

V O L V O

SUPPLY PARTNER CODE OF CONDUCT

Edition 3 | 2023

Introduction

The Volvo Group Supply Partner Code of Conduct outlines how we do business in the Volvo Group and the expectations on our supply network. Together we can make a difference and build a future for generations to come.

At the Volvo Group we believe that we have a collective responsibility to make the world we live in a better place. By working with our three sustainability pillars – climate, resources, and people – and by conducting our business with integrity, we are committed to minimising climate footprint, respecting the boundaries of our planet, and maximising social impact.

Within the area of climate, our focus on cutting greenhouse gas emissions is critical

in meeting the ambitions of the UNFCCC Paris Agreement¹. We are committed to having a net-zero greenhouse gas emissions value chain by 2040, supported by science-based targets along the way.

Within the area of resources, we take on the challenge to fulfil the needs of transportation and infrastructure within the limitations of planetary boundaries, in our own operations and our supply network.

Within the area of people, we invest in health, empowerment, business ethics and compliance, and respect for human rights, striving for 100% safe products and operations. Social responsibility is a foundation of our business and covers a broad range of topics across the value chain.

¹ <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

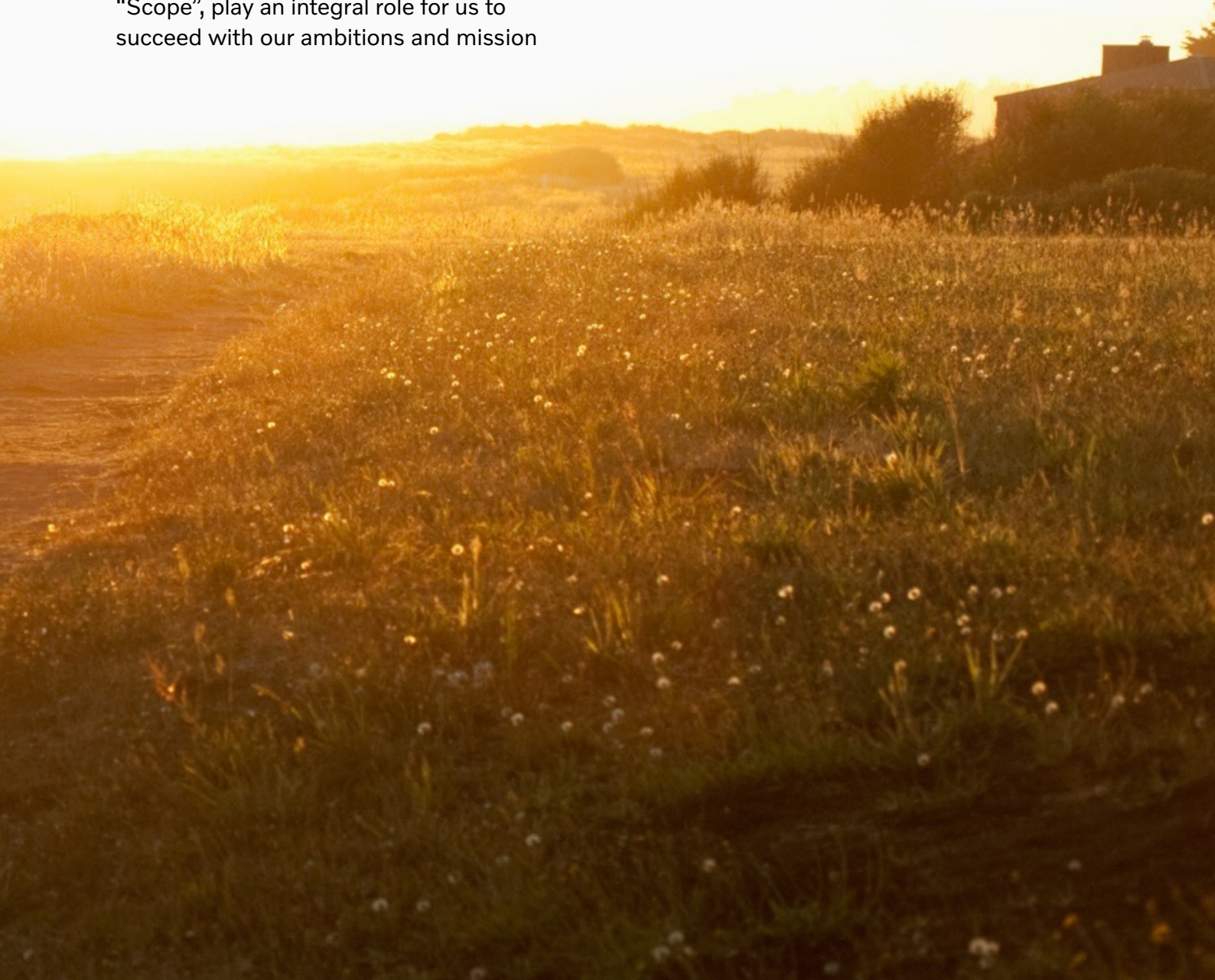


We are a provider of sustainable solutions that keep goods and people moving and deliver the equipment to build and maintain vital infrastructure, while driving the shift towards a decarbonised system. We see the transition to net-zero through fossil-free solutions as an opportunity to create meaningful impact, while also leveraging the growth potential the transition will offer. We do this by offering sustainable, safe, and productive solutions, operating a responsible business, and collaborating with others to drive change in a fair, ethical, and transparent way.

Our Supply Partners, as defined under “Scope”, play an integral role for us to succeed with our ambitions and mission

to drive prosperity through transport and infrastructure solutions. Working together, we can identify and address sustainability risks proactively. To achieve full effectiveness of this Supply Partner Code of Conduct, Supply Partners must ensure that all Requirements are lived by in their own operations, and that their full value chain complies to the same standards.

We also expect all our Supply Partners to integrate, share and promote the Expectations of the Volvo Group Supply Partner Code of Conduct internally and throughout their entire supply network.



Purpose

The purpose of the Volvo Group Supply Partner Code of Conduct (hereinafter referred to as the “Supply Partner Code of Conduct”) is to define Volvo Group’s sustainability demands (hereinafter referred to as “Requirements”) and to give guidance on demands to be expected in the future (hereinafter referred to as “Expectations”) for all Volvo Group Supply Partners, in the areas of:

- People
- Resources
- Climate
- Business Ethics and Compliance

Where additional more demanding local laws and regulations occur, they must be taken into account together and applied with the Volvo Group Supply Partner Code of Conduct. The Supply Partner Code of Conduct is based on the Volvo Group Sustainability Ambitions², including the Volvo Group Code of Conduct and our Group Policies³. It is also guided by the Automotive Industry Guiding Principles of Drive Sustainability⁴, networks such as the UN Global Compact⁵, as well as frameworks such as the OECD Guidelines for Multinational Enterprises⁶, the UN Guiding Principles of Business and Human Rights⁷, the UN International Bill of Human Rights⁸, the International Labour Organisation’s (ILO) Fundamental Instruments of Principles of Rights at Work⁹, and the Children’s Rights and Business Principles¹⁰.

Scope

The Supply Partner Code of Conduct is an integral part of any existing business relationship and is incorporated by reference into the agreement(s) between our Supply Partners and the Volvo Group, and by this is legally binding.

The Supply Partner Code of Conduct applies to all Supply Partners that deliver goods and/or services to any entity of the Volvo Group, including their parent, subsidiary, or affiliate entities as well as their respective employees and agents.

The term “employee” used throughout this Supply Partner Code of Conduct covers everyone working for or on behalf of a Supply Partner, including but not limited to full and part-time employees, consultants, contractors, trainees, temporary workers, management, and board of directors. The term “employees” also includes specific vulnerable groups, such as young workers and migrant workers.

The term “supply network” used throughout this Supply Partner Code of Conduct consists of a constellation of suppliers that are involved in supply of said organisation across all stages from extraction of raw materials to final delivery.

2 www.volvogroup.com/en/sustainable-transportation/responsible-business.html

3 www.volvogroup.com/en/about-us/company-values/code-of-conduct-other-policies.html

4 www.drivesustainability.org/guiding-principles/

5 www.unglobalcompact.org/

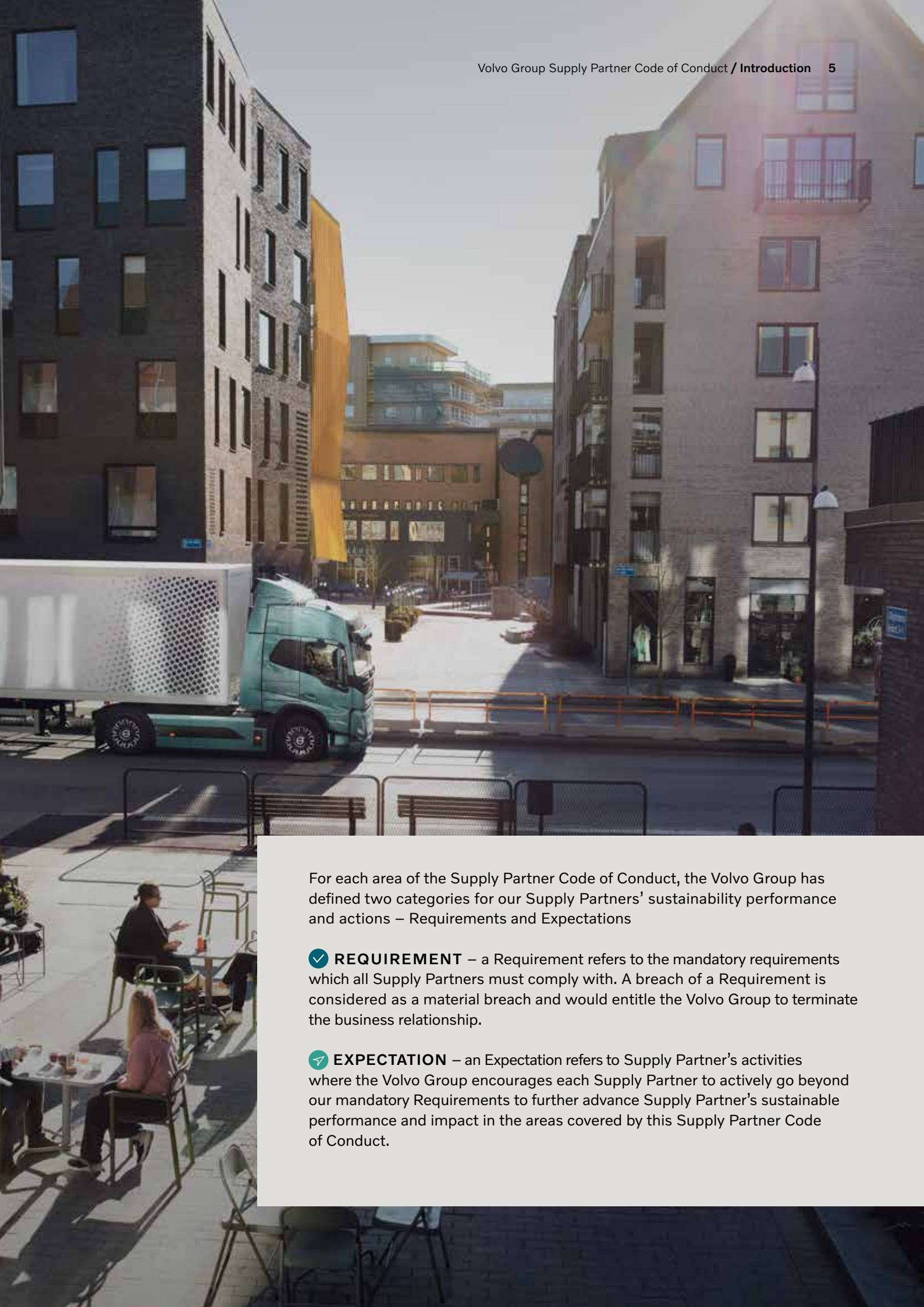
6 www.oecd.org/corporate/mne/

7 www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf

8 www.un.org/en/about-us/universal-declaration-of-human-rights

9 www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm

10 <https://childrenandbusiness.org/>



For each area of the Supply Partner Code of Conduct, the Volvo Group has defined two categories for our Supply Partners' sustainability performance and actions – Requirements and Expectations

✓ **REQUIREMENT** – a Requirement refers to the mandatory requirements which all Supply Partners must comply with. A breach of a Requirement is considered as a material breach and would entitle the Volvo Group to terminate the business relationship.

➤ **EXPECTATION** – an Expectation refers to Supply Partner's activities where the Volvo Group encourages each Supply Partner to actively go beyond our mandatory Requirements to further advance Supply Partner's sustainable performance and impact in the areas covered by this Supply Partner Code of Conduct.



Our General Requirements

- ✓ Supply Partner shall comply with all the Requirements of the Supply Partner Code of Conduct and make significant efforts to comply with the Expectations.
- ✓ Supply Partner shall ensure that all Requirements of this Supply Partner Code of Conduct are complied with and shared within its own operations to ensure full effectiveness of the terms of this Supply Partner Code of Conduct. We also encourage each Supply Partner to uphold the same standards regarding our Expectations throughout their entire supply network.
- ✓ Supply Partner shall operate honestly and be transparent with facts and data in relation to both Requirements and Expectations. The Volvo Group wants to maintain an open dialogue concerning achievements, trends, and possibilities for improvements in the areas outlined by this Supply Partner Code of Conduct.
- ✓ Supply Partner shall have a senior executive in place who is responsible for compliance with the areas covered by this Supply Partner Code of Conduct.
- ✓ Supply Partner shall have a code of conduct in place clarifying the Supply Partner's rules of behaviour and proper conduct for the Supply Partner's employees.
- ✓ Supply Partner shall be proactive in appropriately addressing any risk of violation of the Requirements, whether in their facilities or in their supply network.
- ✓ Supply Partner shall implement and make available appropriate grievance channels and remediation mechanisms for all employees and third parties to raise concerns or complaints, but also recommendations and improvement ideas concerning the Supply Partner's operations without fear of retaliation.
- ✓ Supply Partner shall handle environmental violations and complaints methodically and communicate them to affected employees and to external stakeholders, including the Volvo Group, when relevant.



Legal Compliance

Fundamental to all areas of this Supply Partner Code of Conduct and the baseline of all business with the Volvo Group, we require our Supply Partners to be knowledgeable about and to comply with all applicable laws and regulations they are exposed to, as well as the contractual terms and conditions agreed upon with the Volvo Group. All legally required permits, approvals, licenses, registrations, inspections, and related reports shall be in place, up to date and available for inspection upon request.

In case of discrepancy between local laws and regulations and the Requirements set forth in this Supply Partner Code of Conduct, the most stringent terms shall apply. In other words, in case local laws and regulations are less stringent than a Requirement set out in this Supply Partner Code of Conduct, the latter shall apply and vice-versa. It is an Expectation of the Supply Partner to inform the Volvo Group of any such discrepancy arising from updates to local or regional laws.

Management System

Supply Partners shall establish and maintain adequate management systems to oversee all elements of this Supply Partner Code of Conduct, in proportion to the size, complexity and risk environment of the Supply Partner's business. It shall contain a policy commitment from the Supply Partner's management, as well as providing for effective due diligence and risk assessment, assigning responsibility to relevant and trained personnel, and including monitoring and reporting mechanisms related to all areas of this Supply Partner Code of Conduct. Such a management system shall be continuously reviewed, monitored, and improved, preferably under independent third-party certification. In the case of any improvements, Supply Partner should inform their regular Volvo Group contact. We appreciate this information, which gives us the opportunity to constantly learn and optimise our Supply Partner Code of Conduct.

Any deviation or non-conformity found by the Supply Partner or a third party should be brought to Volvo Group's attention via your regular contact.



Speak up

At the Volvo Group, we encourage external third parties – including but not limited to business partners, customers, Supply Partners, dealers, consultants, and former employees – to promptly report concerns of misconduct, violations of the law, and other unethical behaviours using the Volvo Group Whistle via the QR code below.

Supply partners can also reach the Whistleblowing and Global Investigations Team via email at thewhistle@volvo.com or by writing a letter to:

*Chief Compliance Officer
AB Volvo
Department AA14100, VGHQ6C
SE-405 08 Gothenburg
Sweden*



Whistleblowers may identify themselves or decide to report their concerns anonymously. Reported situations will be investigated diligently and with care. The Volvo Group does not tolerate any kind of retaliation against anyone reporting, in good faith, or assisting in the investigation of a potential violation of the law or of this Supply Partner Code of Conduct.

Due Diligence

Due diligence here refers to Supply Partner's ongoing risk management process to identify, prevent, mitigate, and account for their risks and impacts on climate, resources, people, and business ethics and compliance. The Volvo Group requires every Supply Partner to perform due diligence in the areas covered by this Supply Partner Code of Conduct and/or applicable laws and regulations, including for the purpose of investigating and evaluating the integrity, quality, suitability, and credibility of all its potential business partners. Supply Partner's due diligence efforts shall be in accordance with international standards such as the OECD Due Diligence Guidance for Responsible Business Conduct¹¹ and the UN Guiding Principles on Business and Human Rights. Supply Partner shall include impacts of its own operations and its supply network with a focus on where it has the highest risks of doing harm, and appropriate to company size and circumstances.

Continuous improvement

The Volvo Group believes in continuous improvement and recognises that implementing the standards of this Supply Partner Code of Conduct into the Supply Partner's operations and supply network is a dynamic rather than a static process. It is important to us that our Supply Partners show dedication towards embedding not only the Requirements but also the Expectations into their operations and across their supply network and seek continuous improvement over time in order to be able to show progress in all areas covered by this Supply Partner Code of Conduct.

Implementation

This Supply Partner Code of Conduct and the associated sustainability performance is a key indicator in the Volvo Group Supply Partner qualification and assessment process, and accepting this Supply Partner Code of Conduct is a prerequisite for doing business with us.

Upon being onboarded as a Supply Partner to the Volvo Group, the Volvo Group verifies compliance with the Requirements and Expectations of this Supply Partner Code of Conduct and reserves the right to audit the Supply Partner and its supply network, with regards to compliance with the Supply Partner Code of Conduct, at any point of time during the contract period. Audits may be conducted by employees of the Volvo Group or by an independent third party commissioned by the Volvo Group. Lack of cooperation, failure to address violations of the Requirements of this Supply Partner Code of Conduct and/or non-timely implementation of necessary corrective action plans may result in a reduction in business and, ultimately, an end to the business relationship with the Volvo Group. Supply Partner shall indemnify Volvo Group for all losses, costs, damages, and expenses incurred by the Volvo Group related directly or indirectly to any failure by Supply Partner to comply with the Requirements of this Supply Partner Code of Conduct, as amended from time to time.

¹¹ www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm



People

We believe in building a better future – but we cannot do that alone. As a human-centric company, we are invested in the power of people and know their contribution changes everything. Human rights are fundamental.

Our commitment to respect human rights covers not only our own operations and employees, but also communities near our operations, Supply Partners, and people potentially impacted by the use of our products and solutions. Embedding responsible business practices across the value chain, ensuring transparency and trust, means that we take action together.

Supply Partners of the Volvo Group shall respect all internationally recognized human rights and treat all people with dignity. Supply Partners should especially be aware of and respect the rights of indigenous people, groups in vulnerable and marginalised situations (including but not limited to children and youth, women, persons with disabilities, migrants, minorities, and refugees), and local communities in connection with the Supply Partner's activities and operations.

Supply Partners shall provide employees with a safe, healthy, respectful, and inclusive working environment that minimises the incidence of work-related injuries and enhances the quality of products and services, the consistency of production, and worker retention, morale, and well-being.

This applies to Supply Partner's production facilities, but also to any company-provided accommodation, including but not limited to dormitories or any type of transportation provided by a Supply Partner to its employees.



Modern Slavery and Forced Labour

✓ **REQUIREMENT:** The Volvo Group does not tolerate any forms of modern slavery or forced labour, including but not limited to forced, bonded or compulsory labour and human trafficking. Consequently, Supply Partner, including their recruitment agencies, shall not engage in or tolerate restrictions of movement, recruitment fees, confiscation of identity documents and/or passports, withholding of wages, abusive working conditions, debt bondage, violence or any other kind of exploitation or abuse.

Supply Partner shall have adequate policies, risk awareness, risk assessment and due-diligence processes in place to prevent modern slavery and forced labour throughout its supply network, including remediation plans addressing situations if modern slavery or forced labour is detected.

Supply Partner shall further abide by the ILO conventions No. 29 on Forced Labour and No. 105 on the Abolition of Forced Labour.

🚩 **EXPECTATION:** Supply Partner is encouraged to engage constructively with relevant stakeholders such as non-governmental organisations and industry associations to build awareness and proactively work towards preventing modern slavery and forced labour.

Children's Rights

✓ **REQUIREMENT:** The Volvo Group does not tolerate child labour. Supply Partner shall prevent all forms of child labour and respect children's rights to development, play, and education, in line with the UN Convention on the Rights of the Child¹².

Supply Partner shall have adequate policies, risk awareness, risk assessment and due-diligence processes in place to prevent child labour throughout its supply network, including remediation plans addressing situations if child labour is detected at Supply Partner or any of its subcontractors. The minimum legal working age is the age of completion of compulsory school, but never less than 15 years. Young Workers between the ages of 15–18 years old shall not be exposed to any night or hazardous work that is likely to harm their physical or mental health or safety, or morals, as this may constitute child labour.

🚩 **EXPECTATION:** Supply Partner is encouraged to engage constructively with relevant stakeholders such as children's rights experts, non-governmental organisations, and industry associations to build awareness and proactively work towards preventing child labour, respecting children's rights, and promoting their access to education and healthy development.

Working Hours and Leave

✔ **REQUIREMENT:** Supply Partner shall always respect and comply with applicable laws and collective bargaining agreements, if applicable, on working and resting hours, including overtime working hours, as well as annual, sick, and parental leave, and any other applicable leave regulations. All overtime work by Supply Partner's employees shall be on a voluntary basis and appropriately compensated in accordance with the local laws.

Supply Partner shall further abide by the ILO convention No. 1 and No. 30 on Hours of Work.

Supply Partner is to maintain reasonable working hour schedules for its employees to prevent quality and safety incidents, and to minimise strains on employees' physical and mental health.

🎯 **EXPECTATION:** Supply Partner is encouraged to develop a business model which considers work life balance through time management and regularly reviewing the needs of the employees.

Wages and Benefits

✔ **REQUIREMENT:** Supply Partner shall always pay and provide its employees' wages and benefits that, as a minimum, comply with applicable laws and collective bargaining agreements.

Supply Partner shall provide its employees with information about their employment terms and conditions, including benefits, in a format and language they can easily understand, including a written employment contract and a timely wage statement. Deduction from wages is permitted only if and to the extent prescribed by applicable law, regulations, or collective bargaining agreements.

🎯 **EXPECTATION:** Supply Partner is encouraged to adopt a pay structure that adequately reflects employee skills and experience as well as the living wage standard of the country.

Supply Partner is encouraged to consider ILO convention No. 100 on Equal Remuneration in its procedures and policies.

Supply Partner is encouraged to implement supportive employee benefits to enable a better work life balance.

Non-Discrimination and Fair Treatment

✔ **REQUIREMENT:** Supply Partner shall treat everyone with dignity and respect and provide equal employment opportunities and conditions based on the individual's ability to do the job, regardless of employee or job applicant characteristics, including but not limited to:

- gender, gender identity or expression
- age
- nationality, race, ethnicity, skin colour or cultural background
- religion or belief
- disability, genetics, or health information including pregnancy
- sexual orientation
- union affiliation

Supply Partner shall not tolerate humiliating or physical punishment or allow any employee to be subject to verbal, psychological, physical abuse, or sexual harassment.

🎯 **EXPECTATION:** Supply Partner is encouraged to actively promote diversity and inclusion and provide equitable benefits and working conditions accommodating all categories of human diversity.

Supply Partner is encouraged to engage constructively with relevant stakeholders, such as non-governmental organisations and industry associations, to build awareness and proactively work towards identifying root causes of discrimination.

Supply Partner is further encouraged to consider the ILO convention No. 100 on Equal Remuneration and No. 111 on Discrimination in Employment and Occupation in its procedures and policies.



Freedom of Association and Collective Bargaining

✔ **REQUIREMENT:** All employees shall have the right to lawfully form, join or not join labour unions, bargain collectively, seek representation and join worker's councils in accordance with local law and international conventions.

Employees shall be able to openly communicate and share ideas and concerns with management regarding working conditions and management practices without fear of discrimination or retaliation.

Where local law restricts the right to freedom of association and collective bargaining, Supply Partner shall allow alternative forms of worker representation, association, and bargaining.

➤ **EXPECTATION:** Supply Partner is encouraged to engage in active social dialogue with its employees based on motivation, recognition, and reward in order to stimulate workplace engagement.

Supply Partner is encouraged to engage constructively with relevant stakeholders such as non-governmental organisations, industry associations and worker representatives for sustained relations between employers and workers within the industry sectors or areas of operation.

Supply Partner is further encouraged to consider ILO conventions No. 87 on Freedom of Association and No. 98 Right to Organise and Collective Bargaining in its procedures and policies.

Health, Safety and Well-being

✓ **REQUIREMENT:** Supply Partner shall ensure that its employees' potential exposure to safety hazards, such as machines, equipment, substances, or other chemical, biological or physical agents, are identified, assessed, and controlled through proper design and/or preventative maintenance, and safe work procedures. Hazardous substances in chemical products shall be handled, transported, stored, recycled, and disposed of safely. Where hazards cannot be adequately controlled by these means, employees shall be provided with appropriate personal protective equipment including access to first-aid supplies.

Safety information shall be made available to everyone to educate, train, and protect the employees from safety hazards. A Supply Partner that has employees performing work on Volvo Group premises shall make sure that employees are informed about and comply with local Volvo Group health and safety routines and procedures.

Supply Partner shall have adequate emergency preparedness procedures in place to identify and assess potential emergency situations. Emergency plans, fire safety and response procedures shall be implemented, including employee notification and evacuation procedures, employee training and evacuation drills. Fire safety procedures shall, where available, be periodically reviewed and approved by local authorities.

Supply Partner shall identify, evaluate, control, and reduce employee exposure to ergonomic risks, including but not limited to prolonged standing,



sitting, improper working and/or lifting positions, repetitive movements, or physical load.

Employees shall have ready access to free and clean drinking water, hygienic toilet facilities, hygienic food preparation, storage and eating facilities, adequate ventilation, light, and temperature levels, and acceptable levels of noise and dust pollution. If accommodation is provided, Supply Partner must provide each employee the right to their own bed with gender separation.

Supply Partner shall ensure that well-being is embedded in the organisation's day-to-day operations and culture.

Supply Partner shall implement control measures for psychosocial risks related to work organisation, social factors, work environment, equipment, and hazardous tasks.



📌 EXPECTATION: Supply Partner is encouraged to work pro-actively with a long-term health and safety strategy, which includes aspects on age, disability, gender, and religion, both from a physical and mental health risk perspective.

Supply Partner is encouraged that strategies for eliminating hazards, reducing psychosocial risks and promoting well-being should be developed in consultation with employees and, where they exist, worker representatives.

Supply Partner is encouraged to involve concerned employees when designing or redesigning workplaces as well as to include workplace ergonomics in health and safety committees with employee representation. Employees performing work on Volvo Group premises are encouraged to identify and report actual and potential unhealthy and unsafe working conditions and to bring them to the Volvo Groups' attention.

Supply Partner is encouraged to consider ILO conventions No. 155 on Occupational Safety and Health and No. 187 on Promotional Framework for Occupational Safety and Health in its procedures and policies.

Supply Partner is encouraged to utilise the Occupational health and safety management – Psychological health and safety at work – Guidelines for managing psychosocial risks¹³.

Supply Partner is encouraged to apply the standards as outlined by the Truck Transport Social Guidelines¹⁴. In particular to provide ready access for truck drivers delivering goods to and picking up goods at Supply Partner's premises to free and clean drinking water, hygienic toilet, and waiting facilities.

¹³ ISO 45003:2021, IDT <https://www.sis.se/api/document/get/80029829>

¹⁴ <https://www.csreurope.org/responsible-trucking>



Resources

The planet's resources are finite, and therefore every business must rethink existing production and consumption patterns. Taking care of our planet's resources means implementing a circular business approach and improving environmental resource management as well as material efficiency throughout the entire life cycle. The life cycle stages include extraction of raw materials, design, production, transportation/delivery, use, end-of-life treatment, and final disposal. It means to source materials responsibly without risk of contribution to adverse impacts such as human rights violations, conflict, or climate change. With water being a scarce natural resource that is expected to become even more scarce in the future, it's about addressing water management plans to maximise efficiency and to ensure safe usage. In addition, biodiversity protection, through regulations and management plans, is essential to ensure that the land, the forest, the waterways and more continue to renew and replenish for a living world.

Supply Partners of the Volvo Group shall conduct responsible supply chain management of any materials critical to the industries in which the Volvo Group operates, and in particular of those from conflict-affected and high-risk areas, including water management and substances of concern.

Supply Partners shall utilise circular business models designing out waste and pollution, and keeping materials in use phase. The use of virgin materials shall be minimised by the use of circular strategies.

Supply Partners shall implement strategies which ensure minimal loss of biodiversity as well as contributing to a replacement of biodiversity.

Responsible Sourcing of Minerals and Materials

✓ **REQUIREMENT:** The Volvo Group requires all Supply Partners to exercise adequate due diligence following the OECD Due Diligence Guidelines for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas¹⁵. The Volvo Group requires specific focus on the sourcing, extraction and handling of tantalum, tin, tungsten, gold, hereinafter referred to as “Conflict Minerals”, as well as cobalt. Supply Partner shall upon request from the Volvo Group submit a valid CMRT (Conflict Mineral Reporting Template) and/or CRT (Cobalt Reporting Template) report.

Supply Partner shall have a policy and due diligence process in place to ensure that any of these minerals contained in the products manufactured by the Supply Partner do not directly or indirectly finance or benefit armed groups that are perpetrators of human rights abuses, or in any other way directly or indirectly contribute to human rights violations. We require Supply Partner to ensure that all smelters and refiners in its Conflict Minerals and cobalt supply network take part and actively engage in third party audit programs and to provide any information on such smelters and refiners upon request to the Volvo Group.

Supply Partner shall also perform adequate due diligence for other materials that are identified by the Volvo Group as directly or indirectly contributing to violations of human rights and/or climate change, including making a reliable determination of the origin and source of such materials.

Supply Partner shall not directly or indirectly procure minerals or materials that contribute to illegal deforestation, and all timber products shall be either FSC¹⁶ or PEFC¹⁷ certified, sourced from plantation, or recycled timber, or licensed under the FLEGT¹⁸ system.

Supply Partner shall furthermore not procure minerals or materials that are mined from the deep seabed or are sourced without respecting indigenous people (including their right to prior and informed consent), including to financing any of the activities mentioned above directly or indirectly.



➤ **EXPECTATION:** Supply Partner is encouraged to take a holistic and circular approach for their raw material supply chain by looking for innovative solutions and circular flow of material throughout the design and manufacturing process. The Volvo Group welcomes initiatives and ideas enabling us and industry to evaluate any holistic sustainable impact improvements for our common products and services.

At all times, we encourage our Supply Partners to adhere to the precautionary principle by, when suitable alternatives are available, substituting materials and methods posing potential environmental or health related risks.

The Volvo Group further encourages Supply Partner to consider biodiversity, including ecosystems and habitats, and to avoid harmful soil modifications within their material supply chain. The Volvo Group welcomes Supply Partner to constructively engage with relevant stakeholders, such as subject matter experts, scientists, and non-governmental organisations, to understand and improve its impact on biodiversity, ecosystems, and habitats both on land and deep sea.

¹⁵ <https://www.oecd.org/corporate/mne/mining.htm>

¹⁶ <https://fsc.org/en/forest-managers>

¹⁷ <https://www.pefc.org/>

¹⁸ <https://flegtlicence.org/www.flegtlicence.org/th/home.html>



Circular Economy and Waste Management

✔ **REQUIREMENT:** To enable the transformation of our industry from a linear to a circular economy, Supply Partner shall continuously demonstrate accountability and make efforts to optimise and explore circular business models for the products delivered to the Volvo Group, including its packaging, all in accordance with internationally recognised circular principles.

Supply Partner shall monitor, track, and treat liquid and solid waste generated by its operations, industrial processes and sanitation facilities, and foster opportunities for improvement and minimised waste.

Supply Partner shall – in agreement with the Volvo Group – use market available recycled

material for the production of their products delivered to the Volvo Group, with the ambition to transition to a circular material flow.

Supply Partner shall apply circular strategies to their processes and waste management to avoid any kind of waste ending in landfill or polluting rivers, oceans, and waters, to the best of their technical ability.

Supply Partner shall monitor, track, design and optimise the composition of their packaging material which becomes waste at the Volvo Group in line with the Volvo Group packaging standards, e.g., utilising non-complex materials and/or materials for which there are locally established recycling markets available.



📍 EXPECTATION: In Supply Partner's transformation journey towards circularity and efforts to continuously optimise their business, Supply Partner is encouraged to specifically emphasise proactive design for circularity with focus on materials and minerals based on the circular 9R-framework. The 9R-framework¹⁹ defines levels of circular activities from Recover and Recycle over Remanufacture and Reuse towards Reduce and Refuse.

The Volvo Group furthermore stimulates innovative circular business models where Supply Partner is extending and optimising the product use phase and maximises the product reusability.

Supply Partner is encouraged to implement a waste management strategy that targets, in order of priority: (1) prevention, (2) reduction, (3) reuse, (4) recycling, (5) energy recovery, (6) incineration without energy recovery, and (7) landfill/disposal of waste in a safe and environmentally responsible manner.

19 https://www.researchgate.net/figure/The-9R-Framework-Source-Adapted-from-Potting-et-al-2017-p5_fig1_320074659

Water Management

✓ **REQUIREMENT:** Supply Partner shall monitor, track, and document its consumption of water to be able to identify aspects that Supply Partner can control and influence, fostering opportunities for improvement, minimised consumption and reuse to close the loop.

Supply Partner shall use and process water responsibly, being of most importance to Supply Partners located in areas affected by water scarcity and/or Supply Partners with high water consumption.

The Supply Partner shall ensure that the collection, use and reuse of water and rainwater is considered in their production processes and water management.

Supply Partner shall furthermore treat and clean all wastewater from its operations to a minimum level in accordance with applicable local legal requirements.

➤ **EXPECTATION:** Supply Partner is encouraged to implement a long-term water management strategy with clear targets on how to protect water as a resource, improve water use efficiency, reduce consumption, and maintain good water quality through responsible treatment of wastewater discharges.

Supply Partner is further encouraged to engage constructively with relevant stakeholders such as water management experts and non-governmental organisations to understand and improve its impact on safe and resilient water supplies, including inter-linked impact on biodiversity and ecosystems.

Substances of Concern

✓ **REQUIREMENT:** Supply Partner shall identify and declare potentially harmful substances as well as other critical materials in products delivered to the Volvo Group, and upon request by the Volvo Group work actively to eliminate and phase out any such identified substances of concern. Substances and critical materials included in products or services delivered to the Volvo Group must be in line with and fulfil the requirements as stated in the Volvo Group standards 100-0002, 100-0003 and 100-0005, also known as the Volvo Black, Grey, and Red lists, including any updates thereof²⁰.

Supply Partner shall track and follow up on substances of concern and critical materials. Material Data Sheet (MDS) registration is mandatory in due time for all parts and materials delivered to the Volvo Group, regardless of design date, application of the part or material, and including spare parts and parts for customer adaptation. Supply Partner is responsible to ensure that the MDSs are updated and reflect the true content of the part delivered to the Volvo Group.

➤ **EXPECTATION:** Volvo Group has the ambition to phase out Substances of Very High Concern (SVHC) and any other substances fulfilling the criteria of being a SVHC under EU REACH legislation. Supply Partner is encouraged and expected to pro-actively work together with the Volvo Group in this ambition, e.g., evaluating and proposing sustainable alternatives to minimise the dependency of such substances.

²⁰ For reference, please access via <https://www.volvogroup.com/en/suppliers/our-supplier-requirements.html>

²¹ <https://www.iucnredlist.org/>





Biodiversity protection

✓ **REQUIREMENT:** Supply Partner shall implement an appropriate assessment of the impact and necessary mitigation measures for sites potentially impacting a protected area in terms of biodiversity.

Supply Partners shall avoid contributing to and benefiting from the unlawful conversion of natural ecosystems.

Supply Partners shall avoid using products made from or originating from endangered species. Supply Partner may only use materials originating from species that are classified as “least concern (LC)” by the IUCN Red List²¹.

Supply Partner shall also implement adequate policies, due diligence, risk awareness, risk assessment and risk mitigation processes in regard to commodities with high risk of causing deforestation throughout its supply network.

➤ **EXPECTATION:** Supply Partner is encouraged to assess their impact on biodiversity across the entire value chain and take a zero-harm approach, by avoiding activities that endanger ecosystems.

Supply Partner is encouraged to set clear, measurable goals for how they will reduce their negative impact on biodiversity and how they will contribute to restoring ecosystems.

Supply Partner is encouraged to minimise their impact and actively work to restore natural environments that have been harmed by investing in nature-based solutions and “giving back more than you take”.



Climate

This is the deciding decade, with climate change being one of the biggest challenges of our time. The Volvo Group recognises the importance of remaining within the boundaries of the planet, to avoid passing irreversible tipping points, where a transition to a low carbon economy is critical. Our ambition of a net-zero supply network means that together, with our Supply Partners, we can make a difference and build a future for tomorrow.

To tackle the climate challenge, the Volvo Group expects its Supply Partners to join our journey towards the goal of the UNFCCC Paris Agreement and lead our industry in the transformation towards a net-zero greenhouse gas emissions value chain by 2040.

Supply Partners shall reduce their negative impacts by protecting the environment and minimising greenhouse gases (GHG) from their industrial activities including their supply network.



Net-Zero Supply Network

✔ **REQUIREMENT:** Supply Partner shall establish a plan to reach net-zero greenhouse gas (GHG) emissions in its operations and supply network by 2040 at the latest. To reach this target, all Supply Partners shall set and implement science-based targets covering scope 1, 2, and 3 emissions, as defined by the Greenhouse Gas Protocol Corporate Standard²². The targets and plan shall be aligned with the 1.5 Celsius degree scenario, as presented by the UNFCCC Paris Agreement.

The plan shall be relevant for Supply Partners' core business and contribute to relevant industry initiatives. Supply Partner shall monitor, track, and document the progress of such plan, and pro-actively or upon request by the Volvo Group be open and transparent about its GHG emissions in accordance with above, including the results and progress of the emissions reduction plan of the Supply Partner and its supply network.

Supply Partner shall provide quality assured carbon footprint calculation, covering Supply Partner's products and supply network from cradle to Supply Partner gate, through, e.g., Life Cycle Assessment (LCA) or Environmental Product Declaration (EPD).

Supply Partners should be aware that a non-commitment to a net-zero value chain by 2040 could result in the reduction in business and, ultimately, an end to the business relationship with the Volvo Group.

📌 **EXPECTATION:** Supply Partners are encouraged to have GHG emissions reduction targets verified by the Science Based Targets initiative²³. The mitigation hierarchy for Supply Partner's net-zero supply network roadmap should preferably start with (1) elimination of GHG emissions through energy efficiency and introduction of new concepts and technologies as top priority, (2) replacing fossil GHG emissions with biogenic GHG emissions and (3) neutralisation activities as a last resort when all other options are exhausted. Supply Partner is advised to engage with their supply network partners to encourage and support their efforts in setting and achieving science based GHG emissions reduction targets.

Supply Partners are encouraged to join the First Movers Coalition (FMC²⁴), a coalition of companies, led by the World Economic Forum, using their collective purchasing power to accelerate innovative clean technologies needed for GHG emissions reduction. The Volvo Group is a founding member of the FMC as we believe in its vision to use collective purchasing demand towards more sustainable solutions to accelerate green innovations.

The Volvo Group further encourages Supply Partner to take a holistic and circular approach to reduce climate impact by looking for innovative solutions and circular flow of material throughout the design and manufacturing process. The Volvo Group welcomes initiatives and ideas enabling us and our industry to evaluate any holistic climate impact improvements for our common products and services.

²² <https://ghgprotocol.org/corporate-standard>

²³ <https://sciencebasedtargets.org/>

²⁴ <https://www.weforum.org/first-movers-coalition>

Net-Zero Logistics

✓ **REQUIREMENT:** Supply Partner shall work to support the net-zero greenhouse gas supply chain by having strategies in place for decarbonised logistics.

Supply Partner shall optimise freight transport mode and increase asset utilisation to reduce GHG emissions.

➤ **EXPECTATION:** Supply Partner is encouraged to improve fleet energy efficiency and to reduce the carbon content of energy used.

Energy Consumption and Usage of Renewable Energy

✓ **REQUIREMENT:** Energy consumption is a heavy contributor to climate change. To fulfil the challenges of a net-zero GHG emissions supply chain, the Volvo Group requires all Supply Partners to monitor and reduce their energy consumption and to advance the use of renewable and alternative energy sources for their operations and logistics system.

Purchasing or establishment of renewable energy sources under the responsibility of Supply Partner, for example windmills or solar panels, must always consider and respect the rights of local communities and indigenous people, including their right to prior and informed consent.

➤ **EXPECTATION:** Parallel to Supply Partner's efforts to minimise energy consumption, the Volvo Group encourages Supply Partner to choose the lowest carbon footprint alternative. For electricity, heating, and cooling this means excluding fossil sources such as coal, natural gas, or oil and switching to renewable sources either at site or by contracting renewable energy traceable via Energy Attribute Certificates (EACs) or similar.



Business Ethics and Compliance

The Volvo Group believes that earning and retaining business fairly and in compliance with applicable legal requirements is essential to build trust with customers, business partners, and society at large. The Volvo Group requires its Supply Partners to honour the values of uncompromising integrity, fairness, and transparency and to always operate honestly and equitably throughout their operations and business relationships, as a condition to doing business with the Volvo Group.



Business Ethics

✓ REQUIREMENT: Supply Partner shall always uphold the highest level of business ethics and compliance in all business interactions and disclose details of its corporate structure when requested by the Volvo Group.

Conflicts of Interest

Supply Partner shall do business in an open and transparent way avoiding conflicts of interest that could interfere with objective and professional decision making.

For that purpose, Supply Partner must disclose any situation where a Volvo Group employee or professional under contract with the Volvo Group may have a personal interest of any kind in the Supply Partner's business or any kind of economic ties with the Supply Partner.

Similarly, Supply Partner must report to the Volvo Group any ownership or financial interest held in the Supply Partner by a government official that is affiliated with a Volvo Group customer.

Anti-Corruption and Anti-Money Laundering

Supply Partner shall not engage in, endorse, nor tolerate any form of bribery or corruption, directly or indirectly.

Supply Partner shall not offer nor accept any form of improper benefit to or from a third party – private or public – with the purpose of obtaining or retaining business or any form of preferential treatment.

Supply Partner shall also refrain from proposing to the Volvo Group any form of improper benefit. Such benefits may comprise not only cash but also job opportunities, favours, travel, facilitation payments, promises to pay debts, or unlawful gifts and entertainment.

Supply Partner shall have adequate policies, risk awareness, risk assessment, and due diligence processes in place, to prevent bribery and corruption or money laundering in its dealings or in its supply chain.

Supply Partner agrees to abide by and comply with all relevant anti-money laundering laws and regulations as well as any laws designed to ensure financial transparency.

Supply Partner shall also implement effective internal controls.

Confidentiality and Intellectual Property Rights

Supply Partner shall respect the Volvo Group confidential information and intellectual property rights by safeguarding against misuse, mis-handling, counterfeit, theft, fraud, or improper disclosure in accordance with applicable law and the Volvo Group contractual terms.

Export Controls and Economic Sanctions

Supply Partner shall conduct its business with the Volvo Group in compliance with all applicable export control regulations, economic sanctions, embargoes, and other trade restrictions.

Supply Partner shall not perform any act which would cause the Volvo Group to be in violation of or exposed to adverse consequences under these regulations.

Supply Partner represents that neither Supply Partner, nor any of its affiliates, directors, officers, or agents, are designated for sanctions or export control restrictions (denied or restricted party).

Supply Partner shall not supply to the Volvo Group any goods, software, technology, technical data, or services that are sourced from a restricted party or that have trans-shipped or transited through a country that is subject to sanctions.

Supply Partner shall implement a whistleblower process where its employees and external third parties can (anonymously or not) raise any concerns of misconduct without fear of retaliation.

➤ EXPECTATION: Supply Partner is encouraged to implement an information management strategy, including proper levels and thresholds as well as records and indicators for proper business ethics and compliance across its supply network.

Fair Competition

✔ **REQUIREMENT:** Supply Partner shall respect and comply with all applicable fair trade, competition and anti-trust laws and regulations and shall not have any anti-competitive discussions or enter into any anti-competitive agreements, including illegal price-fixing, market sharing, customer allocation, or other illegal restrictive practices, at any level of the production or distribution chain.

🎯 **EXPECTATION:** Supply Partner is encouraged to implement a corporate or group-wide compliance program on fair competition applicable to all of Supply Partner's affiliate organisations.

Data Privacy

✔ **REQUIREMENT:** Whenever a Supply Partner is entrusted with any personal data, Supply Partner shall safeguard it and take appropriate steps to protect it from misuse. All applicable data privacy laws as well as the contractual terms with the Volvo Group shall be observed and complied with when collecting, storing, using, processing, or sharing personal data.

🎯 **EXPECTATION:** Supply Partner is encouraged to implement a risk-based process to identify threats to privacy, and to act upon any threats or risks identified.

Information Security

✔ **REQUIREMENT:** Supply Partner shall safeguard Volvo Group information and take appropriate steps to protect its confidentiality, integrity, and availability.

Supply Partner shall follow international best practices for cybersecurity, such as ISO/IEC 27000 or equivalent, including monitoring processes, to protect Volvo Group information from breaches, cyber-attacks, or cyber-incidents.

In case information security has been violated, e.g., through cyber-attacks, the Supply Partner has the obligation to inform the Volvo Group immediately.

This includes events which put the Supply Partner's ability to serve the Volvo Group's delivery requirements at risk, as well as the risk of data leakage.

🎯 **EXPECTATION:** Supply Partner is encouraged to implement an information security management system and cybersecurity guidelines, which includes self-assessment and testing of resistance to internal and external threats; execution of training internally on cybersecurity; and a mitigation plan in case of cyber-attack or cyber-incident.

Supply Partner is further encouraged to demonstrate accreditation with a recognised information security certification, such as ISO/IEC 27001 or equivalent certification or report.



V O L V O