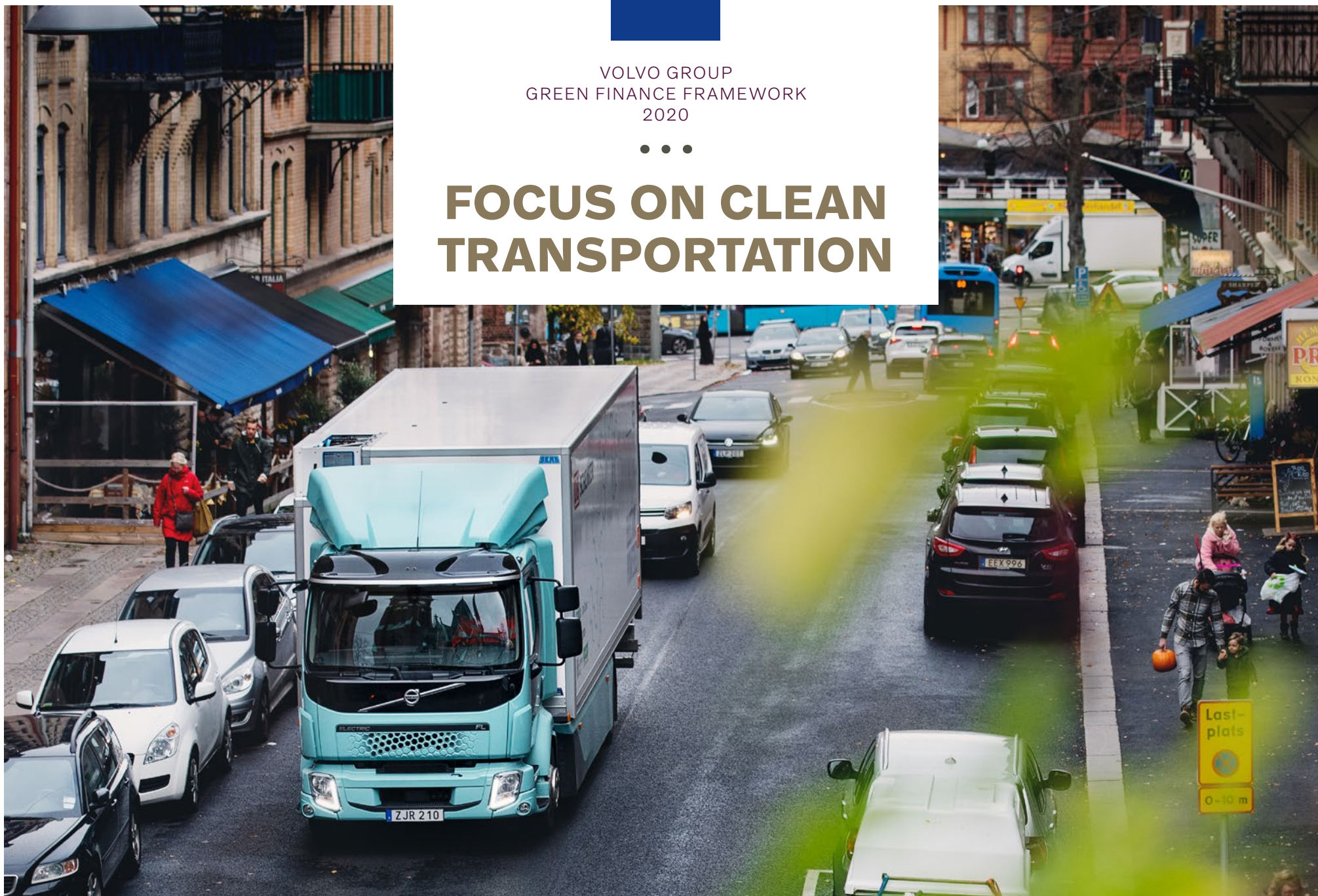


VOLVO GROUP
GREEN FINANCE FRAMEWORK
2020



FOCUS ON CLEAN TRANSPORTATION



CONTENTS

Introduction	3
Fossil-free transport solutions	4
One global agenda.....	4
Sustainability priorities and ambitions.....	5
Achievements related to climate.....	5
Climate – Towards fossil-free transport solutions.....	5
Resources.....	7
People	7
Rationale for green financing	8
1. Use of proceeds.....	9
Eligible categories and asset descriptions.....	9
2. Process for project selection and evaluation	10
3. Management of Proceeds	10
4. Reporting	10
Allocation reporting.....	10
Impact reporting.....	11
5. Verification.....	11



INTRODUCTION

Founded in 1927, the Volvo Group drives prosperity through transport and infrastructure solutions, offering trucks, buses, construction equipment, power solutions for marine and industrial applications, financing and services that increase our customers' uptime and productivity. The Volvo Group is committed to shaping the future landscape of sustainable transport and infrastructure solutions.



The Volvo Group is committed to the ambition of the Paris Agreement.



FOSSIL-FREE TRANSPORT SOLUTIONS

The Volvo Group is committed to the ambition of the Paris Agreement, targeting a fossil-free transport industry by 2050. For decades, the Volvo Group has worked with customers, trade associations, academics and governments to further develop knowledge and capacity in relation to sustainable transport and is in the process of developing a wide range of solutions to meet the requirements of the future transportation system. It will be critical to scale up fossil-free transport and infrastructure solutions during the next decade in order to meet the United Nations' and EU goals for climate change mitigation.

Green financing is a way for the Volvo Group to connect its sustainable transport product and solutions strategy with its funding strategy. It encourages further stakeholder engagement and a deepened dialogue with investors, shareholders, customers and suppliers alike on how sustainability is integrated into the Volvo Group's business model. At the same time, green financing may enable the Volvo Group to attract an extended set of investors in its funding.

VOLVO GROUP GREEN FINANCE FRAMEWORK

As part of our commitment to sustainability, this Green Finance Framework (the Framework) has been developed. The structure of the Framework is in line with the four key pillars of the ICMA Green Bond Principles (GBP) and LMA and APLMA Green Loan Principles (GLP), which are as follows:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting

The Volvo Group intends to follow market practice in relation to Green Bonds and Loans and will work to reflect best practice developments in this space, including those that arise as the EU Taxonomy and the EU Green Bond Standard gain further traction. Our Green Finance Framework may be amended or updated from time to time to reflect any such changes in market practice.

ONE GLOBAL AGENDA

The United Nations Sustainable Development Goals (SDGs), adopted by United Nations' member states in 2015, outline the world's common agenda for 2030. The Volvo Group is supporting the development of all 17 of the SDGs, as these all have some connection to our business.

Several topics, such as striving for equal opportunity and fighting corruption, are universal for all enterprises. Beyond these universal responsibilities, the Volvo Group focuses on those goals where our business activities can make most impact.

In this Green Finance Framework, the focus is on clean transportation and infrastructure.

As a signatory of the UN Global Compact since 2001, the Volvo Group's work to support sustainable development takes a broad approach. Throughout our business, the Volvo Group has operated pursuant to our Code of Conduct, the guiding principles of which are based on international conventions and standards such as the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights and the International Labour Organization's (ILO) Fundamental Principles and Rights at Work. In 2010 the Volvo Group was the first company in the automotive and transport sectors to join the WWF Climate Savers program.

In our work, we identify clean transportation impacts primarily in the following SDGs:

- Affordable and clean energy**
 - 7.3 Double rate of energy efficiency
- Industry, innovation and infrastructure**
 - 9.4 Sustainable infrastructure and adoption of clean technologies
- Sustainable cities and communities**
 - 11.2 Sustainable transport systems
- Responsible consumption and production**
 - 12.2 Efficient use of natural resources
- Climate action**
 - 13.3 Awareness on climate change mitigation

SUSTAINABILITY PRIORITIES AND AMBITIONS

The strategic work to progress Volvo Group's sustainability performance revolves around three main areas – Climate, Resources and People.





Climate

Defining our activities and ambitions to reduce greenhouse gas emissions from operations as well as from the use phase of our products.


Climate – Towards fossil-free transport solutions

We are committed to the goals set by Paris climate agreement and we believe that transport can transition to become fossil-free by 2050. The Volvo Group's ambition is to increase electric vehicle sales to 35% by 2030. Battery electric medium-duty trucks are already in serial production in Europe and the development of the battery electric offer is progressing in all of the Group's business areas. Our aim is to also have a hydrogen powered fuel cell electric heavy-duty offer available during the second half of this decade.

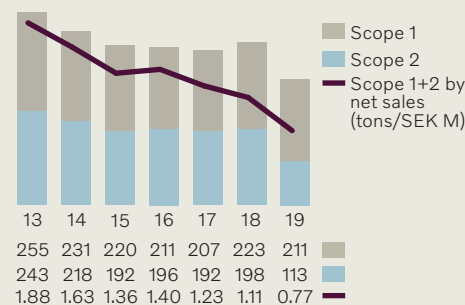
Our scenario analyses show that sustainable biofuels may also be critical in certain applications to achieve the transition to a fossil-free transport sector by 2050. The Volvo Group invests in research and development of vehicles that can be powered by such alternative fuels, and offer vehicles that can be powered by for example biogas and hydrogenated vegetable oils in certain markets. A challenge with the use of alternative fuels is avoiding potential adverse effects on biodiversity and food security. However, when produced correctly, such fuels are derived from residual waste and circulated into fuels for a second life without the production of additional fossil greenhouse gas emissions.

Achievements related to climate

The Volvo Group has issued sustainability reports since the 1990s. In 2000, the Group adopted the GRI framework for sustainability reporting, which has now developed into one of the most recognized standards for impact reporting. In addition, the Volvo Group uses the Greenhouse Gas Protocol Corporate Standards for emissions reporting, and the results of our emissions and energy usage in our production are subject to third party assurance.

SUPPORTING GLOBAL CLIMATE AMBITIONS	PRODUCTION	FREIGHT TRANSPORTS	CUSTOMER USE PHASE	<h1 style="font-size: 2em; margin: 0;">+14</h1> <p style="font-size: 0.8em; margin: 0;">magnifying initiatives, with the WWF Climate Savers program</p> <hr style="border: 0; border-top: 1px solid #ccc;"/> <p style="font-size: 0.8em; margin: 0;">Follow up on volvogroup.com/climate</p>
Volvo Group objectives 2015–2020	<h2 style="font-size: 1.5em; margin: 0;">150</h2> GWh Implement 150 GWh of energy saving activities	<h2 style="font-size: 1.5em; margin: 0;">-20%</h2> Reduced CO ₂ emission per output by 20%	<h2 style="font-size: 1.5em; margin: 0;">-40</h2> M tons Cut estimated customer CO ₂ emissions by 40 millions tons	
Achievements by year-end 2019	<h2 style="font-size: 1.5em; margin: 0;">170</h2> GWh	<h2 style="font-size: 1.5em; margin: 0;">-18%</h2>	<h2 style="font-size: 1.5em; margin: 0;">-34</h2> Mton	

Scope 1 and 2 CO₂ emissions, kton CO₂



Source: Volvo Group Annual and Sustainability Report 2019.

Since 2013, we have reduced greenhouse gas emissions from our production operations by 35%. At the same time, our net sales have increased by 60%. From 2015-2019, Volvo Group products have helped to reduce over 30 million tons of CO₂ though increased efficiency.

The above objectives were established in 2014, when Volvo Group entered its second five year commitment with WWF Climate Savers and run until the end of 2020. The Volvo Group is in the process of establishing new objectives in line with the ambition of the Paris climate agreement. As part of this process we have committed to the Science Based Targets initiative.

Efficiency and productivity are important regardless of the energy source. One of our objectives is to reduce the CO₂ emissions from our own freight transports per produced unit by 30% by 2025, as against a 2018 base year. Actions to achieve this includes increased CO₂ efficiency in vehicles, better utilization of transports such as maximizing fill rates and optimize routes.

In addition to technical solutions, our ambition is to intensify our collaborations with other players in this area to help increase the speed at which fossil-free, competitive transport and infrastructure solutions can be deployed at scale. The Volvo Group intends to commercialize technologies in new business models to create customer value, and by doing so significantly increase the productivity in our customers' logistics operations.



We are committed to the Paris Climate Agreement and we believe that transport can be fossil-free by 2050.





People

Defining our ambitions to deliver safety, our work in the areas of human rights and how to use the full potential of our diversity.

People

The Volvo Group's products are made by people for people and safety comes first. This applies both to our products as well as in our operations.

In the product use phase, the Volvo Group has developed and continues to develop state-of-the-art transport safety solutions related to active and passive safety systems. We support a range of activities aimed at increasing road safety behavior around the



world and strive to have a positive impact on drivers and other professionals, as well as pedestrians and passengers. Our vision is to have zero accidents at work and arising from the use of the Volvo Group's products.

We invest in our people to strengthen competence, encourage development and to provide the skills necessary to help meet future needs. In the Volvo Group, we expect mutual respect, free from all forms of discrimination and harassments among colleagues and between company representatives and business partners. Equal opportunities and offering equal pay for equal work forms the foundation of good employment practices. We firmly believe that leveraging diversity drives business success, as it allows all of us to contribute to our full potential. Women are under-represented in the automotive industry, and in the Volvo Group, we have now set a target to have 35% female leaders by 2030.

We are continuously working to build and be part of environmentally and socially sustainable value chains. We have zero tolerance for corruption and bribery, and are committed to respect human rights. We work in close partnership with our supply chain partners, distributors and customers. At the same time, it is important for us to identify and mitigate sustainability risks with focus on due diligence across the value chain, building awareness and collaboration. The overall purpose is for our colleagues and business partners to embed responsible business practices across the value chain.

The Volvo Group is active in a range of industry and cross industry collaborations together with academics, peers, customers, suppliers, governments and regions. Our key collaborations are focused on climate-related issues and include partnerships such as WWF Climate Savers, the Global Battery Alliance and the Responsible Minerals Initiative. The Volvo Group also works with several aid organizations to increase or improve vocational school programs for commercial drivers and mechanics. These activities are designed to create positive impacts such as making people self-sufficient, helping customers to gain access to trained professionals and to improve road safety.



Resources

Defining our actions, plans and ambitions to improve resource efficiency and circularity.

Resources

Resource efficiency is increasingly important for all companies in the manufacturing sector. The Volvo Group is considering the entire life-cycle of its products and is continuously developing ways to repair, recover, recycle, reuse, and reduce packaging and design for resource efficiency and circularity.

The Volvo Group is focusing its efforts on reducing dependency on materials and substances of concern throughout the product value chain. Our ambition is to reduce dependency of substances of concern and put in place safe handling procedures for all materials used in our product value chain. We are collaborating with suppliers to build a dedicated Sustainable Minerals Program. As part of this work, the Volvo Group is an active member of the Responsible Minerals Initiative as well as the Global Battery Alliance.

Environmental efficiency is a key priority in the Volvo Group's operations. The use of renewable energy has steadily increased to 48% globally by year-end 2019 and the target is to reach 65% by 2025. Since 2015, we have implemented energy-saving projects that together save 170 GWh per year. Energy and resource efficiency will continue to be among the most important internal actions to reduce the environmental footprint from Volvo Group's operations. We have set as a target to transform 55 sites to have zero waste to landfill by 2025. The Volvo Group continuously looks to broaden the scope of its remanufacturing offering and is targeting increasing its remanufacturing business by 60% over the next five years. This is in line with the Volvo Group's strategy to significantly increase service-based business models, which are critical for resource efficiency and circularity.

The full scope of the Volvo Group's sustainability work is available on volvogroup.com/sustainability.

RATIONALE FOR GREEN FINANCING

Green financing is a way for the Volvo Group to connect its sustainable transport product and solutions strategy with its funding strategy. It encourages further stakeholder engagement and a deepened dialogue with investors, shareholders, customers and suppliers alike on how sustainability is integrated into the Volvo Group's business model. At the same time, green financing may enable the Volvo Group to attract an extended set of investors in its funding.

1. USE OF PROCEEDS
2. PROCESS FOR PROJECT SELECTION AND EVALUATION
3. MANAGEMENT OF PROCEEDS
4. REPORTING
5. VERIFICATION



1 USE OF PROCEEDS

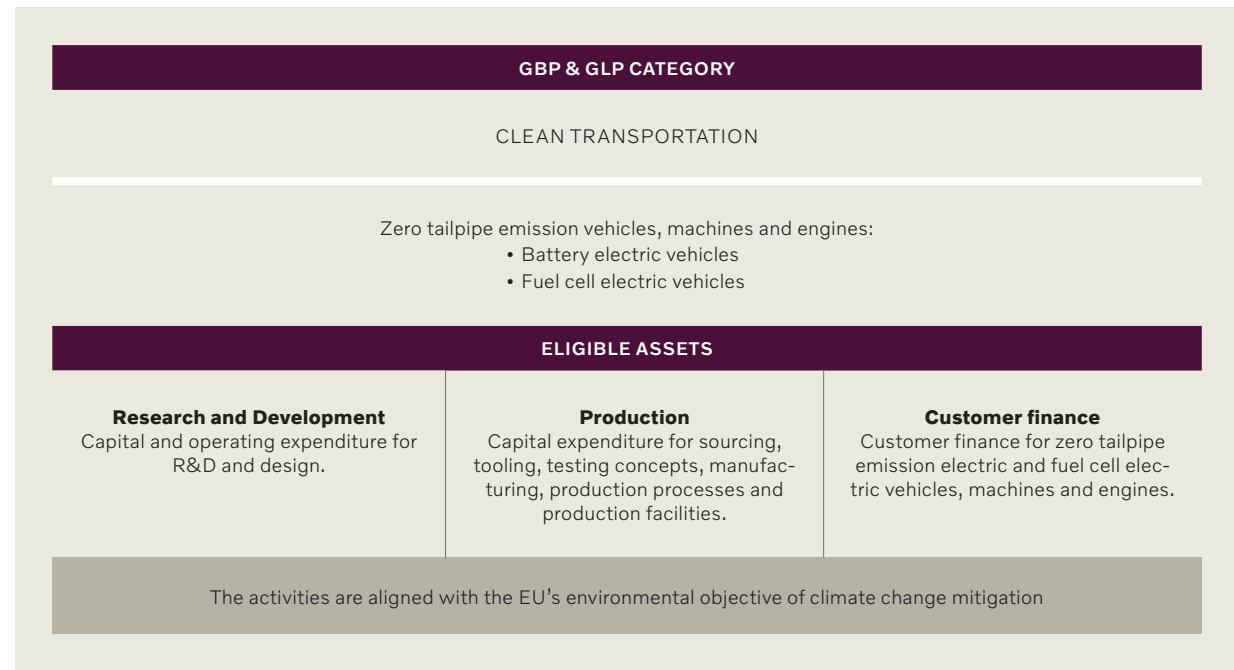
The Volvo Group will use the proceeds raised by our green financing to finance, in whole or in part, assets that meet the eligibility criteria set forth in this Framework (Eligible Assets, please see the below), that promote the transition to a low-carbon transportation future and climate resilient growth, as determined by the Volvo Group. Such projects will mainly target the objective of climate change mitigation by focussing on the electrification of vehicles and equipment, as well as the provision of energy-efficient customer solution services. The proceeds raised from financing raised with reference to this Framework (Green Financing) can be applied towards new assets, refinancing¹ existing assets and acquisitions in accordance with this Green Finance Framework. The Volvo Group has established this Framework to enable the issuance of Green Financial Instruments, such as Green Bonds and Green Commercial Papers, and to take up Green Loans.

Eligible categories and asset descriptions

Clean transportation includes the development, production and customer finance of vehicles, machines and engines with zero tailpipe emissions such as:

- Battery electric vehicles (BEV).
- Fuel cell electric vehicles (FCEV).

Investments in clean transportation fall into three categories



¹ Refinancing is defined as the financing of Eligible Assets that have been taken into operation more than one year, but less than two years before the time of approval by the Green Finance Committee.

2 PROCESS FOR PROJECT SELECTION AND EVALUATION

The Volvo Group has established a Green Finance Committee (“GFC”) to evaluate and select Eligible Assets and to allocate Green Financing to such assets. The Green Finance Committee is responsible for the ongoing monitoring of the Green Asset Portfolio (consisting of Eligible Assets financed through Green Financing), for replacing investments that no longer meet the eligibility criteria, for the reporting of environmental outcomes and for updating the Green Finance Framework. The GFC will meet when required and as a minimum on a bi-annual basis and the Green Asset Portfolio will be reviewed and updated on a quarterly basis.

The Green Finance Committee consists of senior representatives from:

- Group Finance;
- Group Trucks Technology;
- Corporate Responsibility;
- Corporate Legal; and
- The Group’s Environmental Director.

Decision-making is made on a unanimous basis. Any future updates of the Green Finance Framework must be approved by the GFC.

In selecting Eligible Assets and allocating Green Financing, the GFC will also consider aspects such as human and labour rights and the avoidance of significant harm to the other environmental objectives defined in the EU Taxonomy, to the extent possible.

3 MANAGEMENT OF PROCEEDS

An amount equal to the net proceeds of any Green Financing raised will be credited to an earmarked register and tracked separately in order to support the Volvo Group’s financing of the Green Asset Portfolio. As long as any Green Financing is outstanding, funds may be deducted from the earmarked register and used for the financing of Eligible Assets. The earmarked register will ensure the monitoring and tracking of proceeds.

All green customer finance loans will be identified electronically in the Volvo Group’s internal systems. Group Treasury will ensure that relevant approvals are obtained and records are kept of all product models that are eligible for such loans. Each time a new eligible product model is introduced and added to the record, the customer finance organisation will be informed accordingly.

If, for any reason, an Eligible Asset ceases to comply with the eligibility requirements set out in the Green Finance Framework, the asset will be removed from the Green Asset Portfolio and no further proceeds from Green Financing will be allocated to such asset. Proceeds so removed may be allocated to other Eligible Assets, or may be held in cash pending future allocation. Green Financing not yet to allocate to Eligible Assets will be held by Volvo Group Treasury in cash.

4 REPORTING

The Volvo Group will provide and make available an investor report on its Green Asset Portfolio annually (a Green Finance Investor Report). The Green Finance Investor Report will cover allocation and impact reporting, as detailed below.

Allocation reporting

The Volvo Group aims to report, where feasible and subject to data availability and competition and confidentiality considerations, on the following metrics in relation to its allocation of the proceeds of any Green Financing:

- Type of financing instruments and respective outstanding amounts.
- The balance of unallocated amounts (if any).
- Information on the split between new financing and re-financing.
- Distribution of Eligible Assets categories financed.
- Geographical distribution of Eligible Assets on country level for units sold and customer finance.
- A list of projects financed with a brief description of the projects, finance allocated, and amounts disbursed and expected impacts.

5 VERIFICATION

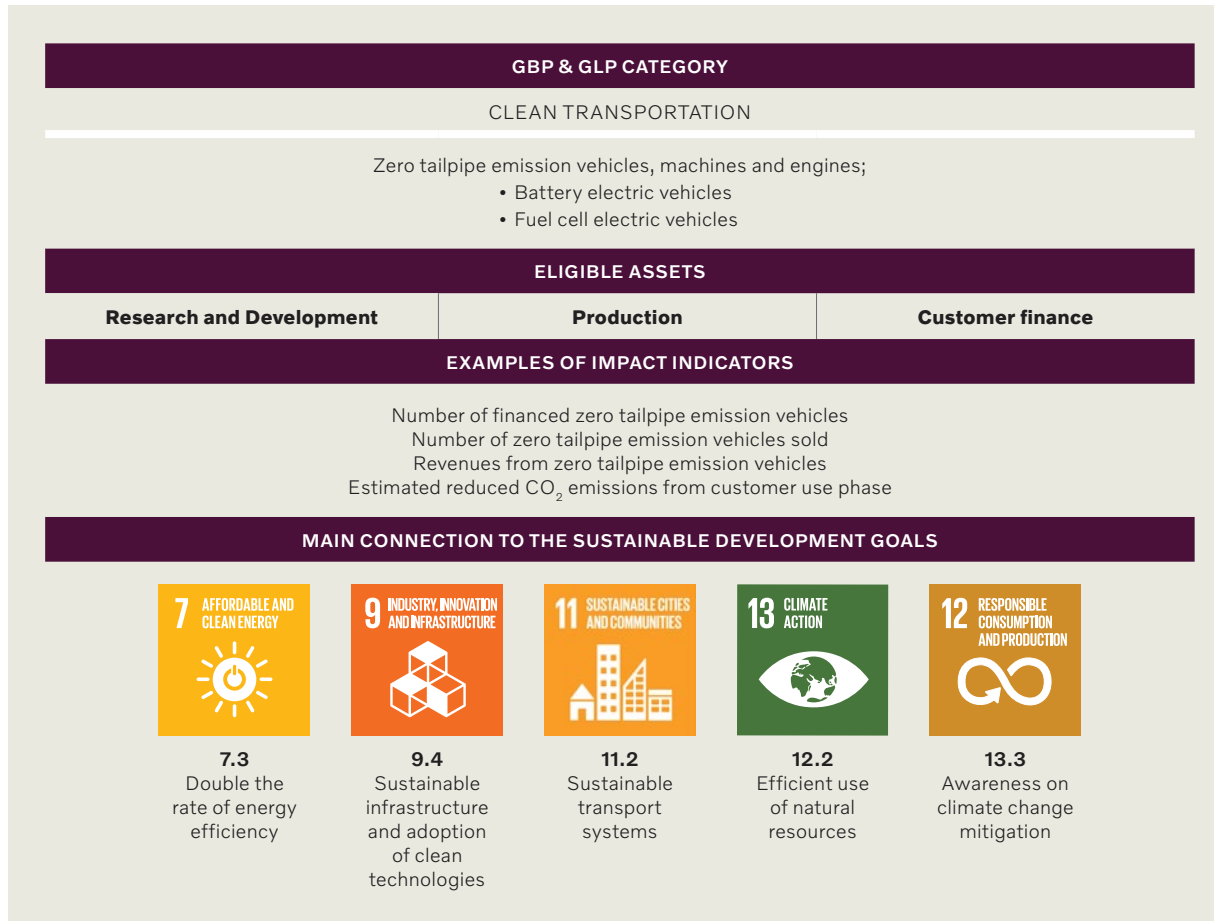
Impact reporting

The Volvo Group aims to provide, where feasible and subject to data availability and competition and confidentiality considerations, reporting on the expected or actual environmental outputs and/or impact of the Eligible Assets Portfolio. The methodology

for deriving the impact indicators will be outlined in the report. The Green Finance Investor Report will be available on the Volvo Group's website, www.volvogroup.com.

To ensure alignment with national and international guidelines, the Volvo Group will obtain an independent external third-party opinion on its Green Finance Framework from CICERO Shades of Green. The opinion will be made available on the Volvo Group's website.

The Volvo Group intends to retain an appropriate independent assurance provider to annually assure both the Volvo Group selection process for the financing of Eligible Assets, the allocation of proceeds for any Green Financing, and the Green Financing Investor Report. The provider shall ensure that such processes and allocations are in accordance with the Volvo Group Green Finance Framework. The opinion of the assurance provider will be made publicly available on the Volvo Group's website.





AB Volvo (publ)
SE-40508 Göteborg, Sweden
Telephone +46 31 66 00 00
www.volvogroup.com

VOLVO
VOLVO GROUP