of conventional batteries through our key innovation – a proprietary solid-state ceramic separator. This separator is designed to not only allow us to eliminate the graphite/silicon host material from the anode, but also to manufacture our cell entirely anode-free. Relative to conventional lithium-ion batteries, we believe our batteries, once in the market, have the potential to deliver:

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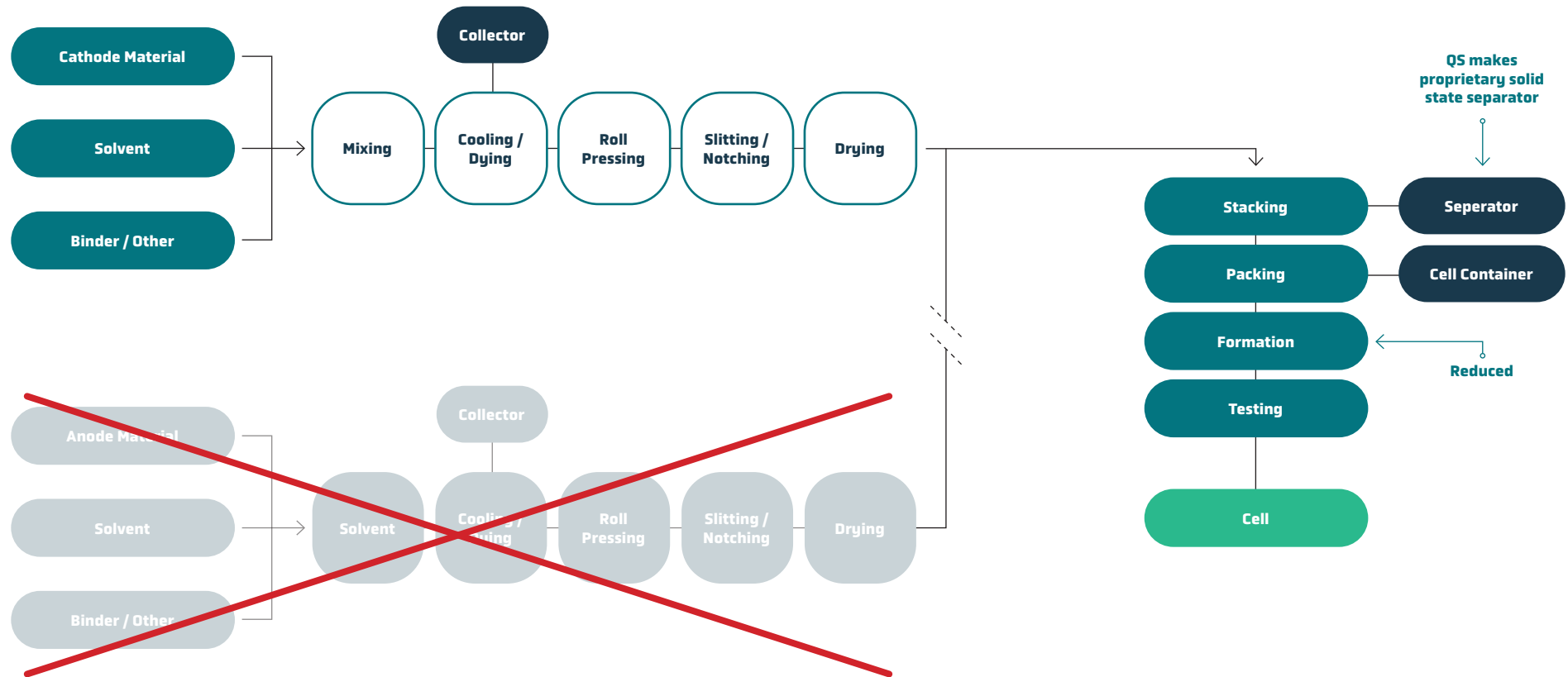
Better energy density – Our batteries are designed to improve energy density by eliminating the graphite/silicon anode host material as well as the liquid electrolyte found in the anodes of conventional lithium ion batteries, which takes up space and adds weight.¹
- 

Faster charge time – Conventional lithium-ion batteries are partially limited by the time it takes the lithium ions to diffuse into the anode host material. Since our batteries have no anode host material, this eliminates the lithium diffusion bottleneck, allowing us to build prototype batteries that have demonstrated the ability to fast charge from 10% to 80% in approximately 15 minutes.
- 

Improved safety – Our solid-state battery cell uses a ceramic separator which is not combustible, and therefore we believe it will substantially reduce the risk of fire and thermal runaway events. This ceramic separator is also capable of withstanding temperatures considerably higher than those that would melt conventional polymer separators, providing an additional measure of safety.

¹ See our blog posts on the topic: [Energy density: The basics](#), [Energy density: Active materials & packaging efficiency](#)

Our Technology Eliminates Anode Materials & Related Manufacturing Costs



Our prototype cells have demonstrated long cycle life at automotive-relevant rates of charge and discharge, including approximately 15-minute fast charging over hundreds of cycles at room temperature and under modest externally applied pressure. We are not aware of public data from any competing high-capacity lithium-metal or solid-state battery technology that can match this performance.

Speeding the transition to EVs plays an important role in achieving the goals of the Paris Agreement, but reducing the CO₂ emissions from transportation is only one of the benefits. Combustion vehicles have a significant negative impact on air quality in cities due to emissions of harmful pollutants such as NO_x and fine particulate matter (PM_{2.5}). These emissions may lead to increased rates of asthma and other respiratory diseases, as well as a host of other health burdens that are still being understood. The impacts of air pollution also tend to fall disproportionately on low-income and marginalized communities. We believe our product can have a significant role in reducing the effects of air pollution on people, the broader environment, and the global ecosystem.

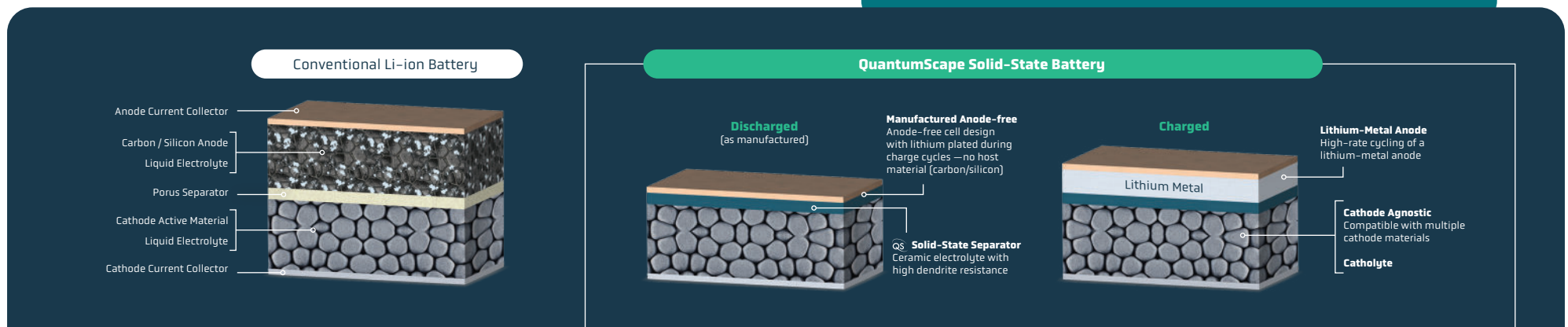
2022 Product Development Accomplishments

We have entered into additional commercial agreements with a number of leading automotive OEMs, and have had successive generations of our cells, including A0 prototype cells, tested by multiple prospective automotive customers.

Energy density is an important feature for batteries in the consumer electronics market, and we believe the ability to operate without a pressure application apparatus is critical for maximizing energy density, given the limited space available in most consumer electronics devices. Zero externally applied pressure refers to this ability to cycle with nothing more than one atmosphere of ambient pressure. In 2022, we shipped dozens of single-layer pouch cells with zero externally applied pressure for customer testing. We believe this exceeds the requirements for many consumer electronics applications and showcases a compelling opportunity to enter into verticals outside of automotive.

The engineering line at our headquarters, where we have historically conducted the bulk of our R&D work, provides the basis for continued manufacturing process development. To advance our technology toward commercialization, we are currently focused on increasing the energy density of our prototype cells through higher cathode capacity loading and packaging efficiency while improving the quality and consistency of our cells and implementing a higher throughput separator production process at QS-0, our consolidated pre-pilot production line.

QuantumScape Anode-free Architecture
Improves energy density, fast charging and safety



Year in Review

In 2022, we made significant advances in our technology, encountered and overcame obstacles, and ultimately achieved the following goals:



Achieved our major goal of shipping our first 24-layer A0 prototype battery cells to customers



Incorporated several important improvements — from separator film and cathode production to cell assembly — focused on the quality, consistency, and throughput of our designs and processes



Strengthened our financial position through cost-saving initiatives, ending 2022 with more than \$1 billion in total liquidity



Demonstrated in the A0 prototypes our proprietary cell architecture, a hybrid between pouch and prismatic cell formats, designed to accommodate the volume expansion and contraction that occurs during the charge and discharge of lithium-metal batteries



Shipped dozens of zero externally applied pressure single-layer pouch cells for prospective customer testing within the consumer electronics sector



Continued the buildout of our consolidated QS-0 pre-production line



Scaled up production of our ceramic solid-electrolyte separator to a peak level of 8,000 weekly film starts, supported by the implementation of automation on our separator production line, and can now maintain a steady run rate of approximately 5,000 starts per week



Bolstered our world-class team with additional R&D and manufacturing talent, increasing our headcount to over 800 employees by the end of 2022



Signed customer sampling agreements with additional global auto manufacturers — including a top-10 automaker by global revenues, and a pure-play EV automaker



Continued to fortify our patent portfolio, with global issued and pending patents increasing from 284 to 327 by the end of 2022

Product Lifecycle Management

As a company founded with a mission to enable a sustainable energy future, we support the global community's goals to achieve net-zero greenhouse gas (GHG) emissions, carbon neutrality, and a circular economy. We are passionate about the environmental benefits of our batteries but recognize that the positive impact created by using our batteries should not be outweighed by substantial negative environmental impacts from the full battery lifecycle. As we engage further in our manufacturing process and supply chain, we are carefully considering the implementation of various environmental metrics across the product lifecycle and other aspects of sustainability that are consistent with these global goals.

R&D and Manufacturing

Our most significant direct environmental impacts come from R&D and manufacturing. We track year-over-year environmental metrics to monitor and analyze our performance and focus on improving resource efficiency. Because our material use, natural resource consumption, emissions and waste generation are limited at this stage of production, we intend to establish a relevant baseline, from which we can then consider setting targets and goals. We plan to disclose environmental data from QS-0 in our annual reporting after first commercialization. For our San Jose operations, we rely 100% on the Community Choice Energy program, San Jose Clean Energy,² which consists of 60% renewable energy and up to 95% carbon-free power, spread among biomass, geothermal, hydro, solar and wind energy sources.

Energy, emissions, water, and waste intensity metrics will be used as key performance indicators to track and manage our environmental performance over time. We expect to continuously reduce intensity metrics with both scale and

² <https://sanjosecleanenergy.org/greensource/>

active improvement measures. We monitor and measure hazardous waste and effluents following all regulatory requirements and best-known practices and we adhere to GHS regulations for chemical classification, labeling, transport and use.

Sustainable Supply Chain

2022: Supplier Code of Conduct

Our long-term goal is to measure and continuously improve upon the environmental performance of our company based on our energy consumption, water consumption, GHG and air emissions, waste generation and ecological impacts that can accrue across our value chain, during raw material extraction, manufacturing, transportation and distribution.

We are investing in systems, processes, and the team to make progress on this goal. In 2022, we formalized our [Supplier Code of Conduct](#). As we begin to solidify the types and amounts of materials we will need, and choose longer-term supply chain partners, we will analyze and target areas of risk and opportunity in our supply chain that we can influence, prioritizing partners who have high standards for environmental sustainability or who are willing to improve their practices. R&D will also continue to focus on ways to design out any ESG risks where possible.

Environmental Management Policy

QuantumScape strives to manage its resources in such a way so that it is considered a leader in Environmental Stewardship by regulatory agencies and by the community.

End-of-Life Management

2022: A Commitment to Recycling Programs

In 2022, we deepened our commitment to our battery component recycling program. Recycling of an increasing portion of our manufacturing scrap has allowed us to divert materials away from waste streams and into the circular economy. The principle solid electrochemical components of our battery cells can be partially or fully recycled: for example, our cathode materials, ceramic separators, and current collectors all have value as recycling feedstocks. In 2022, we recycled more than 10,000 pounds of these materials and expect this to increase over time. In addition to the sustainability benefits of recycling, we have also realized cost savings through this program.

A priority in the lead up to commercialization is seeking partnerships for end-of-life management of our batteries that will allow us to help maximize the percentage of each battery that is recycled. As an example, we entered into an agreement with a third party to jointly develop methods to handle and process certain non-hazardous waste materials that result from our current production.

This demonstrates the company's commitment to sustainability and responsible environmental stewardship. By committing to recycling battery components, we can reduce our environmental impact and contribute to a more sustainable future. By participating in recycling partnerships, we are helping the company stay ahead of evolving regulatory requirements and consumer expectations around sustainability as well as ensuring our long-term success and relevance in a rapidly changing market as we ultimately aim for a closed-loop domestic battery supply chain.



Sustainable Product Design

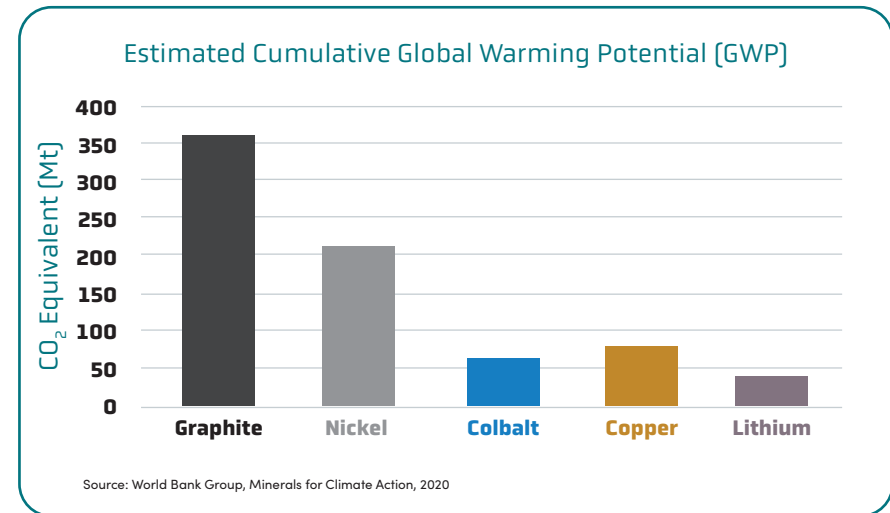
While lithium-metal batteries can play a crucial role in the fight against climate change, we are conscious of the potential negative environmental impacts in the battery lifecycle. Although we are still developing our products before bringing them to market, sustainable product design is a priority and has been contemplated in the design of our battery. We believe we can further strengthen the environmental value of our technology by designing our batteries to do more with less material, have a longer useful life, and retain utility for potential second-life applications.

QuantumScape’s anode-free architecture is designed to eliminate the need for host materials such as the graphite and silicon as well the liquid electrolyte found in the anodes of conventional lithium-ion battery cells. This reduces the need to extract natural resources and removes the energy use, air emissions, water consumption, and waste associated with manufacturing conventional lithium-ion graphitic anodes. According to the European Federation for Transport and Environment (EFTE), graphitic anode production represents 20% to 30% of the global warming potential of conventional lithium-ion battery manufacturing. One ton of graphite production releases approximately five tons of carbon emissions. The World Bank similarly projects graphite production to be the largest contributor to greenhouse gas emissions resulting from lithium-ion battery minerals production. Eliminating graphite from the anode would represent a major step toward more sustainable batteries.

We believe the graphite anode and polymer separator we eliminate from our design are some of the least recyclable parts of a conventional lithium-ion battery

cell. In contrast, when our battery reaches its end of life, we believe many of the material constituents will be recyclable and can be returned to useful applications, helping to build a circular resource economy.

According to EFTE, solid-state batteries produced using sustainably sourced raw materials have the potential to reduce the CO₂ emissions from battery manufacturing by nearly 40%. Our lithium-metal battery technology is manufactured anode-free in its discharged state and does not require the manufacturing of lithium-metal foil as an anode material, which may account for as much as a third of the global warming potential of competing solid-state approaches.



³The European Federation for Transport and Environment, 20 January 2022, Comparative Life Cycle Assessment Study of Solid State and Lithium-Ion Batteries for Electric Vehicle Application in Europe. www.transportenvironment.org/wp-content/uploads/2022/07/2022_07_LCA_research_by_Minviro.pdf

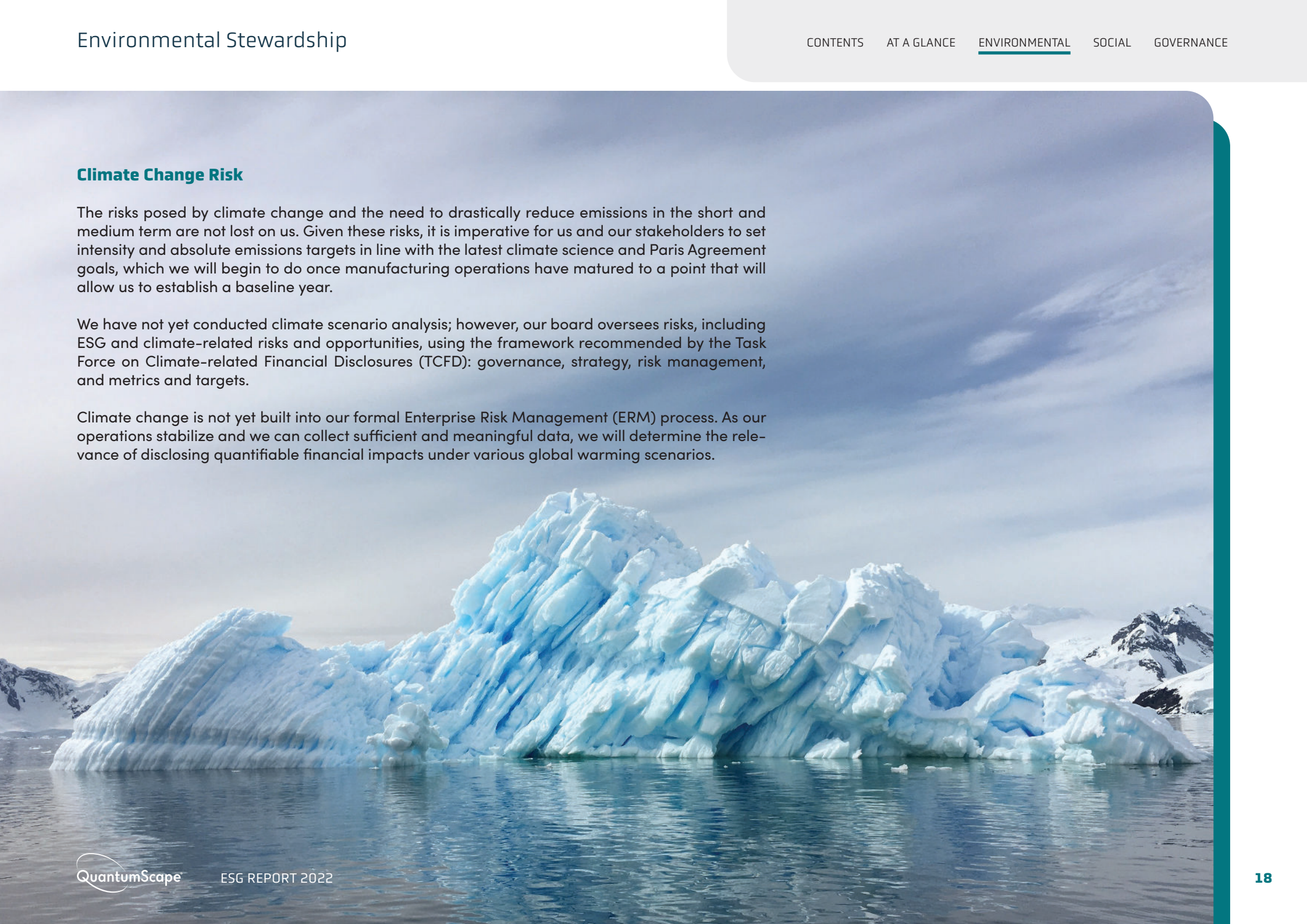
⁴Gao, S. W., Gong, X. Z., Liu, Y., & Zhang, Q. Q., 2018, Energy Consumption and Carbon Emission Analysis of Natural Graphite Anode Material for Lithium Batteries. Materials Science Forum, 913, 985–990. <https://doi.org/10.4028/www.scientific.net/msf.913.985>

Climate Change Risk

The risks posed by climate change and the need to drastically reduce emissions in the short and medium term are not lost on us. Given these risks, it is imperative for us and our stakeholders to set intensity and absolute emissions targets in line with the latest climate science and Paris Agreement goals, which we will begin to do once manufacturing operations have matured to a point that will allow us to establish a baseline year.

We have not yet conducted climate scenario analysis; however, our board oversees risks, including ESG and climate-related risks and opportunities, using the framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD): governance, strategy, risk management, and metrics and targets.

Climate change is not yet built into our formal Enterprise Risk Management (ERM) process. As our operations stabilize and we can collect sufficient and meaningful data, we will determine the relevance of disclosing quantifiable financial impacts under various global warming scenarios.





SOCIAL RESPONSIBILITY

Social Responsibility

Our employees, customers and suppliers are essential to our mission and business goals, and we take responsibility for their interests. Our social strategy prioritizes growing a diverse, talented and engaged workforce, ensuring the health, safety and welfare of employees, customers and supply chain workers, and protecting our business, employees, customers and vendors from data security and cybersecurity threats.

Our People

QuantumScape’s world-class team of scientists, engineers, technicians and other staff are focused on the challenge of developing a better EV battery and motivated by our mission to limit the effects of climate change. We aim to attract individuals who are the best at what they do, but we believe individual excellence is only truly achievable in the context of a strong team; in a collaborative and supportive setting, people are driven to live up to the example set by their colleagues. We invest in our employees so they can continue to develop their talents and capabilities, broaden their experience and achieve their highest potential at QuantumScape. In 2022, we hired Pamela Fong, our first Chief of Human Resources Operations, to lead our people organization as we scale. Pamela has extensive experience leading human resources and labor cost management systems for global automotive manufacturing operations. As our team grows, she is ensuring we have enhanced strategies and formalized processes to acquire and retain the talent necessary to deliver on our mission.

Our team grew by 50% in 2022, from 570 to approximately 850 full-time employees. We turn our focus now from headcount growth to resource efficiency and optimization. As the pace of hiring decelerates, we aim to be strategic in determining what roles are critical for future growth. We were thankful to also maintain a healthy level of retention of the valuable people that have helped us grow to this point – our 2022 voluntary turnover rate was 10.4% and our involuntary turnover rate was 1.4%.⁵ In comparison, Northern California Technology companies had voluntary rates at an average of 17% and overall turnover at 24%.⁶ We continue to evolve our human resource systems, policies and practices to continue adding and retaining team members aligned with our values and committed to our overall success; over 2022, we:

- Created and enhanced a positive onboarding experience, and having a consistent, seamless employee experience from hire to exit
- Established the foundation for a job-leveling framework implemented in 2023
- Improved the structure and depth of our training and development program

⁵Interns are not included in turnover calculations.

⁶Radford Global Compensation Database, 2023 Salary Increase and Turnover Study

Talent Development

We believe professional growth and performance result from providing our employees with a meaningful career at QuantumScape by offering a broad spectrum of training, development and career advancement opportunities.

Training and Professional Development

To reinforce our promote-from-within philosophy, we invest in our employees to help them gain the skills and experience needed to advance their careers at QuantumScape. Training and professional development are offered through a combination of on-the-job learning, formal training and individualized education, complemented by our performance management framework.

In 2022, we created the tools and infrastructure for an internal management training program, with plans for a firm-wide rollout in 2023. This is especially important to support internal mobility for those of our technical employees who are first-time managers.

We have helped our managers grow and develop through several efforts, including:

- Providing coaching for managers and senior leaders on people management
- Expanding manager communication and disseminating resources on topics such as the performance review and promotion process, hiring and interviewing, new policy announcements and various compliance topics
- Facilitating hiring manager interview training on technical and behavioral assessments for effective candidate evaluation
- Offering all managers and supervisors intensive compliance training, *Managing within the Law*, facilitated by outside legal counsel

Managers formally review each team member's performance against annual objectives and role expectations. As part of the process, we ask that they consider team members' contributions and areas for development, as well as recommendations for promotions and salary increases.

The annual review is one part of our performance management process; in addition, managers are expected to:

- Hold regular one-on-one meetings and help staff to overcome obstacles and achieve objectives
- Convene coaching meetings and actively support individual development plans
- Provide real-time feedback on individual performance
- Address performance concerns directly, honestly and consistently
- Acknowledge and reward good performance promptly

Our performance review process was enriched in 2022 with several new elements, including:

- A job leveling framework was developed to define the knowledge, skills and behaviors needed for each job level by function; this helps guide manager decision making for employee promotions.
- Educational assets based on our core values that shows managers how to focus on specific behaviors that are enabling or hindering a team member's ability to contribute to their fullest potential; this supports employee career growth and reinforces our core values.

In 2023, we aim to continue improving our performance evaluations and further embed our core values into our human capital management strategy.

Employee Engagement

Our engagement strategy is focused on finding ways to promote open communication, solicit feedback and create bonds between team members at all levels.

We host quarterly all-hands meetings, where our executives share the highlights of our latest shareholder letter, results from the quarter, major accomplishments, and a range of other topics. Each meeting closes with a Q&A session; team members submit questions, feedback or suggestions in the week leading up to the meeting through an anonymous online form that our management team reviews and responds to. This has created an additional level of enthusiasm for our all-hands meetings, and pre-meeting submissions continue to grow, especially as we implement suggestions. For example, employees requested increased communication about company news, so we launched an internal channel where employees are continuously kept abreast of QuantumScape in the news, earnings releases, and online recordings of external speaking engagements.

Enhancing the Employee Experience

We believe employees want a sense of belonging, to be connected to an organization and its purpose, and to feel valued and heard. Even small day-to-day details matter. Providing a positive employee experience is a key component of our attraction and retention strategy. In addition to the above-mentioned strategies, in 2022 we:

- Recognized Juneteenth as company holiday with plans to recognize additional celebrations of diversity throughout our organization for things like Lunar New Year, International Women's Day, and Black History Month, among others
- Launched a new benefit engagement platform, Airbo, to make it easier for employees to access and maximize the use of their benefits
- Created a more formal exit interview process for employees who depart voluntarily to ensure we learn from their experiences, spot trends in reasons for departure and make changes to the employee experience where helpful to the organization



Attraction and Retention

Compensation – All Employees

Compensation plays a critical role in attracting and retaining in-demand people. This is especially true in the rapidly growing battery industry and even more so in the highly competitive San Francisco Bay Area.

Our compensation philosophy is to maintain an internally equitable and externally competitive program aimed at attracting and retaining dedicated individuals who can make exceptional contributions to our success. We are committed to ensuring a fair wage for every member of our workforce. All our full-time employees both hold equity in our company and are eligible for participation in the employee stock purchase plan.

Our new job-leveling framework and associated pay ranges allow us to maintain pay equity while offering the attractive and effective compensation needed as we grow and compete for talent. In the long-term, we believe this may potentially offer a range of benefits including increasing employee retention rate, boosting employee morale, and improving overall performance.

Executive Compensation

We are striving toward best practices with respect to executive compensation and adopted an annual say-on-pay stockholder advisory vote which was effective with our 2022 annual general meeting.

Executive Compensation Highlights

What we do

Long-Term Performance-Based Compensation

The majority of our executive compensation program is comprised of long-term performance-based compensation, and therefore “at risk,” dependent upon corporate performance and equity-based to align the interests of our executives with our stockholders.

Independent Compensation Committee

Our compensation committee is comprised solely of independent directors who have established effective means for communicating with each other and with our stockholders, and implementing their executive compensation ideas.

Independent Compensation Consultant

Our compensation committee engaged its own compensation consultant, Compensia, a national compensation consulting firm, to assist with its compensation review and analysis.

Annual Executive Compensation Review

Our compensation committee conducts an annual review and approval of our compensation strategy, including a review of our compensation peer group used for comparative purposes.

Clawback Arrangements

The terms of the awards under our Extraordinary Performance Award Program provide for recovery of such awards recipient’s misconduct. Additionally, our equity and incentive plans permit us to implement compensation recoupment provisions.

Stock Ownership Guidelines

We have adopted stock ownership requirements for our directors and executive officers.

What we don’t do

Minimal Perquisites and Special Benefits

Our executives are eligible to participate in broad-based Company-sponsored retirement, health and welfare benefits programs on the same basis as our other full-time, salaried employees. At this time, we provide limited perquisites and other personal benefits to our executives and certain senior employees.

No “Golden Parachute” Tax Reimbursements

We do not provide any tax reimbursement payments on any tax liability that our executives might owe as a result of the application of Sections 280G or 4999 of the Internal Revenue Code

No Hedging and Pledging

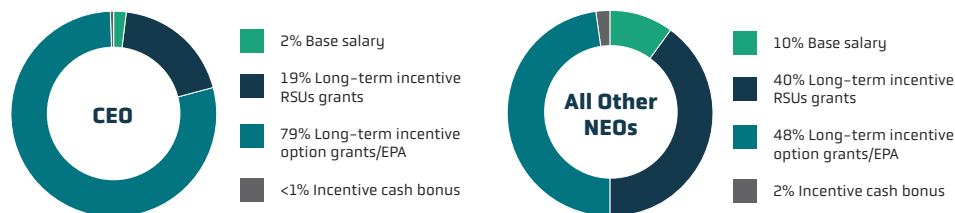
Our Insider Trading Policy prohibits our employees and the members of our board of directors from hedging any Company securities, from pledging any Company securities as collateral for any loan or as part of any other pledging transaction, or from holding any Company common stock in margin accounts.

No “Single-Trigger” Change-in-Control Arrangements

Our named executive officers are not eligible for benefits that are payable solely as a result of a change-in-control in the Company. All change-in-control benefits are based on a “double-trigger” arrangement, requiring both a change-in-control of our Company plus an involuntary termination of employment before benefits are paid.

For 2022, the compensation of our named executive officers was consistent with our compensation philosophy and objectives. Our named executive officers were each eligible for base salary, annual incentive cash bonuses, and equity awards in the form of long-term incentive RSU grants. At our 2023 Annual Meeting of Stockholders, 97.5% of the votes cast approved the compensation of the named executive officers for 2022.

The following charts show the various components of compensation for our CEO and other 2022 named executive officers over the past three fiscal years, and further demonstrates our philosophy of aligning executive compensation with company performance and shareholder interests. In 2021, our board of directors and shareholders approved the Extraordinary Performance Award Program (the “EPA Program”), a performance-based equity incentive program for our key employees and executives, including our named executive officers. The compensation committee of our board developed the EPA Program because it recognized that achieving our mission requires that our leadership and key contributors remain dedicated to the Company throughout the decade and that the organization be inspired to “think big” about achieving large scale deployment of the technology as rapidly as possible. The EPA Program consists of stock option grants that vest over five equal tranches only if the Company achieves certain business milestones and stock price targets within 10 years of the initial grants.



CEO and Other Named Executive Officers' Compensation in the Past Three Years

Benefits and Perks

Employees and job seekers increasingly evaluate factors beyond salary when making employment decisions. We continue to evolve our total rewards strategy to support our employees through comprehensive financial, health and well-being, and quality of life programs and coverage. Recognizing values differ by workgroup segment and life cycle, we strive to offer benefits that are generous and flexible to meet the needs of our diverse workforce, including:

- Health, dental and vision insurance
- Life insurance
- Critical illness insurance
- Short- and long-term disability insurance
- Health Savings Account, Flexible Savings Account
- 401(k) plan, a retirement savings account sponsored by the employer that allows employees to contribute a portion of their salary to a tax-advantaged investment account for future financial security
- Employee Stock Purchase Program (ESPP)
- Three weeks paid time off, increased with tenure
- Paid family leave for new parents
- Telehealth for pets
- On-site flu shot and COVID-19 vaccine clinics
- Snacks and drinks in office kitchen
- Discounted moving assistance
- Company events (e.g., holiday celebrations, quarterly all-hands meeting)
- Enhanced access to mental health resources through medical coverage

Employees are encouraged and incentivized to use low-impact transportation modes to commute to and from the office, where feasible, to align with our purpose. As part of our benefits package, we offer green commuting incentives such as pre-tax commuter benefits for mass transit, bike storage facilities, and, since 2014, charging stations free of charge at our San Jose facilities. The installation of charging stations has increased with the growth of our headcount and office presence throughout San Jose.

Diversity, Equity, Inclusion & Belonging

Our company is built on innovation, which requires people with different skills, experiences and perspectives working collaboratively to develop new ways of approaching persistent problems. Our culture of innovation is sustained and bolstered only when everyone feels welcomed, accepted and valued.

We continue to focus on proactively eliminating unconscious bias in our hiring and promotion processes and setting the foundation for year-over-year improvements in diverse representation. Some of our actions to achieve this included:

- Delivering in-person unconscious bias training for our senior leaders
- Implementation of a job leveling framework to ensure candidates are assessed against a consistent set of criteria
- Making certain that our commitment to equal hiring and promotion opportunities is substantiated with equal pay for equal work by conducting an annual internal pay equity analysis to identify and correct any weaknesses

We support our employees' right to freedom of association and encourage our team members to create connections through clubs and Employee Resource Groups (ERGs). Clubs at QuantumScape are for those with similar interests in a sport or activity who meet socially to build a sense of community and team spirit. ERGs offer a venue for employees to join together based on common backgrounds, demographic factors or shared professional interests. ERGs help foster a diverse and inclusive workplace, help raise awareness of relevant issues, promote professional networking and contribute to professional and personal development.

Coaching was embedded into the internal recruiting process for new positions, starting with the kickoff between a talent acquisition partner and hiring leader to discuss the job description. Talent acquisition team members partner with hiring leaders to increase awareness of the talent market, emphasize the importance of maintaining a broad mindset when evaluating qualified candidates from different backgrounds, and provide counsel on how to fairly consider and evaluate candidates. This helped to deliver a diverse slate of candidates for the interview panels to consider.

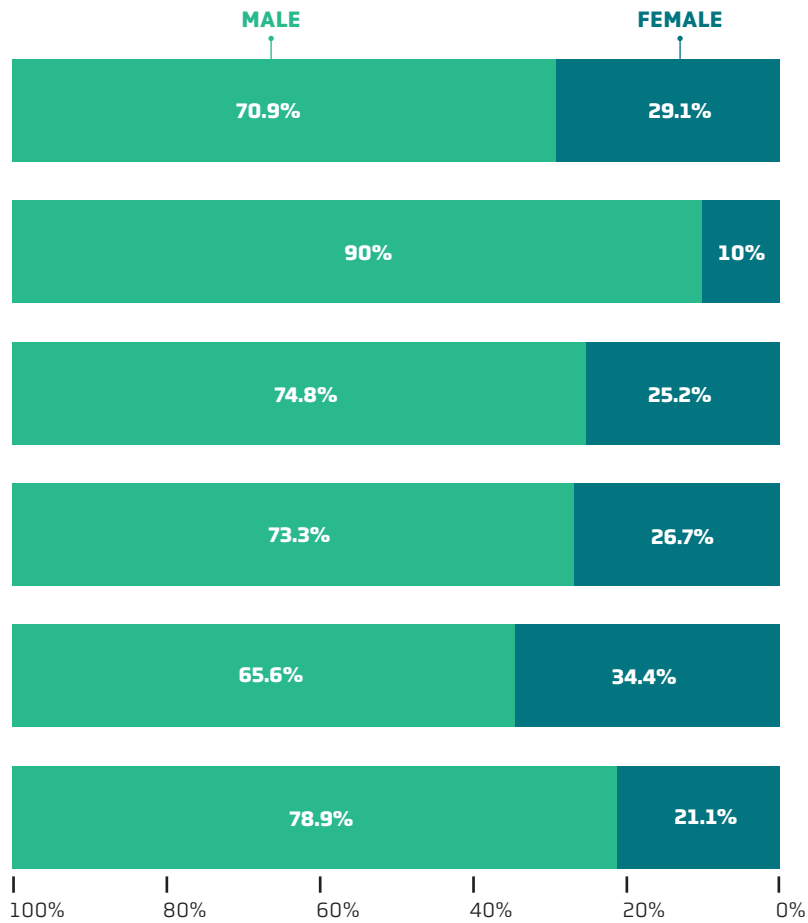
Some demographic groups have historically been underrepresented in the technology and automotive industries and we recognize we also have work to do in this area. As we grow, we intend to actively pursue initiatives focused on broadening the range of opportunities for those demographic groups.

We continue to remain focused on:

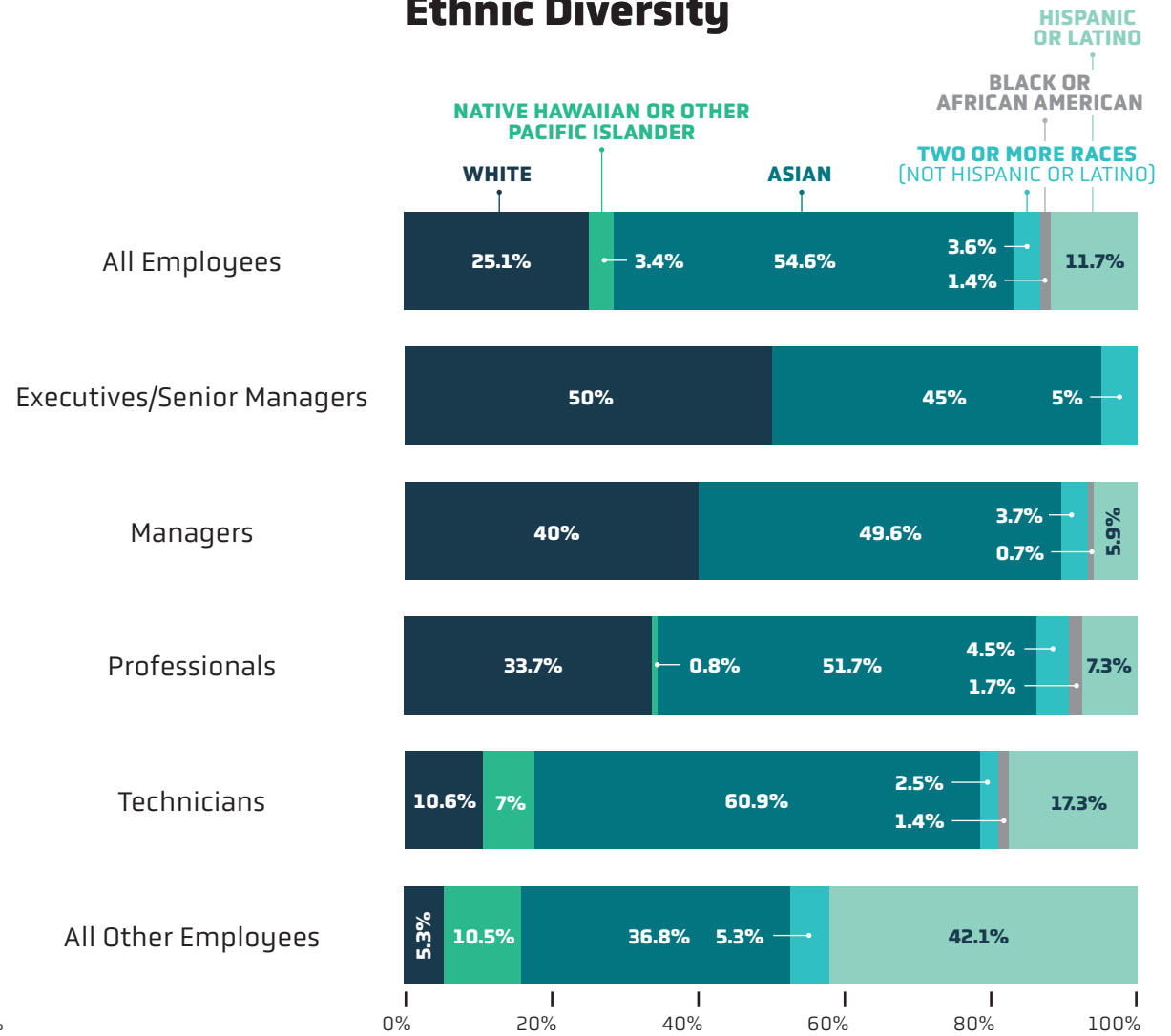
- Broadening our recruiting channels to reach a wider and more diverse candidate pool
- Ensuring job descriptions do not contain stipulations or candidate profiles that are too narrow
- Leveraging a suite of AI-powered tools that analyze job descriptions for hidden gender bias and suggests alternative language to attract the widest pool of qualified candidates
- Exploring other opportunities within the organization for promising candidates who do not meet the requirements for a particular role
- Tracking and monitoring team member diversity metrics across organizational levels



2022 Team Member Gender Diversity



2022 Team Member Ethnic Diversity



Occupational Health & Safety

The health and safety of our employees is mission critical. We maintain a supportive organization and work culture that encourages personal health and work-life balance for our employees and contractors.

Our Environmental, Health and Safety (EHS) department leads the programs that address workplace health and safety concerns through engineering controls, policies, procedures, training, monitoring, and audits, and reports directly to our board of directors on a quarterly basis on such matters. Our Supplier Code also reflects our commitment to health and safety of our suppliers and vendors.

We heavily emphasize a proactive safety culture aligned with the following principles:

Safety is our priority and one of our enduring values

A mindset that all incidents are preventable

We share a commitment to coaching each other and being coached

Safety is a personal commitment for which the employees are empowered to take ownership for identifying and correcting issues pertinent to their job functions

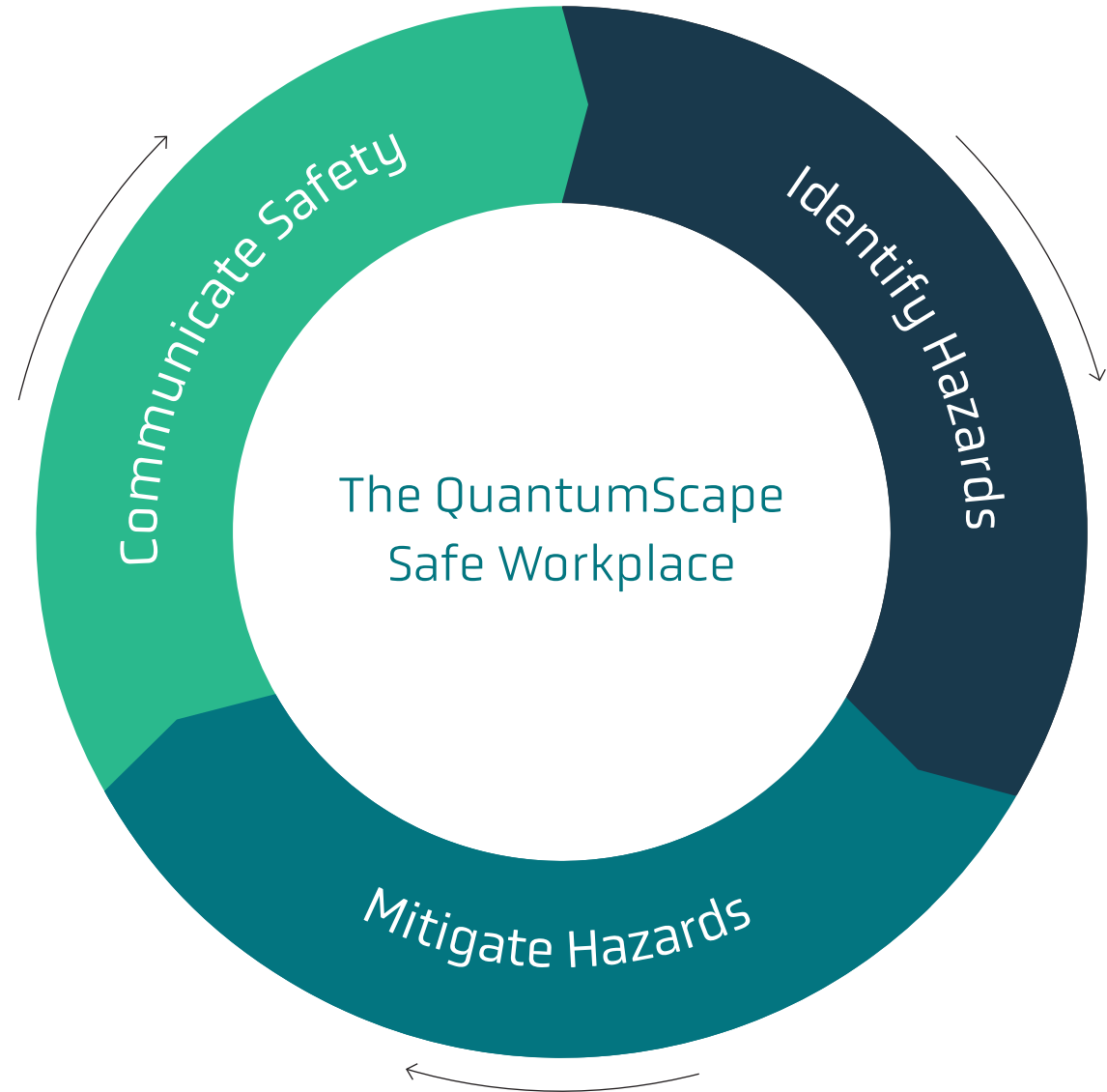
Issues are viewed as opportunities instead of problems, and we share learnings with others

We feel responsible for the safety of ourselves and our co-workers and are willing to go beyond the call of duty on behalf of the safety of others



The employee health and safety approach at QuantumScape is based on five imperatives:

- 1 Design out hazards during site construction, equipment design and installation
- 2 Manage hazards by implementing engineering controls
- 3 Control hazards by providing personal protective equipment, procedures and signage
- 4 Empower employees by observing, reporting and correcting unsafe behaviors and conditions
- 5 Promote, recognize and reward employees who are involved in site safety



EHS Incidents & Response

Our primary EHS risks for R&D, manufacturing and office employees include chemical, ergonomic, electrical, and mechanical hazards. Most of our EHS risks have been well mitigated, resulting in few incidents. When an incident occurs, we investigate, analyze the cause, develop corrective actions, monitor the effectiveness of the changes, and incorporate lessons learned in our communications.

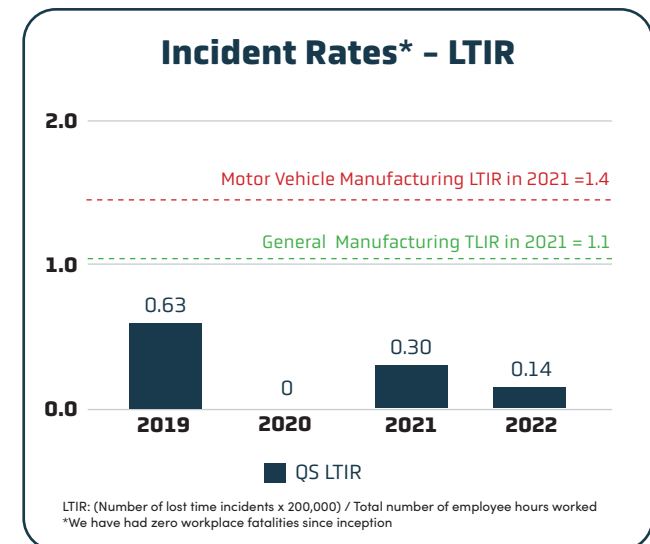
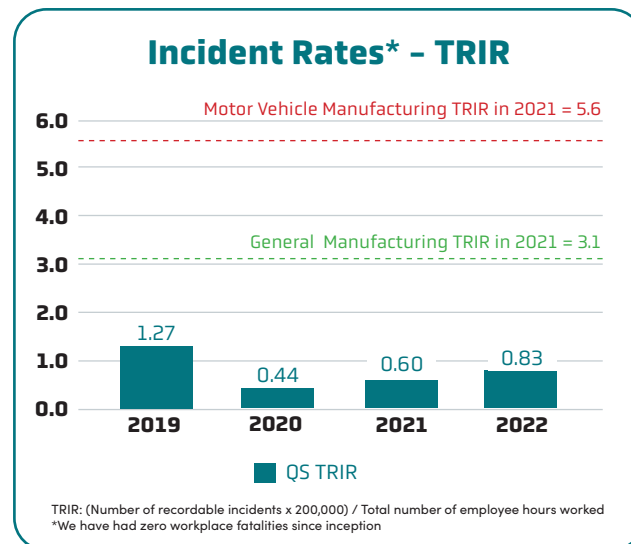
We track both leading and lagging indicators to measure our success. These include OSHA Total Recordable Incident Rate (TRIR), Lost Time Incident Rate (LTIR), Near Miss Frequency Rate (NMFR), prompt closure of audit findings, training completion rate, and safety equipment maintenance frequency, among others.

In 2022, our TRIR was 0.8 due primarily to ergonomics-related cases. By comparison, according to the U.S. Bureau of Labor Statistics, in 2021 the general manufacturing incident rate was 3.1 and the motor vehicle manufacturing incident rate was 5.6.⁷ We continued with mitigation activities such as ergonomic

considerations built into facilities and equipment design reviews, and ergonomics evaluations conducted as requested or needed due to employee concerns or pain. New measures introduced in 2022 to reduce possible injuries included:

- Incorporating ergonomics into our new hire safety training
- Conducting a 90-day check in with new hires to encourage their focus on ergonomics and provide another opportunity to express any concerns
- Featuring ergonomics as an EHS topic of the month
- Hosting educational installations with ergonomics equipment on display, injury prevention tips highlighted, and stretch break demonstrations
- As we scale up the size and throughput of our operations (e.g., installing larger and more automated equipment, occupying more floor space), we are aware of the additional types and number of EHS challenges that we will face and must address

⁷U.S. Bureau of Labor Statistics, 2021 Injuries, Illnesses, and Fatalities, 9 November, 2022 www.bls.gov/iif/nonfatal-injuries-and-illnesses-tables/table-1-injury-and-illness-rates-by-industry-2021-national.htm



Injury and Illness Prevention

Our injury and illness prevention program is designed to minimize the frequency and severity of employee safety incidents by reducing physical hazards, improving safety communication and training employees in safe work practices. Our focus on operational safety training and incident tracking continue to be top priorities throughout the organization and are featured in all-hands and board meetings each quarter.

Our risk mitigation approach follows the hierarchy of controls – prioritizing the elimination of hazards first. For risks that cannot be eliminated, we look to find a less hazardous substitute product or process and install effective engineering and operational controls.

Hazard Identification and Reporting

Safety hazards are scrutinized, evaluated, monitored, and corrected through various means, such as:

- Weekly safety inspections that focus on chemicals and hazardous waste management
- Monthly safety inspections that attempt to proactively identify, monitor, address and eliminate any potential hazard in the workplace
- Annual safety program reviews that cover all regulatory updates and address changes in work conditions from the previous year
- Findings for all inspections and audits are tracked until remediation, with all high hazard findings prioritized and closed promptly

We encourage employees to report unsafe conditions, either directly to their managers or EHS staff and suggest ways to improve. A responsible reporting program, Caught You Safe, recognizes those who are seen doing safe acts and rewards them with a gift card and a message of praise from their manager.



EHS Training and Communication

Ongoing and open communication about safety is standard at QuantumScape. Maintaining a culture that promotes a commitment to health and safety is inherent to QuantumScape's core values. Of all the elements of our EHS program, we gain the most benefit from active employee involvement in a positive safety culture, which is nurtured in multiple ways:

- Companywide meetings start with management thanking our workforce for their participation in safety and emphasizing the criticality of safety success
- Group discussions provide a venue for employees to further their awareness and knowledge on how to identify hazards, how to approach others when they are doing something unsafe, what management is doing to promote safety and what every employee's role is in maintaining a safe environment
- Safety committee meetings have voluntary participation from different functions and departments. Each month, EHS team members lead interactive presentations on a range of topics such as incidents, inspections, findings, changes to programs and upcoming trainings. Participants are provided the slides to review with the groups that they represent
- Safety bulletins are provided monthly to managers with slides on a safety topic that they are expected to cover with their employees
- Annual employee reviews may incorporate safety performance on items such as completion of training, hazard reporting, hazardous waste reduction and participation in the safety committee

To maintain the effectiveness of our safety program, all employees are required to participate in trainings for general and job-specific safety and health practices. There aren't many off-the-shelf EHS courses for battery manufacturing, so

our EHS staff and external subject matter experts create customized EHS training for QuantumScape employees and contractors. Our EHS department maintains a matrix with required courses by job function, type of work performed and risk exposures. Training is assigned and tracked to completion for each employee through our learning management system.

EHS training begins during the new hire orientation, with additional training provided throughout the year and refreshed annually.

Our emergency preparedness and response program consists of 50-plus volunteer employees who are trained to respond to injuries, personal medical conditions, spills and releases to the environment, earthquakes, damage to our property, and impact to our reputation. We have written procedures along with the communication strategy. We conduct various drills on different topics. Emergency preparedness also includes working with local fire departments for site familiarization.

Safety Data Sheets (SDSs)

We use the Safety Data Sheets (SDSs) as workplace safety tools to provide our employees with the proper procedures for handling certain chemicals safely. The SDSs comply with the Globally Harmonized System of Classification and Labeling of Chemicals, an international standard managed by the U.N.

Contractor Management

Contractors are critical to our success, especially in construction and equipment installation. We have implemented a contractor safety program that includes training, work plans, incident review, and monthly discussions on various safety topics to ensure they are up to date on the latest information and processes.

Product Safety

Improving the safety of EV batteries is key to achieving our goal of powering the transition away from fossil fuels. Current lithium-ion batteries used in EVs contain the three elements of the fire triangle: a fuel, an oxidizer and a potential heat source. The primary safety risk in conventional lithium-ion batteries comes from the potential energy stored in the combustible electrolyte and separator, which is released in the event of a fire. In fact, there is more than double the potential energy in the electrolyte than usable energy stored between the battery's anode and cathode. As conventional cells are further optimized for energy density, these safety challenges become even more acute.

In 2022, we started battery safety testing efforts – receiving and installing the equipment for our new state-of-the-art safety test bunker on our San Jose campus.



Information Security

QuantumScape's information security program is geared toward helping us defend our information assets, including our intellectual property. Our information security program strategy focuses on protecting information assets from the cultural, managerial and technical root causes of data breaches that have negatively affected other organizations.

A risk-based approach is taken to proactively identify, prioritize, report on and mitigate vulnerabilities that can lead to data breaches. A variety of administrative, process oriented and technical countermeasures are employed to mitigate information security risks. Training is provided to all employees and contractors during onboarding and on an annual basis to increase awareness of security issues, in addition to regularly covering information security topics at all-hands meetings.

Our security program is compliant with the Trusted Information Security Assessment Exchange, which is based on the ISO/IEC 27001 and ISO/IEC 27002 standards and adapted to the automotive industry. We have not experienced a material security breach in our systems, and, to our knowledge, in our third-parties' systems, nor incurred in significant expenses or penalties to resolve or settle any security breach in the past three years.

Our security committee supports cross-functional collaboration among departments to achieve security holistically across the company. The committee includes our Chief Technology Officer and members of information security/technology, software, internal audit/compliance, finance and accounting, people operations, legal and facilities teams. Much like quality, security is embedded in our culture, and collaboration between cross-functional teams helps instill a mindful and thoughtful culture around it. The audit committee of our board of directors reviews cybersecurity and information security risks and mitigation strategies; the committee receives periodic updates on information security and privacy, and the full board receives an annual update.

We hired world-class cybersecurity expert, Neil Daswani, as our Chief Information Security Officer in January of 2022 to implement a comprehensive long-term information protection plan. Neil has extensive experience implementing cybersecurity at technology companies. His experience is deeply rooted in security research and development. He also serves as co-director of the Stanford Advanced Cybersecurity Program. We are focused on a continuous improvement of the company's security posture driven by our security strategy, and implementing thorough policies, procedures, countermeasures and trainings.



QuantumScape

CORPORATE GOVERNANCE



To execute on our mission and business strategy, we believe it is imperative to institute a robust governance structure that supports our internal controls, policies and procedures. This approach requires strong leadership from our board of directors and management team. By setting the tone at the top, we build a workplace culture grounded in ethics, integrity and accountability.

ESG Oversight

ESG responsibility at QuantumScape runs from the most senior levels to every individual team member and is embedded in how we conduct ourselves, develop our products and run our day-to-day operations to serve the best interest of the business and our stakeholders.

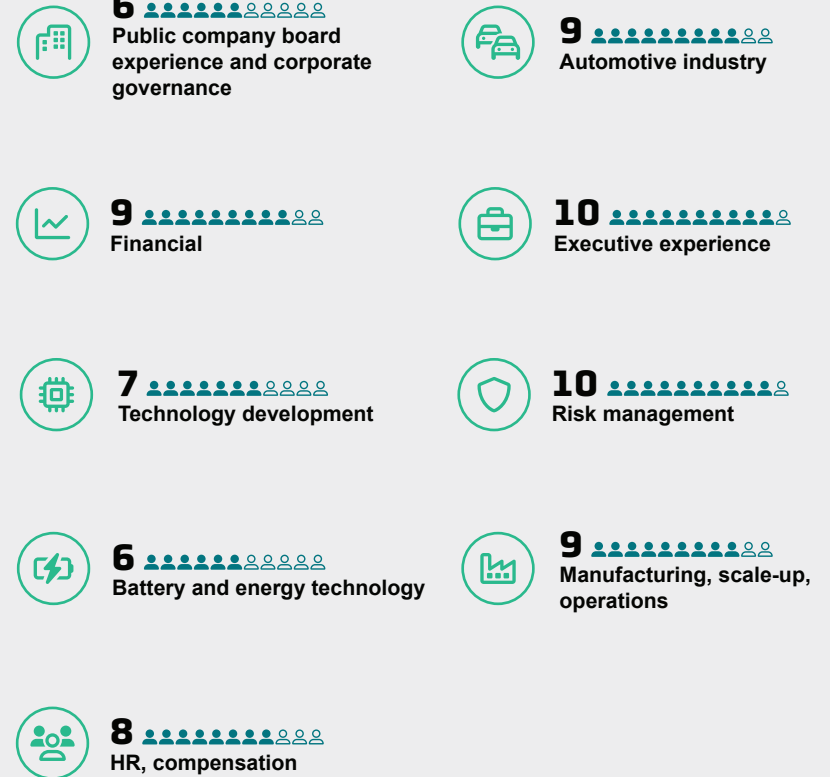
The board of directors’ oversight of our corporate strategy includes aligning our ESG strategy to support corporate goals and consideration for how environmental and social issues impact the long-term interests of our stockholders. The nominating and corporate governance committee of our board of directors provides direct oversight of ESG and other governance-related matters on a quarterly basis, as needed, and the Board reviews ESG matters at least annually. Other committees of the Board provide oversight of certain ESG matters, e.g. human capital management and cybersecurity risks, reporting directly to the Board.

Board Composition

Our board of directors believes that the board should be a diverse body with members that have a mix of viewpoints, experiences and attributes such as professional background, skills, race, ethnicity, gender, education, age, and geography, as well as other individual qualities and attributes that contribute to the total mix of viewpoints and experience represented on our board. Under the leadership of its nominating and corporate governance committee, the board regularly evaluates our board composition and the skills, experiences and attributes needed to oversee QuantumScape’s strategy, business and risks as it grows and transforms. Members of our board of directors possess expertise in relevant areas that include battery and energy technology, the automotive industry, manufacturing operations and scale up, finance, risk management and human resources.

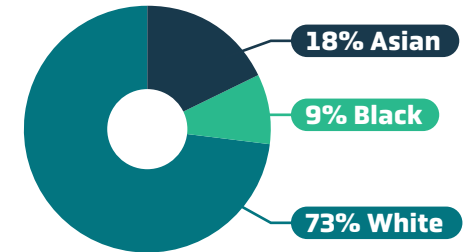
Board Knowledge, Skills and Experience

 = QuantumScape board member with area expertise

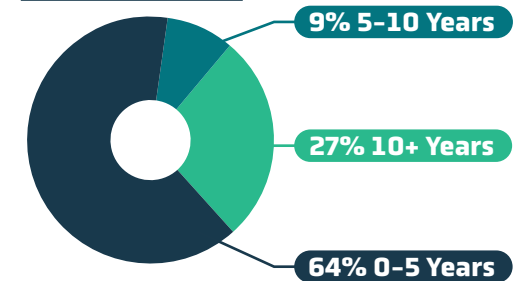


The board engaged a global executive search firm in 2021 to diversify the racial, ethnic and gender makeup of our board. These efforts led to the appointment of three women to our board, one of whom represents an ethnic minority, in early 2022. Over the course of the year, we increased our board’s gender diversity from 0% to 27% and racial/ethnic diversity from 20% to 27%.

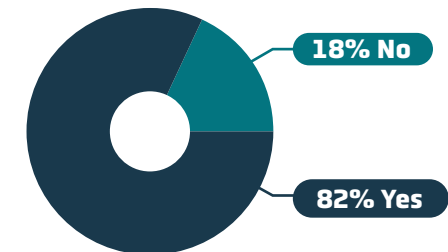
Race/Ethnicity



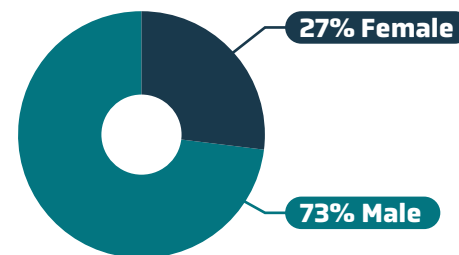
Board Tenure



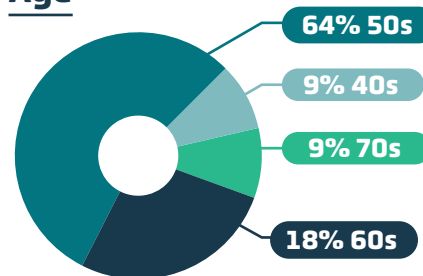
Board Independence



Gender



Age



Ethics and Compliance

Our board of directors has adopted a [Code of Business Conduct and Ethics](#) (the “Code”), applicable to all our employees, executive officers and directors, as well as QuantumScape contractors, consultants and agents. It serves as a guide, and we expect those it covers to use good judgment and adhere to the high ethical standards to which we are committed.

Our Code is designed to deter wrongdoing and promote:

1. Fair and accurate financial reporting
2. Compliance with applicable laws, rules and regulations
3. Prompt internal reporting of violations of the Code and any other QuantumScape policies and procedures
4. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest
5. A culture of honesty and accountability

We strictly enforce our corporate policies to instill solidly ethical business practices, transparency, and accountability, covering areas such as insider trading, whistleblowing, anti-bribery and anti-corruption, document retention and communications. We remain abreast of the evolving regulatory environment and have updated our insider trading policy to comply with the most current SEC rules and regulations and other best practices.

Our Chief Legal Officer serves as the Compliance Officer implementing the Code and related compliance policies. The nominating and corporate governance committee of the board oversees the Code. The audit committee of the board also plays an important role in ensuring the integrity of our public reports and overseeing our whistleblower procedures. If an employee believes that questionable accounting or auditing conduct or practices have occurred or are occurring, they are instructed to promptly notify the audit committee or report the conduct in accordance with our processes.

Our Code details resources and procedures for employees regarding compliance and reporting. If an employee suspects or knows of a violation of our policies or applicable laws and regulations, or an employee has concerns about a situation that they believe does not reflect our culture and values, they must report it immediately to their manager, Compliance Officer or People Operations department. They may also report concerns anonymously to a third-party whistleblower hotline. These resources and procedures are proactively communicated during employee onboarding and on an ad-hoc basis across the organization through companywide all-hands meetings.

We prohibit retaliation for good faith reports of violations or possible violations. We have procedures in place to investigate grievances made through our third-party whistleblower hotline. Investigations will be carried out by our board of directors in case the potential violation is by a director or executive officer, and by the Compliance Officer if by an employee. Employees who violate the Code, who direct or approve violations, or who have knowledge of this conduct and do not report it may be subject to disciplinary action up to termination.

Anti-Corruption Practices & Policies

We have a Global Anti-Bribery and Anti-Corruption Policy dedicated to fostering and maintaining the highest ethical standards in each jurisdiction in which we conduct business.

Our policy is applicable to all of our officers, directors and employees, as well as our consultants, agents, contractors, business partners and any other third-party representatives acting on our behalf. We have a zero-tolerance policy and therefore all forms of bribery and corruption regardless of whether they involve a public official, or a private person are prohibited.

Our Global Anti-Bribery and Anti-Corruption Policy complements our Code of Business Conduct and Ethics in guiding employees and other company representatives in understanding concepts and activities that are prohibited by anti-bribery and anti-corruption laws. We encourage the report of potential or suspected violations to our Compliance Officer or via our whistleblower hotline and also prohibit any form of retaliation against good-faith reports.

Risk Management

Risk is inherent in every business, and we face a number of risks, including strategic, financial, business and operational, legal and compliance, and reputational risks. We have designed and implemented processes to manage risk in our operations. Our board of directors does not currently have or anticipate having a standing risk management committee, but instead administers this oversight function directly and through various of its standing committees that address risks inherent in their respective areas of oversight.

Board Committee	Risk Oversight Responsibilities
Audit	Internal controls, integrity of financial statements, whistleblower procedures, compliance with laws, cybersecurity, oversight of enterprise risk management (ERM)
Compensation	Compliance of our compensation plans, policies and programs with applicable legal and regulatory requirements, diversity, equity, and inclusion initiatives, succession planning
Nominating and Corporate Governance	Board structure and composition, corporate governance, oversight of ESG initiatives

We have implemented an ERM process using the Committee of Sponsoring Organizations of the Treadway Commission framework, under which we:

- Conduct annual meetings with leaders of our business areas and other stakeholders to identify and assess risks, including ESG risks, for likelihood and impact
- Develop a framework for risk ratings for the relevant attributes to facilitate risk rankings
- Create and obtain an understanding of the processes and controls that have been established to mitigate risks
- Create and continue to refine the framework to report our top risks and updates therein to team members charged with management, and board members tasked with oversight of ERM activities

We use the ERM process to seek consistent evaluations and common language throughout the risk assessment process. The ERM risk assessment includes the integration of identifying, assessing, managing, monitoring and reporting of certain ESG risks, such as supply chain and data privacy risks.

Supply Chain Management

Like other EV battery manufacturers, QuantumScape uses mined precursor materials, which require careful consideration as we, and the wider battery industry, scale up to meet increasing demand. Our product development focuses on using earth-abundant materials that will allow us to move into high-volume production. Our battery is being designed to use many of the materials and processes that are standard across today's battery manufacturers, so we expect to benefit as the lithium-ion industry solves its supply challenges. While our separator material is unique in the industry, it is made from readily available inputs used in many other industries.

As we look to the future, our supply chain strategy prioritizes:

- Scaling the procurement of necessary input materials and effectively scrutinize these materials and our partners' practices in accordance with our new Supplier Code of Conduct
- Identifying industry-leading partners to simplify product development and reduce reliance on in-house solutions

Supply Chain Organization

Our supply chain organization is led by our VP of Operations Planning and Supply Chain, who reports to our CEO. The team is responsible for current resource needs as well as creating and implementing a long-term manufacturing plan. Our board of directors receives supply chain updates at quarterly meetings and is briefed by the VP on an ad hoc basis when a more focused discussion is needed.

In addition to technological innovation, strong supply chain management is critical for our success. Our supply chain organization plays an important role in finding capable partners that have existing solutions to support our R&D and manufacturing efforts. Equally important is our team's ability to navigate supply chain disruptions, such as those that occurred during the pandemic, and prepare

QuantumScape for future manufacturing scale up by cultivating strong supply chain partners.

Supplier Relationships

We are building a product composed of many parts, procured in several ways, including:

- Purchasing off the shelf for industry-standard materials, such as adhesives or foils
- Working collaboratively through joint development agreements to produce parts
- Partnering with companies producing an existing product with unique properties that will help us improve battery assembly or reliability
- Developing the capacity of select suppliers to convert raw inputs into materials where the scale does not currently exist

We have been testing various materials, contract arrangements and collaborative models with our suppliers, and therefore purchase small quantities of materials from a more diverse set of suppliers than will be needed long term.

We furthered engagement with suppliers that have commitments to reducing environmental footprint, through recycling commitments and plans, and greenhouse gas reduction targets. As we begin purchasing production volumes of materials, supplier ESG commitments are considered within our supplier selection process.

Supply Chain Risk and Mitigation

We prioritize working with suppliers that we believe can become long-term partners. We invest in these relationships because strong supplier partnerships can reduce our exposure to supply chain risk. These relationships begin with our supplier selection and qualification process. This process varies based on the material being procured and how it is used, with the highest level of scrutiny being applied to our most critical materials.

We also conduct a supply chain risk assessment at least once per quarter. We use this risk assessment to proactively identify emerging risks and respond to potential disruptions. We mitigate risks by carrying inventory, identifying secondary suppliers and requesting documentation from our suppliers that confirms their ability to provide materials that meet our specifications; we typically validate this documentation with internal testing in conjunction with our Quality Management team.

For many of the most critical battery materials, such as cathode active materials, we rely on our suppliers to source raw materials on our behalf. We have selected these suppliers in part based on their ability to source these materials reliably, ethically, and professionally. Owing to the strength of our partnerships and the relatively small volumes of materials we use, we believe our current supply chain risk is manageable. As our material needs increase, we will begin to engage directly with raw material producers and will continue to prioritize the ethical sourcing of materials as we engage in these relationships.

In 2022, our supply chain organization focused on laying the foundation for future growth. This centers around partnerships with several important suppliers to ensure they have the capacity to support our increasing production targets. These activities will increase our visibility into our supply chain, secure sources of supply, and enhance the level of control we have over incoming material quality. We will also add secondary suppliers for certain key materials to further reduce risk.

We continued to conduct a supply chain risk assessment at least once per quarter, and in 2022 enhanced our geopolitical risk review with all our critical materials. We plan to integrate this activity on at least an annual cadence to ensure continued visibility into potential risks upstream and throughout the supply chain.

2022 Supply Chain Highlights

New Supplier Code of Conduct. We adopted a new [Supplier Code of Conduct](#) as a commitment to working with vendors who share our values of transparency, fairness, and environmental stewardship, and who treat their workers with respect and dignity. The Supplier Code establishes minimum standards that require our suppliers to comply with applicable laws and regulations as well as additional standards across the following areas:

- Labor standards and practices
- Health and safety
- Environmental stewardship
- Transparency, ethics and fair market behavior

Diversification of Suppliers. We also entered into multiple formal supply agreements with key partners as we shift away from ad hoc purchase orders for material procurement toward long-term contracts. We added secondary suppliers for certain materials and continue to work toward increasing the proportion of critical materials with alternative suppliers.

Collaboration with Suppliers on Problem Solving. In July 2022, we reported a contaminant discovery that affected the quality, consistency and reliability of our separator production. Our team worked together to perform root cause analysis, identify the issue and work alongside our suppliers to eliminate the contaminant from our precursor materials. This drove the implementation of various quality controls to be put in place on incoming supplier materials to prevent potential situations from recurring. Our team's ability to come together cross-functionally across the organization and mitigate the impact of this particular disruption is a testament to our ability to react and respond to the unexpected.

ESG Risks in the Supply Chain

Consistent with our mission, we are committed to measuring and assessing our ESG performance beyond the walls of our facilities, designing our products and processes to avoid and minimize environmental and social impacts throughout our value chain.

Our R&D team seeks ways to reduce and where possible, eliminate, our reliance on critical materials, conflict minerals and other materials that have heightened availability, environmental, social, and human rights risks. Our anode-free cell architecture allows us to eliminate the associated raw materials from our supply chain. Our separator is made from abundant materials produced at industrial scale in multiple geographies. While we don't source directly from smelters, refineries and mines, we recognize the cathode materials currently needed for our batteries have limited supply and environmental and social risks that require careful and diligent management.

We conduct business honestly, ethically, transparently and in compliance with laws, regulations and international ESG standards, and we expect our business partners and vendors to do the same. As we begin entering into long-term contracts, we plan to source our input materials from leading suppliers in the lithium-ion battery industry. We already have strategic relationships in place with

the industry's leading vendors of cathode active material, one of the most important purchased inputs to our cell, along with leading vendors of other less critical inputs.

As our material needs grow, so too will our vigilance. We will expand our policies, programs and reporting structures to help ensure we do not directly or indirectly support human rights abuses and armed conflict (particularly in the Democratic Republic of Congo and neighboring countries); suppliers with labor, health and safety practices not aligned with international standards and laws; and operations that cause environmental degradation. We undergo extensive due diligence during the qualification process for Tier-1 suppliers to ensure ESG standards are met. We also will work closely with our suppliers to understand the origin of materials to ensure they were sourced from conflict-free regions.

Supply chain risks are currently integrated into our ERM framework. As we begin purchasing production volumes of materials, we will expand our risk register, shift our supply chain strategy, and mature our supply chain management system, programs and capabilities accordingly.



For questions about QuantumScape's sustainability work or
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