

Volvo Group Sustainability Report 2010



VOLVO

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Strategic Approach



We use our **expertise** to create transport-related products and **services** of **superior quality**, **safety** and **environmental** care for demanding customers in selected segments.

OUR ROLE IN SOCIETY

Volvo Group's vision is to be valued as the world's leading supplier of commercial transport solutions. Our products and services play a vital role in everyday life in modern society.

Our trucks, buses, engines, construction equipment and air craft components are involved in many of the functions on which most of us rely.

As a company, we strive to use our expertise to provide transport-related products and services of a superior level of quality, while ensuring safety and environmental care for demanding customers in selected segments.

We act responsibly towards our employees and business partners, and strive to contribute to the societies in which we operate to help advance sustainable and social development.

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CEO comment

We are acting in a rapidly changing world in which also the economic balance is changing. The latter puts new demands not only on the financial system but also of course on companies.

Today, we can not only view a company's role in society as providing financial value to the shareholders. Companies also need to provide products and services that contribute to sustainable growth and development and hereby create value for other stakeholders such as customers, suppliers, employees and future generations.

Our world is facing huge challenges; climate change, depleting natural resources and a large uneven distribution of wealth, only to mention a few. It is thus obvious that sustainability is and will remain a key concept in the future and Volvo Group is committed to take the lead, within our sphere of influence, towards sustainable mobility.

To be able to meet the challenges, the growing expectations from our stakeholders and for us to create growth and new business opportunities we have decided to review our CSR-strategy during 2011. I am convinced there is no contradiction in running a financially viable business, while contributing to societal development and creating long-term value. Our experience shows that conducting business with integrity truly builds brand equity, and strong relations with all our stakeholders. We are on our way to Creation of Shared Value (CSV).

By offering environmentally enhanced products we have gained a leading position in our industry; something that is beneficial to our customers and to the society in large and consequently also to our shareholders.

Let me use the hybrid bus case as an example to demonstrate how different stakeholders can benefit from new technology. A fuel saving of up to 35 percent is beneficial for our customers and the environment from a carbon dioxide perspective as well as being a sustainable approach to the use of a finite resource. A quiet and exhaust free drive from the bus stop benefits the people waiting at the bus stop while at the same time improving quality of life for the people living in the area.

The complexity in the challenges we are facing need co-operation between several actors in society. Progress has been made, but still we need to find more efficient ways to pool resources from industry, governments and academia. Volvo is consequently participating in a number of projects for the advancement of future transports with our vision - efficient carbon dioxide neutral transports.



To exchange experiences, to find new innovative solutions and approaches strategic partnerships with key organizations are vital. In 2010 Volvo Group entered a partnership with World Wild Fund for Nature (WWF), raising our already ambitious goals in cutting the carbon dioxide emissions of our products. I am very proud to be the first vehicle manufacturer in the Climate Savers Program and I am convinced that we will be able to create more value for our customers' business while at the same time contribute to sustainable development.

Another area that requires joint efforts and cooperation is traffic and product safety. According to the World Health Organization more than 1.2 million people are killed and 50 million are injured in traffic every year. We have a long tradition of working with safety and our vision is 'Zero accidents with Volvo Group products'. This shows our ambition for the future and the responsibility we take as one of the world's largest manufacturer of commercial vehicles. We are committed to work with authorities, governments and organizations to create safer vehicles, infrastructure and systems in order to reduce the number of accidents.

Today, we see an increased interest in the market for environmentally enhanced products which is very encouraging. During 2010 we have performed tests together with our customers on two new technologies; vehicles operating on DME and on methane diesel. I believe we are now moving faster towards a fossil free transport sector than we expected only a couple of years ago.

As stated earlier, our world changes rapidly, something Volvo experienced during the recently lived through financial crisis. The crisis affected the business and people of the Group severely and let me here take the opportunity to thank all engaged employees for their commitment during 2009 and 2010. During the hard times a remarkable commitment and understanding of the relationship between market impact and the individual work situation was demonstrated. The efforts lead to valuable learning and Volvo Group came out strong after the recession.

After being with Volvo Group for 14 years, I will leave my position in September 2011. I have witnessed a tremendous development in terms of sustainability during these years and I have an optimistic view of the Group's future potential. Needless to say, I will continue to follow the development and progress closely.

This report aims to provide you with information on strategies and our commitment to sustainable development.

It also shows our commitment to the United Nation's initiative Global Compact and the principles in our Code of Conduct. Our values and commitment to sustainability are promoted and implemented in Group strategy, decisions and actions. I hope you will enjoy the reading and I invite you to engage in dialogue with us regarding sustainable transport solutions and other sustainability-related issues.

Leif Johansson
President and CEO

Scorecard 2010

– Group Key Performance Indicators

To ensure the effective implementation and management of our Corporate Social Responsibility (CSR) work we have chosen to present some of our key performance indicators at Group level. Further indicators can be found in this report.

Scorecard 2010	2008	2009	2010
Economic Responsibility			
Net sales, SEK M	304,642	218,361	264,749
Growth in net sales; %	6	(28)	21
Operating margin, % <i>Operating income divided by net sales</i>	5.2	(7.8)	6.8
Number of vehicles delivered <i>Light, medium and heavy-duty trucks, buses and bus chassies</i>	261,088	137,538	190,218
Cash flow, SEK bn <i>Industrial operation</i>	(2.7)	(11.4)	19
Environmental performance			
CO ₂ emissions, tons/SEK M <i>from industrial operation</i>	1.0	1.0	1.1
CO ₂ emissions, g/ton km <i>Volvo Truck FH12, 40 ton, with a 26 ton load</i>	28.0 ¹	27.5	27.5
Energy consumption, MWH/SEK M <i>Production plants per net sales</i>	8.6	9.1	9.0
Water consumption, m ³ /SEK M <i>Production plants per net sales</i>	27.8	31.8	29.2
Certified environmental management system, % <i>Percentage of employees at production units working in accordance with the certified environmental systems, primary ISO 14001: 2008</i>	96	96	96
Social performance			
Satisfied employees, % <i>Employee Satisfaction index in VGAS</i>	86	85	Na
Women employees, %	17	17	16
Women managers, % <i>Presidents and other senior executives</i>	17	19	15
Number of employees, <i>Permanent, temporary and consultants</i>	101,380	96,282	105,260
Regular employees, %, <i>Total workforce incl. temporary employees and consultants</i>	na ²	93%	86%
Supplier self-assessment, % <i>Percentage of suppliers of automotive products that have completed self-assessment regarding CSR requirements</i>	na	22	25

¹ 2008 data are extrapolated from 2006

² Not separately reported

Economic performance

Demand for transports increased again in 2010, which influenced the net sales and profitability of Volvo Group. Net sales increased by 21 percent to SEK 264.7 billion compared to 2009. The demand for our products recovered strongly in almost all markets. Demand in emerging economies continued to rise from levels that were already high.

- Europe still represents our largest market, accounting for 39 percent of Group sales. Our second largest market is Asia with 25 percent of sales. Asia is the fastest growing market with +644 percent over ten years. North America is our third largest market with 18 percent of net sales, followed by South America with 11 percent and other regions representing 7 percent.
- Operating income improved dramatically which resulted in an operating margin of 6.8 percent. This is the result of both more product sales and focused work on rationalizing all parts of the Group to reduce costs.
- In 2010, we sold 179,989 trucks and 10,229 buses and bus chassis - an increase of 41 percent and 3.8 percent respectively. Europe is still the largest truck market in terms of the number of trucks sold, closely followed by Asia. The largest market for buses in terms of the number of products sold was Asia. Products from our five truck brands made up 63 percent of net sales, construction equipment 20 percent and buses 8 percent. Volvo Penta, Volvo Aero and Customer Finance each accounted for 3 percent of sales respectively.
- The combination of increased profitability and the growth achieved without tying up any additional operating capital, resulted in our industrial operations generating an operational cash flow of SEK 19 billion.

Environmental performance

When measuring environmental performance in relation to net sales, some of the indicators show that the broken trend from last year is starting to stabilize again.

- Energy consumption has decreased compared to net sales. This is a result of intensive work to reduce energy consumption related to idling losses. The use of fossil fuels in some newly acquired plants has had an impact on the carbon intensity index.
- Our products' fuel consumption is associated with how they are being used; we have therefore chosen to present the environmental impact of our products as grams of carbon dioxide emissions per tonne km. We will continue to focus on fuel efficiency in our product development, but more significant improvements are connected with new product launches. There was no product launch of a new FH-model in 2010 and fuel consumption remains the same as for 2009.
- Water consumption has decreased due to several water reducing projects.
- The percentage of employees working at production sites certified in accordance with ISO 14001: 2008 remains the same at 96 percent.

Social performance

Recent years' gender equality initiatives resulted in a relatively larger proportion of women among newly hired employees. However, the financial crisis made it difficult to maintain the recent diversity gains, since many employees who had to leave the Group were new hires, with a relatively high percentage of women. Despite this, Volvo Group managed to keep the gender distribution quite steady.

- A new employee survey is being developed and has been tested on employees in two different companies. The new survey will emphasize commitment rather than satisfaction. This means that we cannot communicate any ESI this year.
- The total workforce, including temporary employees and consultants, increased by 8,978 people in 2010. 93 percent of the total workforce was permanent employees in 2009. We have had to focus on the organizations' ability to adapt to changes in the market and a Group-wide process concerning flexibility was introduced in 2010, which has resulted in 86 percent of the total workforce for 2010 being permanent employees.
- 25 percent of our suppliers of automotive products have been assessed from a CSR perspective and 59 percent of them are in compliance with our requirements. The most common reason for non-compliance is failure to implement the requirements further down the supply chain. We will continue to focus on suppliers in countries that present a high-risk from a CSR perspective, as well as suppliers of high- and medium-risk products/segments.

Significant events in 2010:

- Louis Schweitzer was elected Chairman of the Board of Directors of AB Volvo in January 2010. He has been a board member since 2001.
- Leif Johansson, CEO of Volvo Group and President of AB Volvo announced his retirement. He will leave his position as of September 1, 2011. Olof Persson has been appointed new CEO and President.
- We launched a new e-learning on the Volvo Group's Code of Conduct in 2010, and almost 19,390 employees have completed the web-based training in 2010. Our Whistle-blower procedure was updated in 2010 to reflect all of the principles in the Code of Conduct.
- An updated anti-corruption compliance program was rolled out across the Group in 2010, involving management meetings, class room training sessions and an e-learning module. More than 20,000 employees have participated in anti-corruption training during the year.
- Volvo Group decided in 2010 to review our strategic approach to CSR, to identify processes and targets that align CSR with business results even stronger. This project will be completed by the end of 2012.

Strategic Priorities

– CSR represents part of our business

Volvo Group's approach to Corporate Social Responsibility (CSR) is based on our values and on the principles in our Code of Conduct. The Code sets out areas that influence the trust of stakeholders in us as a company. Our work has earned us a position as an industry leader, with a reputation aligned with our corporate core values – safety, quality and environmental care.

Adapting to changes in our stakeholders' expectations and in society at large

To us, CSR is a central part of our business and we integrate CSR into existing structures and tools. To ensure that our effort supports our business strategy and objectives we decided in 2010 to redefine our CSR commitment based on our stakeholders' expectations and our role in society. In the project we will identify processes and targets that connect our efforts to business results.

Within the project we aim to form an updated Volvo Group CSR vision; review our policy; formulate and update existing processes; and align the vision with a strategy for successful implementation. This project will be completed by the end of 2012.



Our approach

The vision of Volvo Group is to be valued as the world's leading supplier of commercial transport solutions. Our role in society is to provide solutions that efficiently transport goods and people and thereby contribute to the economic development of society. We need to continue to have a sharp focus on environmental and social aspects to retain our position as a trusted partner and a pioneer in developing sustainable mobility solutions.

We have two different approaches for our CSR commitment: firstly, acting in compliance with our Code of Conduct and certain international standards, and secondly, engaging in activities to maintain and develop our trustworthiness among our stakeholders and increase brand equity.

When working with compliance, we focus on risk areas within our sphere of influence, which means working on internal compliance and with our supply chain by increasing awareness of CSR issues and clearly communicating our expectations and requirements. We will build trust and confidence among our stakeholders by upholding our values and the principles contained in our Code of Conduct. We aim to conduct our business with integrity.

We started to map our entire sales to order process from a CSR perspective in 2010.

We strive to be a good corporate citizen and contribute to sustainable development by assuming social, ethical, economic and environmental responsibility for our business, within our sphere of influence.

Four cornerstones of our responsibility

We adopt a holistic approach to sustainable development and strive to deliver long-term profitability and value in a conscious way.

- **Economic Responsibility**

We create value for our customers, shareholders and for the societies in which we operate. We believe that by offering our customers efficient and environmentally enhanced products we will secure profitability and satisfied customers. Profitability is necessary to secure important investments in new products and services.

- **Stakeholder Relations**

We work to create long-term relationships and provide the best benefits for all our stakeholders: employees, suppliers, investors, society and others. We aspire to provide a positive and challenging work environment in a diverse and flexible organization. Commitment from our employ-

ees, their competence and involvement is necessary for implementing our strategies and for our long-term success.

- **Our responsibility to society**

We have a responsibility to contributing to the positive development of society e.g. by actively working on traffic safety. We are dedicated to putting our expertise to use to contribute to safer roads for everyone by working with systems to prevent accidents from happening in the first place and by building products that aim to reduce the consequences if an accident were to occur. We collaborate with organizations, universities and local authorities to contrib-

ute to the development of society and encourage local initiatives, projects, sponsorships and volunteer activities.

- **Environmental Care**

We are convinced that our future products belong in the sustainable society. We are committed to significantly reducing our environmental impact, and to raising awareness about environmental issues among our stakeholders and society at large, especially those issues related to the transport industry. We have a responsibility to develop products that help our customers and other stakeholders to minimize *their* environmental footprint.

Challenges and Opportunities

– Recognizing challenges and seizing opportunities

The world is changing rapidly and it is difficult to predict the future. Things that seemed impossible a couple of years ago have become a reality. Our ability to effectively address future needs for efficient and sustainable transports, maintain a safe yet efficient work environment and act responsibly are imperative to our future success. We prioritize our CSR efforts and particularly focus on areas that have a major impact or that involve significant risks or opportunities for Volvo Group.

Globalization and shift towards mega cities

Globalization could be described as an increase in the exchange of goods and services, capital, people and information between countries. We see the larger emerging economies growing rapidly in economic power, which will lead to increased purchasing power and a growing middle-class.

This will have a positive impact on the demand for commercial transport solutions, increase volumes of transported goods, lead to growing demand for leisure activities and intensify activity in the construction sector. Demand for public transportation will also increase.

The number of mega cities and mega regions with populations of over 10 million is growing rapidly. It is expected that roughly 20 percent of the world's population will live in cities having more than 2 million inhabitants by 2015. The largest mega cities will be found in Asia due to the strong population growth there.

At present, more than 50 percent of the world's population lives in cities. It is forecast that 85 percent of the population in Northern and Western Europe will live in urban areas in 2030. Each inhabitant of a European city corresponds to between 30 and 50 tonnes of goods being transported in and out of the city every year.

The urbanization trend and high-density megacities will create more and more challenges for commercial transport solutions, which will have an impact on demand. Volvo Group is working in many ways to improve transport solutions for the world's cities to enable more goods, people and people to be transported without increasing congestion and emissions.

Connectivity

We believe there will be an increased focus on 'Quality of life' in the Information Society. Living, shopping and office-work in cities is becoming ever more integrated. Generation Y is making an increasingly strong impact on lifestyle and consumer expectations. They are technologically savvy and are connected 24/7 through smart-phones and social networking sites. They are environmentally aware and concerned, and corporate social responsibility has a growing impact on their consumption decisions and in their choice of employer.

Technology and social media facilitate the rapid dissemination of information. Among other things, this will affect the purchasing process, political participation, brand and corporate reputation. The ICT (Information and Communication Technology) will also lead to different types of connectivity.

These lifestyle and communication developments will lead to business opportunities for Volvo Group as demand for more flexible public transport and efficient urban goods distribution will be paramount in the future. Volvo Group's work involving telematic solutions, will lead to even more efficient planning of transport routes, greater traffic security and better planning of maintenance work.



Safety and security

Traffic safety will become even more important when the level of transports increases. Traffic safety is high on the agenda for many governments and international institutions around the world on account of suffering and the cost to society. There has also been an increase in awareness and the demand for safe products and safety guidelines at construction and operation sites.

Safety represents part of Volvo Group's heritage since the foundation in 1927. We strive to maintain our position as a leader in safety by meeting or exceeding our customers' requirements for safety as well as the requirements in the communities in which we are operating.

We also cooperate to develop new safety features, working together with authorities and academia to find new solutions and raising awareness of safety issues both on a local and global level. Our vision and ultimate goal is 'Zero accidents with Volvo Group products'.

There will be an increased focus on security in coming years due to crime, military conflicts, terrorism and natural disasters. This affects security for drivers, vehicles and goods.

Looking at the safety in our own operations, the economic recession struck the transport industry significantly and called for rapid adjustment to new conditions. The industry needs to ensure a flexible organization to secure the economic viability of the business, avoiding a situation where overcapacity becomes a too large an economic burden to bear.

At the same time, flexibility must never compromise a safe workplace or lead to lack of skilled employees. To maintain our position as an attractive employer we need to implement safety policies and routines that are maintained in every situation.

Environmentally enhanced products

We are facing some great challenges: climate change, congestions, pollution, use of chemicals, and the lack of natural resources. Society's demand for products that have a lower impact on the environment is increasing, as is customers' demand for energy-efficient products. Volvo Group is striving to meet these demands by improving the sustainability of our transport solutions, improving logistic systems and carbon dioxide neutrality.

We believe that partly or fully electrified vehicles, in the form of hybrids, or fully electrified vehicles are one solution to decrease emissions and noise. The global focus on renewable fuels with low environmental impact from well-to-wheel has increased the interest of our customers, but the shift towards large-scale use of renewable fuels depend on policy decisions by governments to establish the infrastructure required. Transport systems such as BRT (Bus Rapid Transit) needs to be further developed to reduce congestion, which is an urgent problem in large cities.

Progress in the area of nanotechnology could drive development in many different areas. New materials based on nano-structured compounds or alloys could create light weight materials without losing the mechanical strength and thus opportunities to reduce the weight of vehicles, and thereby improve fuel efficiency.

Future employees

In the industrialized world we are seeing a decline in interest in education and work in the MST (mathematics, science and technology) field. This could lead to difficulties for Volvo Group in recruiting and retaining employees with key competences in

some markets. The need for skilled employees will increase in all work positions due to technological advancements, in particular for a company that aims to maintain its leadership position with regard to sustainable product development.

Volvo Group is committed to promoting and stimulating the interest in science and technology by reaching out to young people and supporting educations in the MST field.

Long-term relationships with business partners

An important part of a company's ability to continue doing effective business is the trust of its stakeholders. Failure to uphold decent working and environmental standards in the supply chain, complicity in human rights abuses, poor business ethics or allegations of corruption may seriously harm the reputation and brand of a company.

We believe that a company which addresses and manages such challenges becomes a reliable partner, not only for customers but for other stakeholders, and this may earn the company significant advantages and a better position from which to grow its business.

Volvo Group strives to be a reliable business partner. We believe that our focus on building long-term relations with suppliers and vendors, investments in our culture and values, training and education on anti-corruption represents an important part of building confidence in our business.

Increased expectations on companies

In recent decades we have seen increased expectations for companies to assume responsibility for their business operations and their decisions. Different stakeholders have different expectations and expectations are changing over time.

When dealing with our large customers we are seeing: an increase in questions related to how we handle CSR within our business operations; we are observing more interest from the actors in the capital market in our CSR strategies and how we are managing risks; and we are also seeing an increase in our employees' willingness to actively participate in our CSR work and engage in creating value for society.

The financial crisis in recent years has intensified the expectations on corporations, and calls for new financial systems have come from various actors in society. The debate about creating long-term value has strengthened. Volvo Group believes that assuming responsibility, being transparent and listening to our stakeholders' expectations is necessary to be a successful company and maintain our trustworthiness in the long-term.

Future Transport Development

– Increased need for future transport solutions

We are currently facing an expected increase in the world population to approximately 8 billion by 2020, which will lead to an increased need for public and transport-related services around the world. Volvo Group's core business is providing transport solutions and services that contribute to societal development. Consequently, we are actively participating in the development of future transport solutions worldwide.

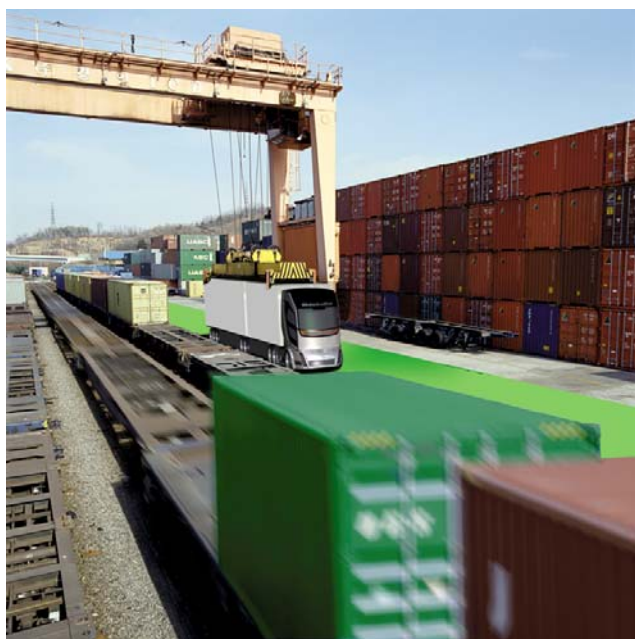
We develop future transport solutions

Taken together, the modern phenomena of growing populations and increased urbanization increase demands on sustainable and efficient urban transport solutions. Such solutions must address traffic safety, reduce accidents and help avoid congestion, and by doing so also reduce emissions. One key aspect is also the emerging need for efficient public transportations.

The future transport infrastructure for both freight and public transports will have to be more efficient, for instance in terms of increased utilization; this is a priority for Volvo Group.

The transport system is a base for the development of social welfare. We actively participate in discussing and promoting future transport development and policy in different forums worldwide.

Three examples of how Volvo Group is contributing to future transport solutions are the Bus Rapid Transit (BRT), Green Corridors and the development of Intelligent Transport Systems (ITS).



Leading in BRT – efficient bus concept for growing cities

Bus Rapid Transit (BRT) is a highly efficient public transport concept designed to meet growing transport demands in cities around the world. The key elements of BRT are:

- High-capacity buses
- Exclusive bus and/or freight transport lanes
- Off-board ticketing
- Level boarding
- Priority at intersections
- Traffic control
- Passenger information

Bus Rapid Transit is a [solution offered by Volvo Buses](#) and has been especially developed for Latin America. Volvo Buses was a partner in the first BRT system in the world, in Curitiba, Brazil at the end of the 1970s.

We have supplied more buses for BRT systems than any other supplier. Cities where we work on BRT systems include:

- Bogotá in Colombia
- Mexico City in Mexico
- Gothenburg in Sweden
- York in Britain

Intelligent Transport Systems contribute to efficiency

Intelligent Transport Systems (ITS) is a concept that will contribute to the more efficient use of infrastructure and transport solutions in the future.

Transport systems can reduce impact on the environment, and increase safety and security through real-time traffic information, remote monitoring, and communication between transport vehicles and the infrastructure.

Volvo Group participates in Swedish ITS projects as well as in the [EU ITS](#) action plan.

Read more about ITS on www.volvogroup.com

Green Corridors for efficient transportation

The aim of Green Corridors is to increase efficiency and safety on highways through specially adapted transport stretches for heavy duty traffic, while reducing environmental impact. This is done by concentrating goods traffic on efficient highways, sea routes and railways that complement one another.

Stakeholder Relations

– Stakeholder dialogue advances and develops our business

The views and opinions of Volvo Group's stakeholders' are invaluable. Dialogue with stakeholders allows us to develop our business in general and our sustainability issues in particular. We have performed an internal stakeholder dialogue to pinpoint our target stakeholders and their priorities.

Reporting - a platform for dialogue

This Sustainability Report represents an important platform for stakeholder dialogue. In 2010, we conducted an internal stakeholder dialogue with the functions responsible for CSR issues and our relationships with stakeholders to align our priorities and understanding of external stakeholders and their key inputs. This report highlights the most relevant issues for Volvo Group's stakeholders.

Our priority issues include:

- Our economic performance
- The environmental impact of our products and production
- Our role as an employer

One of the principles contained in our Code of Conduct states that "Volvo Group encourages an ongoing dialogue with stakeholders". This exchange is best presented through some of our major commitments. Below is a sample of descriptions from our vast stakeholder map.

Nine target stakeholders of Volvo Group

Customers

Products, services and solutions are developed in close cooperation with customers, for the purpose of helping them improve productivity and profitability, thereby creating value for customers.

We have long-term relationships with most of our customers through our Brands within the Group. Customer satisfaction depends not only on the quality and performance of our products, but also on how customers are treated and how service is delivered.

Some examples of how we communicate with our customers include:

- Interaction in daily operations
- Dialogue forums such as customer focus groups in the product development phase
- Customer surveys that provide important feedback
- Dialogue via social media
- Customer satisfaction surveys

Follow up on customer satisfaction and brand perception

Volvo Group follows up on the respective companies' and brands' customer satisfaction position and brand image perception in relevant industries and markets. We compare our position with other brands in the same market. Customer Satisfaction and Brand Image Tracking is measured by established industry surveys.

Employees and trade unions

Volvo Group has formalized forums for employee dialogue and development, such as personal development plans. We believe that open dialogue contributes to personal development as well as more committed employees.

Volvo Group uses several channels for communicating with employees such as:

- Intranet
- In-house magazines
- Team meetings
- Films and webcasts

All employees can pose questions directly to the Group's CEO via the Intranet. For top-down communication we often practice cascading to employees through managers. Internally we communicate in many different languages. A survey among all employees is normally conducted on an annual basis. However, in 2010 we did not conduct the survey due to the development of a new survey focusing on measuring employee commitment instead of satisfaction.

Volvo Group maintains close relationships with a number of unions both in formal and informal forums.

Suppliers

Volvo Group works closely with our suppliers. We value long-term relationships and the transfer of knowledge and understanding of each other's processes, procedures and values.

Forums for formal communication are:

- Our supplier portal
- Training sessions
- Dedicated supplier days
- Supplier hosts

Capital market

We communicate regularly with shareholders, other investors and financial analysts.

The Investor Relations department holds regular meetings for investors and issues a number of publications:

- Annual reports
- Interim reports
- Press releases

In addition to the Annual General Meeting, a capital market day is held at least once a year.

Societal decision makers

Volvo Group communicates with politicians, authorities and institutions on an ongoing basis. This interaction enables early access to information on proposed legislation and activities. We also exchange information on the implications of legislation, incentives, etc., in order to support and enhance our business.

Appropriate interactions with decision-makers are primarily conducted through personal meetings. Most of the issues related to the regulation of our products is dealt with within our trade organizations.

Non-Governmental Organizations (NGO's)

Volvo Group has well-developed relations with NGO's. We have approximately 100 different cooperation projects with NGO's around the world and we value our dialogue with them. This dialogue provides us with forefront information on trends in

society and contributes by providing us with input for our learning process.

We also interact with NGO's to review our business.

Universities and research institutions

Volvo Group sells technically sophisticated products and services. Cooperation with universities and academia is vital for creating synergies at the forefront of science.

We are involved in a comprehensive series of cooperative ventures with research bodies and academic institutions to advance the technologies needed for future product development. One example is the Academic Partner Program.

Our involvement with universities is also important for creating relationships with students and potential employees and thus for securing access to future competence.

Education/schools

Volvo Group supports secondary and upper secondary school education in a number of ways at many locations around the world. We hold a continual dialogue on educational issues at local, national and international levels.

Society

The work of Volvo Group involves regular proactive and reactive communications to share our views on current issues with society at large. Many of our stakeholders are influenced and informed by the media – daily press, business media, social media, radio and television as well as trade media.

Stakeholder relations

Memberships and Initiatives

– Involved in industry development

Volvo Group puts a lot of effort into being up-to-date in respect of trends in legislation and actively participating in society and as regards matters relevant to our industry. Knowledge of the surrounding world is essential for our ability to identify new business opportunities.

Industry forums

Volvo Group participates in different trade organizations and forums such as:

- European Automobile Manufacturers' Association (ACEA)
- Committee for European Construction Equipment (CECE)
- Engine Manufacturers Association (EMA) and Truck Manufacturers Association (TMA) in the US
- Japan Automobile Manufacturers Association (JAMA)

We strive to create long-term competitive business conditions while contributing to sustainable development. Development in legislation and taxation schemes is essential.

Memberships

- Chambers of Commerce and Industry
- European Round Table of Industrialists (ERT)
- Centre for European Policy Studies (CEPS)
- Jobs and Society, Sweden

Among the first signatories to the UN's Global Compact

We became one of the first companies to sign the United Nations' Global Compact initiative in 2001, which aims to align business practices with internationally accepted principles on human rights, labor practice, the environment and anti-corruption.

Governance

– How we secure quality in CSR governance

A new management structure for governance has been implemented within Volvo Group since 2009. This new structure helped us to benefit from synergies in 2010 and accelerate the pace of development within the Group.

Increased focus on relevant issues

We have introduced ten horizontal Group Issue Boards (GIB) for different areas of concern for the Group. GIBs have been established to gain benefits from synergies and accelerate the pace of development and the process of change within Volvo Group.

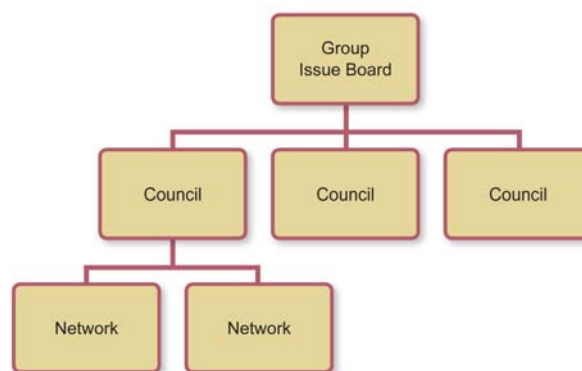
The Chair of each GIB is a member of Volvo Group Executive Committee (GEC). Concerned companies within the Group are represented by a manager.

The GEC sets process targets and approves funding principles, while GIBs are responsible for strategies, overall direction, policies and processes within their respective area of expertise. The Chairman of the GIB is the process owner for defined processes owned by the GIB. The GIB Chairman shall keep the GEC regularly informed about the progress of the work within the GIB's area of responsibility.

Planning and following up compliance with the Code of Conduct as well as communicating with stakeholders from a CSR perspective and related strategies is handled by GIB Corporate Values and Public Affairs, which is chaired by Jan-Eric Sundgren, Senior Vice President Environmental and Public Affairs. Primarily, two councils deal with CSR issues:

- Environmental Council
- Public Affairs Council

The councils consist of managers from our companies who have the authority and mandate to make decisions on behalf of their organizations. The councils prepare strategies and process plans and targets in the assigned areas as decided by respective GIBs.



GIB structure

Committee coordinates CSR issues

CSR within Volvo Group comprises many aspects: anti-corruption, financial, strategic and legal issues, environmental care, human resources, human rights, purchasing, etc.

We have a coordination network for CSR governance called the CSR Committee, which coordinates and prepares decisions for the GIB and councils:

- Policy and guideline issues
- Strategic and process issues
- Risk management
- Objectives and follow-up
- Reporting and stakeholder dialogue
- Implementation
- Communication
- Training

Committee members are representatives from the support functions at a Group level, e.g. the Environmental Manager of Volvo Group, representatives of internal functions representing stakeholders and the global process owner of the working environment. The Committee reports to the Public Affairs Council.

Coordination of supply chain CSR

Our CSR Purchase Advisory Board advises and coordinates CSR work in the supply chain. All companies within Volvo Group with purchasing organizations are represented. The CSR Purchase Advisory Board reports to the CSR Committee

and to a decision making forum within the purchasing organization.

Organization and responsibility

Volvo Group's Code of Conduct is approved by the Board of Directors, and the Board has the formal ownership of the Code. The Board also oversees the follow up of infringements reported through the Whistleblower function through the Audit Committee.

Members of the Board have a good knowledge and understanding of CSR issues. The Board regularly evaluates our performance, and considers relevant topics such as human rights, environmental matters and corruption in its annual risk analysis.

In the Group Executive Committee, Jan-Eric Sundgren, Senior Vice President, is responsible for:

- CSR issues
- Our corporate core values (quality, safety and environmental care)
- University relations
- Governmental relations

The following members of the Group Executive Committee are responsible for areas related to the principles in the Code of Conduct:

- Stefan Johnsson, Senior Vice President — human resources
- Eva Persson, Senior Vice President and General Counsel of Volvo Group — legal, compliance, tax and security issues

The Environmental and Public Affairs Department at Volvo Group headquarters is responsible for the implementation, follow up and development of our CSR work.

Responsibility for CSR performance and compliance with the Code of Conduct follows the ordinary line of business responsibility as described in our Code of Conduct.

Group functions support and follow up the managers' responsibility regarding the principles contained in the Code of Conduct, for example HR functions.

Monitoring and follow up

The Code of Conduct falls within the scope of Volvo Group's Internal Audit Department and Internal Control Department, which monitor compliance with the policy through audits and assessments.

Volvo Group has a management control system for self-evaluation of how well critical policies have been implemented and enforced.

An annual survey is conducted among managers of the 230 largest management teams within Volvo Group. Most of the managers within Volvo Group have taken appropriate measures within their organization to promote our values and appropriate business behavior, and have held discussions with their teams on the risk of fraud and infringements of the Code of Conduct.

Changing the way we follow-up on employee commitment

The annual Volvo Group Attitude Survey (VGAS) has focused on employee satisfaction, which has been measured over time. The response frequency has been high, and the average yearly index result for employee satisfaction was 85 between 2007 and 2009, varying between 83 and 86. The response rate in VGAS has been around 93 percent for the past few years.

Efforts in 2010 were dedicated to developing the survey in a new direction — to better capture and measure employee commitment. We believe that this is a more relevant factor for moving our business forward. The new survey was tested on employees in two companies within the Group in 2010.

The new survey will be conducted throughout the Group in 2011, and findings will enable us to be benchmarked against other global organizations.

As previously, findings from the survey will continue to be discussed in working groups, involving managers and employees. The feedback process is the most important part, as strengths and areas for improvements are discussed. This results in an action plan with activities addressing areas for improvement throughout the year.

Several processes and management systems

Volvo Group has several Group-wide processes and management systems. Some of the areas covered include:

- Quality
- Internal control
- Environmental care
- Occupational health and safety

Effectiveness monitored by KPI's

Environmental care, health and safety control are integrated into Volvo Group Production System (VPS). VPS is a tool-box containing methods to increase the internal efficiency and minimize productivity losses. Competence development is an important part of VPS. Significant efforts are dedicated to developing the competence of our employees to meet future technical areas of competence.

The effectiveness of our processes is monitored and followed up through Key Performance Indicators (KPI) and environmental, human resource and financial data. This data and the collection process are verified by a third party.

We monitor our suppliers' work through the Quality Assurance and self-assessment forms that are part of our requirements on suppliers.

In 2010, almost 100 percent of employees work in accordance with the quality management system ISO 9001: 2008. 96 percent work in accordance with environmental management systems certified according to ISO 14001: 2008. In some of our operations we also have certified management systems for occupational health and safety, OHSAS 18001.

A new framework for social responsibility, ISO 26000 was launched in November 2010. Volvo Group participated in the development of these guideline and we agree in general on the principles. We will monitor this development, and welcome further development towards a certifiable standard on CSR.

A unique strategy process

Each company within Volvo Group annually receives a strategic challenge from the CEO.

In addition to more traditional areas, challenges include areas such as our corporate values and CSR issues. Group policies, focused agenda and operations status for the respective areas form the basis of our strategies, objectives and actions. For each three-year period a Focused Agenda is developed containing the most important issues and projects for the period. The policy and agenda form the basis of these challenges.

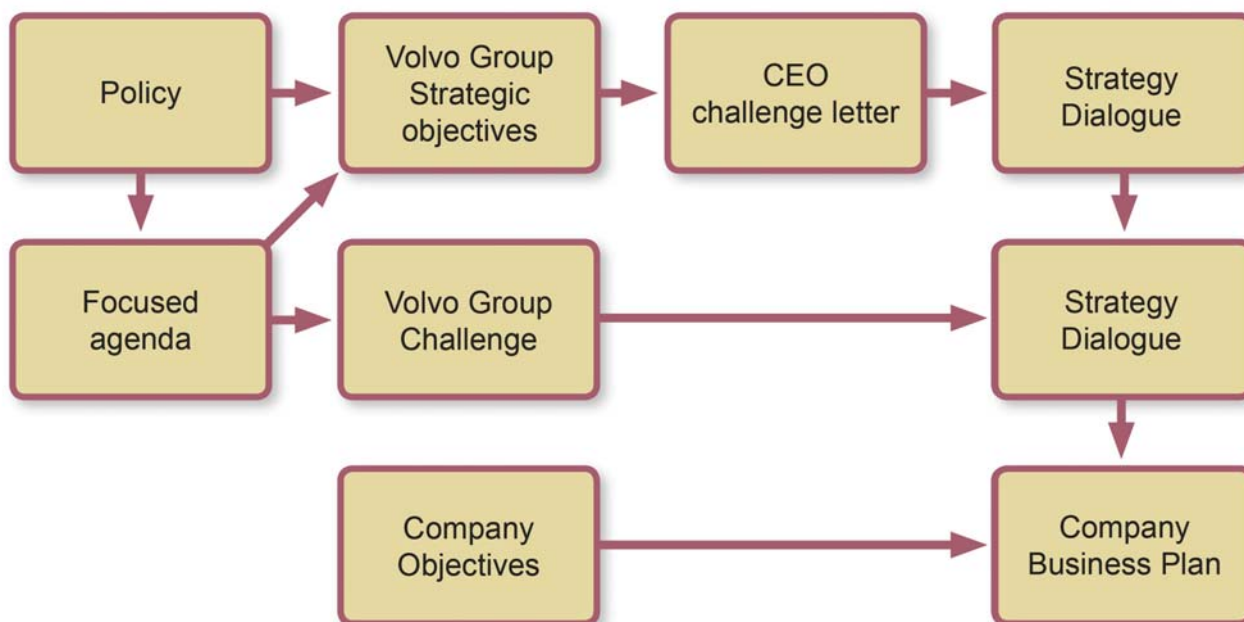
Challenges are discussed and followed up in the strategy dialogues and are also included in the companies' business plans.

About Volvo Strategy Process

At the end of each year a new challenge is formulated by Volvo Group Environmental Council and is distributed to companies at the beginning of the year. This challenge is formulated on the basis of the environmental policy, the environmental focused agenda, operational status and strategic objectives.

The first corporate value dialogue is held in the spring. During this dialogue companies evaluate the challenge and a feedback letter is sent from the Chair of the council in the early summer. During the autumn, good performance is shared within the Group through conferences, seminars or reports.

At the end of the year, the result is analyzed and reported to the Group Executive Committee at a conference.



Strategy process in Volvo Group

Volvo Voice

We are challenging the rest of the world with our journey towards carbon dioxide neutral plants!

Eva Axelsson, Environmental Manager, Volvo Penta, believes that Volvo Group's unique process of challenging businesses in different areas – including environmental aspects – has highlighted the potential of achieving remarkable results.



Ahead of our time

"Karl-Erling Trogen former member of the Group Executive Committee approached the environmental managers in Volvo Group in 2002 and asked us to identify areas where we should prioritize our resources and efforts in order to achieve results. We, the members of the Environmental Council, gave it some thought, guided by our experiences and insights into Volvo processes and products, and defined 'energy' as the priority area.

This was before the climate debate had reached current proportions and in fact it had still not really reached the corporate agendas. We were early in defining this important area because of the high competence and expertise available within Volvo Group."

Tough challenge

"Based on the recommendation of the Environmental Council, we came up with a focused agenda: to tackle the energy issue – including products, the production process and logistics. The focused agenda then translated into a challenge, which resulted in three goals:

- To reduce energy consumption per produced unit by 50 percent in five years
- To double the use of carbon-neutral energy in production in five years
- To phase out coal and oil for heating

As a next step we subsequently broke down each of these goals into our own respective operations – what is 'doable', how can we achieve the best results, what is the most efficient solution, where can we start by avoiding energy waste?

The challenge was certainly tough, and we have had to review the time schedule for these goals over the years. However, we have not changed direction; we are up for the challenge!"

Success factors

"The process really shows our culture in action – the fact that our organization challenges us to do better, and by so doing relies on our high competence and commitment to actually make things better. The fact that we know that this has been mandated from top management, and that we ourselves have been part of setting these ambitious goals, has made us work even harder and with endurance – and although it has taken some time we are really seeing some amazing results!

It is a deeply rooted value within Volvo Group that we should do things that are good for Volvo, but also for others. Caring for the environment is in our DNA.

At first, we had difficulties finding the resources to invest in changes, but supported by management we found the tools to start making the most essential investments. We also exchanged ideas across companies in the Group, finding innovative and cost-efficient solutions. This exchange between the companies has been crucial for helping good ideas prosper, but also makes us benchmark against each other – further fuelling the challenge!"

Carbon neutral plant inspires

"When the Ghent plant in Belgium showed that it was possible to have carbon neutral manufacturing plants – we were inspired. And not only us – by doing this we set a challenge for the rest of the industry too! In Belgium, other industries began looking at Volvo Truck's plant in Ghent and wondered if they could do the same, spurring a great deal of activity.

We have also been inspired by this at Volvo Penta. We thought – 'we can do it too!' As a result of several years of searching for more energy efficient solutions, creative methods and cutting unnecessary energy, we are seeing some tangible results. During the spring of 2011, we will have our first carbon neutral manufacturing plant in Vara, Sweden. The local management and devoted employees took on the challenge and it has really paid off.

It makes me very proud to be part of this process, that we were on the right track early on with our focus on energy, and that we have worked in a steadfast way in the direction that we set many years ago. I believe that the process of involving different internal stakeholders, making use of the high level of expertise, the exchange of ideas and experience and the development of tools and guidelines over time has got us here – and the challenge itself spurs us into action!"

Governance

Corporate Governance

– Sound corporate governance is fundamental to gain trust

We recognize the value of sound corporate governance as a fundamental basis for achieving a trusting relationship with shareholders and other key parties. Volvo Group applies the Swedish Corporate Governance Code, which aims to empower shareholders and create a sound balance of power between shareholders, the Board of Directors and senior management.

Governance bodies

Sound corporate governance, characterized by high standards as regards transparency, reliability and ethics, has always been a well-established guiding principle within the operations of Volvo Group. It is regarded as a fundamental basis for economic profitability and relationships based on trust. This strengthens our brand both internally and externally.

A number of corporate bodies carry out the governance and control of Volvo Group. At the Annual General Meeting, shareholders exercise their voting rights with regard to, for example, the composition of the Board of Directors of AB Volvo and the election of external auditors. Shareholders are entitled to raise questions at the Annual General Meeting by sending written questions to the Chairman of the Board of Directors ahead of the event.

At the request of any shareholder and, where it is considered appropriate by the Board of Directors, the Board and President provides information at the Annual General Meeting in respect of any circumstances that may affect the assessment of a matter on the agenda, and any circumstances that may affect the assessment of the company's or a subsidiary's financial position and as regards the company's relationship to other group companies.

Board responsibilities

The Board is responsible for the Group's long-term development and strategy as well as controlling and evaluating the company's operations.

The Board also appoints the President of AB Volvo, who is also the Chief Executive Officer (CEO) of Volvo Group. The duties of the Board are partly exercised through its Audit Committee and its Remuneration Committee.

CEO and management

The CEO is in charge of the daily management of the Group in accordance with the guidelines and instructions provided by the Board.

The CEO manages the Group primarily through two different bodies, the Group Executive Committee and the boards of companies within the Group.

The Group Executive Committee (GEC) comprises those who report directly to the CEO. GEC meetings, which are led by the CEO, deal with Group-wide issues and issues affecting more than one company, together with the sharing of information concerning the Group's performance.

The CEO or another member of the GEC is the Chairman of the Boards of all companies, which mainly comprise of other members of the Group Executive Committee.

Companies within Volvo Group are own profit centers. The Boards of the companies within the Group effectively control and follow up the financial development, business plans and goals of the business areas' and business units' as well as make decisions on, for example, investments.



Governance

Code of Conduct

– The Code of Conduct guides how we act

Volvo Group's commitment to corporate responsibility is reflected and implemented in policies, decisions and actions. The Code of Conduct is our Group-wide policy for appropriate business behavior and responsibility towards our stakeholders. It is mandatory for all employees and the Board of Directors.

Policy documents in Volvo Group

The Code applies to all employees within Volvo Group and the members of the Board of Directors.

In addition to the Code of Conduct we have several other policies related to CSR issues, such as:

- Environmental Policy
- Anti-corruption Compliance Policy
- Workplace Safety, Health and Wellbeing Policy

Sound business ethics act as a guiding principle

Sound business ethics have always been a guiding principle for Volvo Group. We have an invaluable reputation for corporate trustworthiness all over the world. This is a result of consistency when it comes to doing business with integrity and compliance with laws and regulations. The Code of Conduct establishes the principles we apply in relation to employees, business partners and other stakeholders. It was introduced in 2003, and is based on the principles of the United Nations' Global Compact initiative. We will review the Code of Conduct in 2011 as part of a CSR strategy project.

The scope of Volvo Group's Code of Conduct

The Code of Conduct deals with issues like:

- Legal compliance
- Responsible business practices
- Environmental care
- Human rights
- Workplace practices

The policy encourages our business partners to adopt the principles, e.g. support the respect for human rights, observe political neutrality, report on environmental performance, and provide a safe and healthy work environment for all employees within their sphere of influence.

Managers are responsible

Volvo Group managers are responsible for communicating and demonstrating the content and spirit of the Code, leading by example. They are also responsible for encouraging employees to reveal behavior that may not comply with the principles of the Code. This responsibility is followed up by an annual survey.

Implementation

A web-based training module of ethical dilemmas has been developed to support the managers.

This training module helps our employees and managers to reflect on their own attitudes and behavior in different situations and understand the company's principles for appropriate business behavior. The training provides immediate feedback.

We launched a new e-learning on Code of Conduct in 2010, and all white collar employees were invited to conduct the training through a message from the CEO. Almost 19,390 employees have completed the web-based training in 2010. All white-collar employees are to complete the training during the period 2010 to 2011.

The training module is also available as a workshop with open discussions. The training is available in twelve languages, including French, Chinese, Korean, Russian and Japanese.

While implementing CSR into our daily operations, our work involves integrating CSR requirements into existing processes.

The Whistleblower procedure

The Whistleblower procedure states that all employees within Volvo Group are expected and encouraged to report suspected infringements of law and internal policies to their immediate superior.

Our Whistleblower procedure was updated in 2010 to reflect all of the principles in the Code of Conduct.

In the event that a reported incident is not taken seriously, or if an employee does not feel comfortable reporting the matter to his or her superior, the employee should escalate the matter in accordance with the Whistleblower procedure.

Reports in accordance with the procedure may be submitted anonymously, to the extent permitted by law. In accordance with our Code of Conduct, we will not tolerate retaliation against a person for making good-faith complaints of improper behavior.

All incidents are investigated

Internal audits, whistleblowers or management reports can draw attention to potential irregularities in the way in which we do business.

Suspected irregularities always lead to investigation. The consequences or sanctions for the individual relate to the gravity of the action. It may vary from a warning to demotion, dismissal and/or a police report.

We aim to investigate all incidents as quickly as possible with full respect for the parties involved.

Incidents reported in 2010

In total, 31 whistleblower cases were reported in 2010. Eleven of these were dismissed following investigation, as there were

no grounds for the allegation and two potential fraud cases are still under investigation. In 18 cases we found grounds for the allegations and proceeded with appropriate actions.

Five cases were dealt with as potential corruption cases in 2010. These were investigated and reported to the Audit Committee. One of these resulted in dismissal, one was transferred to another internal investigation and two were closed with consequences for the individuals involved. One case is still under investigation.

Governance

How we do business

– A neutral party that does not interfere in conflicts

Volvo Group is a neutral party that does not take side in political issues. We do not sell defense-materiel to countries on the United nations' embargo list, and our Code of Conduct describes how to avoid conflict between private interests and our company's interests.

Political involvement

It is stated in the Code of Conduct, which applies to all employees and the Board of Directors, that the Group is a neutral party in relation to political parties and candidates.

The Code also states that: 'Neither the names nor the assets of Volvo Group companies shall be used to promote the interest of political parties or candidates.'

This means that we give neither financial nor in-kind contributions to political parties or related institutions.

Public Affairs offices build relations with decision makers

The Public Affairs Department of Volvo Group works to establish access to politicians, authorities and institutions by establishing and maintaining relations and creating trust. The objective is to provide Volvo Group with early indications and input in respect of legislation, development and trends in society, as a basis for strategic decisions.

We have Group level public affairs offices in Sweden, Belgium and the US.

Conflicts between countries

Volvo Group cannot, and does not wish to, adopt any position in international conflicts. We believe that these are issues for elected politicians and diplomats to deal with. What we can do is to comply with any policy decisions, such as, for example, UN recommendations, in the case of blockades and trade measures, which we consistently do.

Private and Group interests should not conflict

Our Code of Conduct describes how to avoid conflict between private interests and the interests of the company. Employees and members of the Board of Directors of Volvo Group must conduct their private and other external activities and financial interests in a manner that does not conflict, or appear to conflict, with the interests of the Group.

Products in use

Volvo Group's vehicles and machinery are sold all over the world. They help to build and develop communities and stimulate growth. Our construction equipment, buses, trucks and engines are used for building roads, generating electricity,

irrigating crops and transporting people and goods. But just as a city bus can be used to transport people to and from their jobs in a city, it can also be used in situations over which we have no control. While we are aware of this, dual use is part of the nature of our products. We believe that our products are predominantly used for their intended purpose and thus have a positive impact on societies.

No defense materiel to countries on embargo list

Volvo Group sells defense materiel as defined by Swedish legislation and related regulations governing military products. Volvo Group sold defense material, as defined in the Swedish Military Equipment Ordinance (1992:1303) section A, amounting to 0.46 (0.7) percent of net sales in 2010.

Volvo Group complies with governing legislation and with regard to the sale of defense materiel we apply for permits to the relevant public authority in each country in which business is conducted.

We do not sell defense materiel to countries on the United Nations' embargo list.

Joint ventures and due diligence

Investment decisions, such as going into a joint venture, are guided by our Financial policies and procedures, including our Code of Conduct. Group policies, directives and processes are valid for all majority-owned joint ventures. We encourage all of our business partners to adopt the principles contained in our Code of Conduct.

Issues of environmental and social responsibility are taken into account before investment agreements are made. On December 31, 2010, Volvo Group held shares in the following 50/50 joint ventures.

Holding percentage:

- Shanghai Sunwin Bus Corp, China - 50 percent
- Xian Silver Bus Corp, China - 50 percent
- Dong Feng Nissan Diesel Motor Co. Ltd. China - 50 percent
- VE Commercial Vehicles Ltd., India - 50 percent

Volvo Voice

“We welcome the increased CSR demands from EKN”

“The CSR requirements from authorities, such as the Swedish Export Credit Agency (EKN), are constantly increasing, which we view as a positive improvement in line with our values and how we want to work,” says Greger Svanström, Director of Trade Finance and Business Control in Volvo Construction Equipment Region International. “We welcome the increased CSR demands from EKN. Different regions pose different challenges from a CSR-perspective such as corruption it is very important that we behave cautiously in these regions.”

Volvo CE Region International has a total of 74 independent dealers and two wholly owned dealers in Latin America, Africa, the Middle East, Oceania and former Soviet states in the CIS (Commonwealth of Independent States).

“In many of these countries it is difficult to get funding locally and we therefore support the customers finding financing solutions. In these cases EKN can step in and guarantee payment, which is very valuable” says Greger.



EKN promoting Swedish exports

EKN is a Swedish authority commissioned by the Government to promote Swedish exports and the internationalization of Swedish companies. EKN do so by insuring export companies and banks against the risk of non-payment in export transactions enabling them to conduct more secure export transactions.

Certification program

To assure alignment and performance, a partner-monitoring program is applied in all main markets. The program includes criteria in basically all fields of operations and management in general. The dealers are rated and the successful ones receive a two-year certification.

Combining values and good business

“The Code of Conduct is the policy guiding responsible business behavior. It is important for us to help our dealers understand the principles in our Code of Conduct. This is a long-term process that benefits our business, builds relationships and strengthens our brand,” says Greger.

Although there are still many problems in the developing countries where Region International operates, there is positive progress in many areas. For Volvo it is important to have a strong presence when countries start to increase investment in infrastructure and other types of construction projects.

“It’s a good business opportunity and means that Volvo’s technology can help these communities to move forward.”

Governance

Anti-Corruption

– Corruption is never acceptable

Corruption has dire global consequences, trapping millions in poverty and misery, while breeding social, economic and political unrest. Corruption is both a cause of poverty, and a barrier to overcoming it. Volvo Group does not accept corruption in any part of our business. This basic rule strengthens our brand and helps us contribute to fair market competition – allowing the best products and brands to prosper.

Sound business practices are economically profitable

Not accepting corruption in any part of our business may sound simple. However, being a global company that operates in more than 180 different countries with many cultures and norms means that it is a demanding challenge.

From a short-term perspective, following our principles could have an adverse impact on some business opportunities. But in the long term, sound business practices are economically profitable since we make business more efficient and establish our reputation as a reliable partner conducting business with integrity.

Code of Conduct a guide for anti-corruption

Our work with anti-corruption is guided by the following principles contained in our Code of Conduct, which applies to all employees and the Board of Directors:

- Regarding legal compliance: "In every country in which we operate, Volvo Group shall abide by the law and regulations of that country. In situations where the law does not give guidance, the Group applies its own standard based on its corporate values and standards. In cases of conflict between mandatory law and principles contained in this code, the law shall prevail."
- Regarding relationships with business partners: "Volvo Group shall not offer customers, potential customers, governments, agencies of governments, or any representatives of such entities, any rewards or benefits in violations of either applicable law or reasonable and generally accepted business practice."

Volvo Group shall also take reasonable steps to prevent its business partners from taking part in such practices.

Anti-Corruption Compliance Policy and Program

Volvo Group has an Anti-Corruption Compliance Policy that has been adopted by the Audit Committee. In addition to this policy we have steering documents that in combination with the policy constitutes our Anti-Corruption Compliance Program.

The Anti-Corruption Compliance Program consists of a number of actions aimed at preventing Volvo Group or any of its business partners from taking part in corrupt activities. The program fundamentally consists of three parts:

- Preventing corruption
- Detecting corruption
- Responding to corruption

Volvo Group Anti-Corruption Compliance Program is a unique investment in sound and ethical business.

Definition of corruption

Corruption is defined as 'to directly or indirectly offer, promise, accept or solicit anything of value or an advantage as an inducement for an action which is illegal or a breach of trust in the conduct of Volvo Group's business'.

Oversight and reporting of anti-corruption

The Audit Committee, a function of the Board of Directors, has issued the Anti-Corruption Compliance Policy and monitors compliance.

The Chief Compliance Officer is responsible for overseeing the implementation of the program, leading and participating in training and audits and leading investigations into alleged non-compliance. The Chief Compliance Officer reports to the Audit Committee on current incidents and investigations three times a year.

In addition, annual reports are submitted to the Audit Committee on activities in the Anti-Corruption Program. Regular reports are also made to Group management.

Each business area has also appointed persons who are responsible for anti-corruption issues.

Contribute to reducing corruption

In some parts of the world corruption may be seen as an accepted part of doing business. It is therefore a challenging task to conduct business in the same way in all our markets.

Our overall aim is to contribute to reducing corruption in the world. We therefore need to communicate our views on how to run a business in a correct and fair way.

It is essential that our employees in all parts of the world understand the purpose of the policies and how to interpret them in everyday business.

Employees are trained online and on-site

All white collar employees will participate in e-learning relating to the Code of Conduct and Anti-Corruption every three years. On-site training for selected groups is conducted every year.

It is crucial to communicate both the advantages of doing business in the right way as well as the potential consequences of non-compliance. Personal meetings and discussions are important for creating awareness. In the past year and in years to come thousands of employees have received and will receive on-site training through the Chief Compliance Officer or other members of the compliance network. In 2010, employees received training on the Code of Conduct and 19,390 20,835 employees were trained in Anti-Corruption.



CASE

Rolling out the Anti-corruption program with an e-learning tool

Volvo Group implemented an up-to-date anti-corruption compliance program across the Group in 2010. The program involves management meetings, class room training sessions and an e-learning module. So far, more than 20,000 employees have participated in anti-corruption training.

"Do the right thing"

"I believe that our employees want to do the right thing and it is therefore important to educate and inform them about what is expected and what to look out for. It must be absolutely clear to everyone that we do business without engaging in any corrupt activities. It seems self-evident, but in some countries it is not", says Bo Berndtsson, Chief Compliance Officer at Volvo who is responsible for the program.

Training and risk assessments

Two thousand, two hundred selected individuals from more than 30 countries have participated in half-day training sessions, where they learnt about the risks and consequences of corruption and Volvo policies that address this issue.

Participants were selected individuals working in positions and countries where the risk of corruption is assessed as being substantial. They represented positions in sales, marketing, finance and accounting. Employees whose work involves public procurement processes also participated.

Risk countries were identified using an index from Transparency International, an international anti-corruption organization.

"I think the risk of corruption decreases significantly by focusing on the issue and by clarifying what is okay and what is not. We will never be able to totally eliminate corruption, but by understanding it and knowing what to do, you can come a long

way and resolve issues around corruption that we face when doing business," says Bo Berndtsson.



E-learning in 14 languages

All white-collar employees were also invited to an e-learning module on the topic of anti-corruption. It was rolled out from the management group, attached to a message from the CEO Leif Johansson to all managers in the organization. The e-mail contained direct links to Volvo Group's Intranet where the e-learning could be accessed.

The module was translated into 14 languages including Chinese, Russian, Korean, Spanish and Japanese.

"We have worked with e-learning for some time and people are very familiar with it. It is a way of efficiently reaching out to a large number of employees. Even though it summarizes a very complex subject, e-learning creates awareness of the topic in an excellent way", says Bo Berndtsson.

Training 38,000 persons

Overall, about 38,000 persons will participate in the e-learning program that will be run in 2010 and 2011 and more than half of them did so during 2010. The remainder will complete the training before the summer of 2011. Volvo Group previously ran a Group-wide e-learning program on anti-corruption in 2006/2007, and this program was significantly updated ahead of the implementation process in 2010.

Governance

Human Rights

– We support and protect human rights

Respect for the individual represents an important component of Volvo Group culture. We place great value on supporting and protecting human rights within our sphere of influence. This affects our internal behavior as well as our interactions with partners outside our organization.

Human rights in our operations

Our position on human rights is reflected in our Code of Conduct and is aligned with our commitment to the principles of the United Nations' Global Compact initiative.

We uphold human rights in the course of our own operations and at the workplace by respecting the individual and providing fair employment conditions.

We encourage diversity and do not tolerate any form of discrimination with regard to gender, race, religion, age, disability, sexual orientation, nationality, political opinion, union affiliation, social or ethnic origin.

We also promote a safe work environment for our employees, and respect the right to freedom of association and collective bargaining. We do not condone forced or compulsory labor, or child labor.

In every country of operation, we respect and comply with national legislation. The principles of our Code shall prevail in countries where legislation is weaker than our Code of Conduct. Based on research from internationally recognized institutions we have assessed the level of human right risk in those countries in which we operate.

Sphere of influence

Volvo Group's work to address human rights extends beyond the limits of our own operations. In fact, the exact boundaries of a company's sphere of influence, and consequently its responsibility are a complex issue and subject to international debate.

At Volvo we believe that an obvious part of our responsibility is not to cause harm. We also believe that we have a responsibility to become aware of, prevent and avoid being complicit in human rights violations.

Beyond the scope of our own operations, we exercise influence over suppliers and to some extent the marketplace. We promote human rights in communities in which we operate and

in our relations with authorities and governments, which may positively influence the state of human rights. However, we do not exercise any control in these spheres.

UN Declaration of Human Rights

Support for the UN Declaration of Human Rights is stated in our Code of Conduct and communicated to all employees. The human rights issue is included in the Code of Conduct training.

The Code of Conduct stipulates that: 'Within our sphere of influence, Volvo Group supports and respects the protection of internationally proclaimed human rights and ensures that it is not complicit in human rights abuses.'

Human rights principles relevant to Volvo's operations include:

- Non-discrimination
- Non-tolerance for forced labor
- Non-tolerance of compulsory or child labor
- Freedom of association
- The right to collective bargaining
- The right of all employees to a healthy and safe work environment

Supplier assessments and due diligence

Respect for Human Rights is included in our Master Agreements with suppliers.

To prevent and minimize risk of human rights abuses we monitor and assess suppliers with regard to different industry categories and to geographic regions. As part of our efforts to uphold human rights in the supply chain, we follow up on our suppliers' performance in the CSR supply-chain program.

Human right issues are included in our due diligence process for mergers and acquisitions as well as when entering new markets.

Risk Management

– Risk management forms part of our strategy process

To achieve successful risk management, it is important to have strategic long-term planning combined with internal and external communication. Volvo Group manages risks centrally within the strategy process with a risk procedure reviewed by external auditors. Risks can be regulatory, physical or related to other aspects such as trends and public opinion.

Risk assessment at a corporate and company level

Risk management and assessment is conducted at the corporate level and for each company in the group. Risks are analyzed and ranked based on occurrence and potential consequences, and we can sometimes influence the likelihood of a risk-related event occurring. When that is not possible, we strive to minimize the consequences.

Risk assessments are reported to the Board of Directors and serve as input for the business plan process.

There are three main categories of risks relevant to Volvo Group:

- External-related risks – including economic cycles, competition and regulation.
- Financial risks – including currency fluctuations, share evaluations, credit risks and similar.
- Operational risks – related to the introduction of new products, suppliers, third-party complaints etc.

More information on risks and uncertainties is included in our Annual Report 2010. In this report we will elaborate on some of the external related risks and operational risks that relate to the topics of this report.

An inability to address risks may harm our reputation, and consequently, in this report as well as in other communication we aim to address the most frequent questions from our stakeholders as well as respond to issues that are critical to trust.

When communicating, we strive to always be well-prepared, display candor and be transparent. We believe that we build confidence and trust among our stakeholders by striving to comply with the principles contained in our Code of Conduct as well as conducting business with integrity and maintaining a long-term focus on our business. Our commitment to social responsibility and business ethics should be reflected in our communication.

We have clear instructions, delegated responsibilities and a preparedness program for the eventuality of a crisis. We believe that confidence in an organization is a result of how well we manage and react to a situation, and it is therefore important to be well-prepared for a crisis.

Annual internal audits

The Corporate Audit consists of approximately 35 internal auditors globally. Internal auditors perform audits and special assignments requested by management in accordance with the annual audit plan. They issue periodic reports to the Audit Committee and management, to summarize the results. Audits aim to improve the effectiveness of risk management, control, and governance processes.

They also cover an organization's compliance with policies and procedures, use of resources, etc.

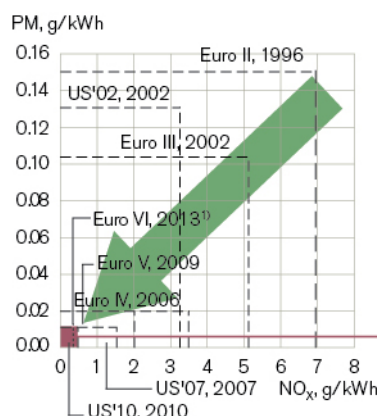
External-related risks

Environmental legislation

A prerequisite for our presence on a global market is that our products meet increasingly stringent international and national environmental legislation.

Today, we are working on meeting the future Euro VI standard that will be introduced in Europe in 2013. We continuously monitor the development of legislation, currently focusing on Carbon Dioxide Emission/fuel consumption requirements in:

- China
- USA
- EU
- Japan



Emission regulations for trucks and buses

Within Volvo Group we deal with pending emission legislation related to our products in the Regulatory Management Committee.

Carbon dioxide emissions represent one of the greatest risks

Two of the greatest risks concern the role of carbon dioxide emissions and the approach of peak oil, leading to rising fuel prices.

More than 95 percent of the energy consumption used in the transport sector today is oil-based, hence there is significant potential for developing commercially viable alternatives. Reducing dependency on fossil fuels such as oil, coal and natural gas by increasing the use of renewable fuels instead makes both business and environmental sense. Developing alternatives that are fuel-efficient and which can be operated using renewable fuels is therefore a priority and a valuable business opportunity for Volvo Group.

Operational risks

Need for engineering expertise

A crucial factor for the implementation of the Group strategy is input from employees, their skills and commitment. Securing and developing strategic expertise and resources in the long term is essential for maintaining an effective and adaptable organization. A related risk is our need for expertise and competent engineers to continue, and enhance, the development of environmentally enhanced products. We will meet this challenge by offering our employees attractive conditions and opportunities for development.

Safety risks

Volvo has policies, routines and guidelines that are designed to help us secure safe workplaces in all our operating locations. Volvo Group has a process for handling issues related to workplace safety such as fire protection, emergency evacuation, etc.

Providing a workplace free from physical hazards is essential for ensuring the safety of our employees, their families, customers and visitors as well as of suppliers who do business with us.

Volvo Blue Risk assessment is a key tool used during site inspections. This assessment is reviewed and supported by the Corporate Security function.

Managers at all levels share the responsibility of guaranteeing the high level of safety expected by our employees, suppliers and visitors. Managers are responsible for keeping all workplaces free from potential risks and for ensuring that corrective action is promptly carried out whenever a risk is identified.

Environmental risks

Environmental risk is one of the factors in Volvo Group's enterprise risk process. Risks related to environmental issues are also discussed within the strategy process.

Volvo Group has insurance to cover costs related to accidents that have an adverse effect on the environment.

Forthcoming regulations on environmental issues related to our production sites are dealt with by the Environmental Council.

All sites have been audited by the Environmental Manager for Volvo Group in order to identify risks. Furthermore, all production sites within Volvo Group have an environmental manager who is responsible for working preventively and actively to limit the consequences of an accident if it were to occur.

All production plants must fulfill the Group's requirements concerning for example:

- Use of chemicals
- Energy use
- Emissions to air and ground
- Waste management
- Organization of environmental work
- Work on continuous improvements

No major accidents occurred in 2010 and no environmental disputes are pending.

96 percent of employees work in certified systems in accordance with ISO 14001:2008. This means that risks are managed systematically and preventively.

Possible acquisitions are evaluated

When assessing possible acquisitions of companies and real estate, the audits cover environmental and social factors in addition to financial and legal aspects.

This information provides the basis for action plans, if these are needed to ensure that the companies acquired can meet Volvo Group's minimum requirements.

No operations in protected areas

Volvo Group has no activities in areas listed as sensitive or protected with regard to biodiversity. The material used in Volvo Group's products could have an indirect impact on biodiversity when extracting the raw material.

Monitoring transports

Our business activities generate transports to and from the plants. These transports operations are continuously monitored to identify potential ways to reduce environmental impact.

Environmental accidents

An annual inventory is made of polluted land on our properties. Remedial operations were conducted at one plant in 2010. No spillages, major incidents or legal complaints were reported in 2010.

Economic Responsibility



Every day,
300,000 construction machines from the Volvo Group work on constructing roads and buildings and on helping to run mines, forestry operations and farms

VEHICLES FOR ECONOMIC GROWTH AND DEVELOPMENT

Volvo Group's products and services contribute to the development and growth of societies across the world.

We provide solutions that allow big and small companies to move their goods and small-scale farmers to grow their crops, construction machines help to build and develop infrastructure, but also provide cost-efficient transport solutions that enable ordinary people to travel to work and earn an income for their families.

We consider our products to be vehicles for development. As a company, we need to ensure that our business is economically responsible and sound; only in that way can we continue to create value for customers and thereby value for our shareholders.

We have a long-term perspective on value creation.

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Value Creation

– Creating sustainable long-term value

Our products and services create important opportunities for the growth of societies. Volvo Group believes that we are better prepared to contribute to sustainable development and generate long-term value if we consider social and environmental challenges and opportunities and actively engage in dialogue with our stakeholders. This is imperative to the business of Volvo Group.

Significant events during the year:

- UD trucks launched a new heavy duty truck model program called Quon. The models are developed with a focus on fuel economy and driver performance.
- Volvo CE announced a strategic investment, amounting to SEK 144 M in the Bangalore plant for the production of middle heavy excavators.
- VECV, Volvo Group's joint venture with Eicher Motors Limited in India, announced an investment of SEK 480 M in the Pitampur plant for production of middle heavy engines.



Our role in society and contribution to growth and development

By efficiently transporting the goods we use in our daily lives, trucks represent an important part of the economic system of our world.

Most of our customers run commercial transport-related business. They have specific demands and expectations on our products and services. It is therefore important for Volvo Group to develop our products and services in close cooperation with customers, with the aim of improving the productivity of our customers and thereby creating value for them.

We help big and small businesses to grow by transporting their goods to the right destination using our trucks. Our engines ensure that the operations of large industries, at airports

or electricity supplies at shopping malls have efficient power back-up systems.

Taking economic responsibility

Today's global market encompasses many challenges that affect the financial performance of Volvo Group. The global economy is slowly developing in a positive direction following the recent years of economic recession. The crisis accentuated the need for well-managed and sustainable businesses that contributes to stability but that maintains flexibility to adapt to new situations.

The automotive industry was strongly impacted by the crisis, and Volvo Group had to take measures to reduce its workforce. Since then we have reinstated many of our former employees, as demand for our products and services has grown.

Our economic responsibility is to continue to create sustainable and long-term value, which means that taking measures to adapt to any new situation is critical to ensure that we live up to our responsibility. At the same time, when we make changes we take into account the impact they may have on internal and external stakeholders.

Sustainable business opportunities

[Corporate Social Responsibility \(CSR\)](#) for Volvo Group means good corporate citizenship and contributing to sustainable development by assuming social, ethical, economic and environmental responsibility for our business where we can. Creating sustainable long-term value for our customers today and tomorrow requires sustainable solutions.

Transport is not only a key component of modern society and a precondition for welfare and growth, but also contributes to climate change. In providing transport solutions, we realize that we are part of the problem as well as part of the solution.

With the customer in focus, Volvo Group is committed to investing in and developing innovative solutions that will contribute to the sustainable development of the transport sector. Our capacity to meet customers' and society's growing demand for more efficient technologies, alternative fuel engines and smarter logistics will determine our future business success. In recent years our customers have shown an increased interest in envi-

ronmentally enhanced products. Being in the forefront, we believe this will afford us a competitive advantage.

Fuel accounts for approximately one third of the costs for typical customers in Europe, and any measure that can reduce their fuel costs will help to improve profitability while reducing environmental impact.

Creating fuel-efficient solutions with less environmental impact thus creates value for our customers. Since 1975 the fuel consumption of a Volvo Truck has dropped by approximately 40 percent. Soft products spread the risk

Strengthen customer relationship

When customers choose supplier of vehicles or machinery, the offering of supplementary services combined with excellent products is a crucial factor. Volvo Group offers such services as financing and insurance, various forms of service agreements, accessories and spare parts.

Volvo Group's increasingly broad range of these services and aftermarket products, so called soft products, is of ever-increasing importance to the group's competitiveness. Soft Products aim to support our customers' businesses as well as ours, and strengthening relationship with our customer.

At present, soft products generate 35 percent of the total revenue for Volvo Group.

Profitable growth – a prerequisite for value creation

By being profitable and successful, Volvo Group generates value for a broad group of stakeholders, including our owners, employees, suppliers and the societies in which we operate. Our overall strategy is based on our customer's demands and

focuses on profitable growth, product innovation and internal efficiency.

Our goal is to grow by ten percent a year over an entire business cycle, while focusing on profitability with a higher growth rate in new markets. Over the past ten years, Volvo Group's annual growth has averaged 7.4 percent through organic growth and acquisitions. All major acquisitions in the past five years have been in Asia.

- 2008 Joint Venture with the Indian company Eicher (trucks and buses)
- 2007 Acquisition of Ingersoll Rand's division for road construction machinery
- 2007 Acquisition of the Chinese wheel loaders manufacturer Lingong (SDLG).
- 2006 Acquisition of the Japanese company Nissan Diesel (UD Trucks) started and completed in 2007.

Profitable growth is a prerequisite for maintaining competitiveness and for securing investments in the research and development of new products and services.

By being profitable, we also contribute to the societies we operate in by paying more taxes and social charges. EU studies estimate that the multiplier effect of one direct employee in the automotive sector ensures at least five more job opportunities at suppliers and related sectors and in retail.

The industry is also the largest private investor in research and development in the EU and thereby a driver of innovation and economic growth. Profitable growth also facilitates social initiative efforts beyond ordinary business operations.

Key ratio table	2008	2009	2010
Net sales Volvo Group, SEK M	304,642	218,61	264,749
Operating income (loss) Volvo Group, SEK M	15,851	(17,013)	18,000
- Operating income (loss) Industrial Operations, SEK M	14,454	(16,333)	17,834
- Operating income (loss) Customer Finance, SEK M	1,397	-680	167
Operating margin Volvo Group, %	5.2	(7.8)	6.8
Income (loss) after financial items, SEK M	14,010	(20,573)	15,514
Income (loss) for the period, SEK M	10,016	(14,685)	11,212
Diluted earnings per share, SEK	4.90	(7.26)	5.36
Dividend per share, SEK	2.00	0	2.50 ¹
Return on shareholder's equity, %	12.1	(19.7)	16.0

¹ According to the Board's proposal.

Indirect economic impacts

Our products and services are in many ways the enablers of the modern society as we know it. Volvo Group's trucks, buses, engines, construction equipment and air-craft components are involved in many of the functions that most of us rely on every day.

Our products and services contribute to socio-economic growth by acting as the bridge between businesses and their markets, goods and clients, or by simply providing the logistics for people to get to work, home, friends or travel.

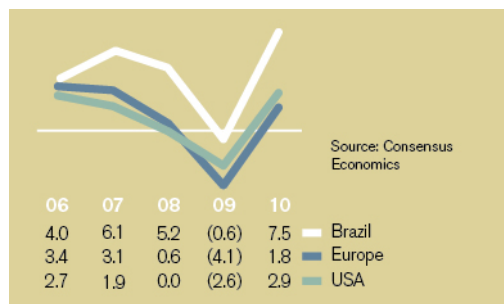
In fact, one in seven meals eaten in Europe reaches consumers thanks to trucks from Volvo Group driving along the roads of the continent.

Buses are the most common type of public transportation in the world, helping to reduce traffic and transporting people in a safe way.

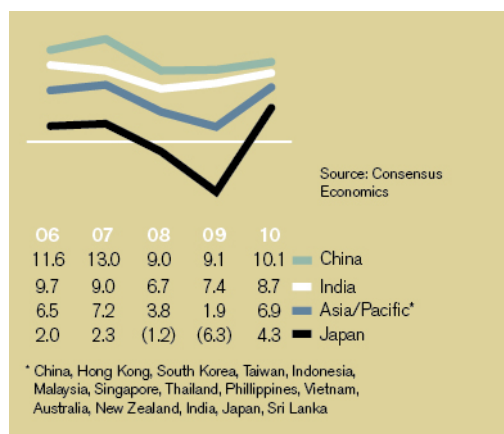
And while many countries have fully functional power systems, those that do not have such systems rely on industrial engines, like Volvo Penta engines, to ensure that hospitals and airports, for example, have a secure electrical supply.

Market overview

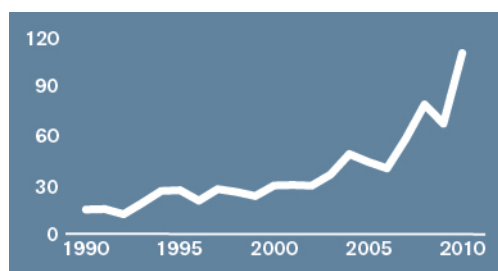
In the long-term, demand for transport capacity and for trucks is closely linked to the growth of GDP. Trends in the demand for our products are therefore indicators of the state of the economy. Economic fluctuations over the past few years are reflected in our sales figures.



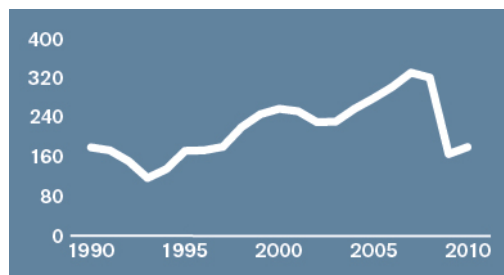
Economic growth in Brazil, Europe and the US (GDP)



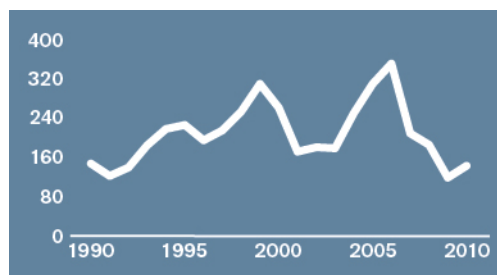
Economic growth in Asia (GDP)



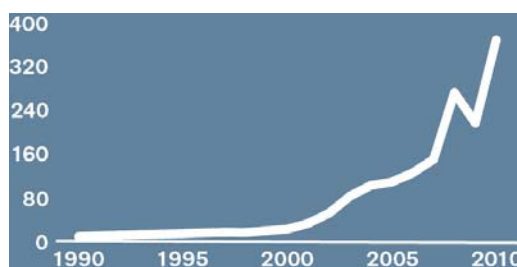
Heavy-duty truck market in Brazil (Vehicles, thousands)



Heavy-duty truck market in Europe (Vehicles, thousands)



Heavy-duty truck market in North America (Vehicles, thousands)



Construction equipment market, China

CASE

Stronger customer relationships with sustainability

Major customers of Volvo Group are showing a growing interest in environmentally enhanced products. In particular, attention is focused on alternative and renewable fuels, ways to increase fuel efficiency, hybrid engines and know-how related to more sustainable products.

Rapid growth in client interest

"We sense high level of interest from our customers, which has almost exploded over the past few years. This is something that was really not there five years ago. The customers themselves want to be more actively involved in the development, says Anna Sjölin, Global Key Account Manager at Volvo Trucks.

"They are experiencing increasing demands from their customers to reduce the impact of their carbon footprint and need someone to help them to achieve this. This puts Volvo in a very good position as Volvo is perceived as being a leader in this development."

Volvo Truck has focused on fuel efficiency for quite some time. It is crucial to help customers reduce costs, and increasingly also to lower carbon dioxide emissions. Also, in the field of alternative fuels, it is evident that customers want to engage in development projects, try new solutions and test trucks. They seek advice about and an insight into future developments.



Leading development

"We are considered by our customers to be in the forefront in the field and they know that we have been involved with alter-

native fuels for a long time, leading development in our industry. They trust us and value our views about the future, and want to take part in early stages of field tests, when possible," says Anna Sjölin.

Hybrid technology is increasingly attracting the attention from customers. Many customers are engaged in technologies that are still under development and that are not yet in commercial use. However, they still want to be up to date, which is a differentiator when choosing their business partner. Volvo is strengthening customer relations by being in the forefront of new environmentally enhanced technology.

Overall, there is an increased demand for services and total solutions with environmental features. Volvo offers services such as driver training, technical specifications, measuring emissions and advice on optimizing the use of fuel. The investments being made to develop environmentally enhanced products are paying off by further strengthening customer relations.

CSR - a customer concern

CSR issues also matters more to customers, including issues like anti-corruption and working conditions. Major customers increasingly demand high ethical standards from their suppliers and include questions on Volvo Group's CSR performance when inviting tender.

"This has increased substantially over the last two years. They want us to comply with their code of conduct and almost always our Code of Conduct and policies satisfy these demands. This represents a competitive advantage for us", says Anna Sjölin.

Value creation

Executive remuneration

– Remuneration policy supporting long-term growth

Remuneration schemes in Volvo Group are designed to attract and retain qualified managers and at the same time stimulate sustainable growth and value creation. Shareholders at the Annual General Meeting have the final say on the principles for the remuneration policy.

Financial year 2010

The Annual General Meeting decides on principles for remuneration and other employment terms for the members of Volvo's Group Executive Committee and the Board of Directors.

The principles adopted can be summarized as follows: the guiding principle is that remuneration and other employment terms for company executives shall be competitive to ensure that Volvo Group can attract and retain skilled persons for the Group Executive Committee. The fixed salary shall be competitive and shall reflect the individual's area of responsibility and performance.

The Remuneration Committee, which is a committee within the Board, prepares and the Board of Directors decides on: terms of employment and remuneration for the CEO and remuneration principles for other members of the top management. Furthermore, the Remuneration Committee shall approve proposals for the remuneration of other members of the top management in accordance with the principles established by the Board.

In accordance with the remuneration policy, members of the Group Executive Committee and a number of senior

executives receive variable remuneration in addition to fixed salaries. Variable remuneration is in most cases based on the fulfillment of certain improvement targets or financial targets.

Before each Annual General Meeting, the Board shall evaluate whether a share or share-price related incentive program shall be proposed to the Annual General Meeting. The Annual General Meeting decides upon such programs.

For the financial year 2010, the Board of Directors decided not to propose any share or share-based incentive program to the Annual General Meeting 2010.

Profit Sharing Program

The executives also participate in Volvo's Profit Sharing Program (VPS), which applies to the majority of Volvo Group's employees and which can give a maximum individual result of SEK 8,500 per year, provided the company's return on equity (ROE) amounts to 20 percent or more. Results under VPS are principally placed in Volvo shares and they can be realized at the individual level after three years, at the earliest.

Investments for the Future

– Staying ahead in a competitive environment

Volvo Group invests significant resources into research and development to find more efficient technologies and transport solutions that ensures viability and competitiveness. It is equally important to invest in organizational efficiency – to ensure that we are able to secure the means needed to stay ahead.

Investments in research and development

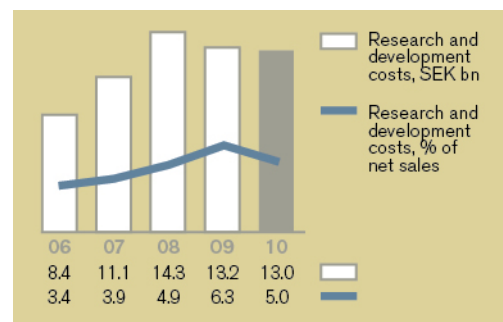
To remain competitive in the market, we need to continue offering products and services developed with a focus on our customers' demands, including environmentally enhanced products. It is crucial for our success that our employees possess the right skills and competences and to continue to invest in research and development (R&D).

We are constantly working on improving product performance within Volvo Group. Our R&D is also long-term, focusing on breakthrough technologies and seeking to reduce the environmental impact of our products and to cover future demands.



Our investments in R&D have remained constant over the last economic cycles. In 2010, investments amounted to SEK 13,000 M, compared with SEK 13,193 M in 2009. Most of our R&D investments are related to reducing engine emissions and lowering fuel consumption. Most of our R&D is conducted in Sweden, France, US and Japan.

In 2010, governmental grants amounting to SEK 472 (810) M were received and SEK 413 (567) M was reported in the income statement. R&D credits are included at SEK 204 (305) M, mostly related to our operation in France and during 2009 also the US. The grants were mainly from the European Commission and the Swedish Government.



Research and development costs, Volvo Group

Volvo Technology Transfer - Venture Capital

Volvo Technology Transfer (VTT) is a Corporate Venture Capital company. VTT creates value by developing and supporting new businesses of relevance to Volvo Group.

VTT has three main tasks:

- To bring Volvo Group closer to new technologies or new services by investing in companies and projects of technical and commercial interests.
- To support the development of businesses based on Volvo technology having business potential outside Volvo Group.
- To support the development of entrepreneurship and innovation within Volvo Group.

Investments in production facilities

During 2010, investments in property, plant and equipment amounted to SEK 7.1 (7.7) billion, which is four percent of net sales. Major investments related to new product programs, development cost and adapting production facilities.

Focus on internal efficiency

To continue to be successful we not only need to invest in product development and research, we also need to ensure that Volvo Group organization is empowered and able to work as efficiently as possible. Our focus is on reducing production costs and costs related to sales and administration, as well as making product development and other processes more efficient to increase profitability. We contin-

uously work on increasing the efficiency of our production system to increase productivity.

Furthermore, a resource-efficiency approach is well integrated in our culture and is an important priority ahead. For many years we have been measuring and following up on resource-efficiency in the production system. We will continue to strategically develop this work.

Product development and growth

Moving forward, our strategy focuses mainly on organic growth rather than acquisitions. At this point we have attained critical volume in most markets and in most product segments. We will devote development resources to the design of cost-effective products based on shared architecture and technology. We are intensifying our activities within product development to be able to launch cutting edge products in the coming years.

Developing skills

In addition, we are committed to invest in internal efficiency and productivity in all parts of the Group to improve profitability. Continued work on our strategic focus areas - skills, leadership, workplace safety, health and wellbeing and company culture - will help us attract and retain employees to meet future challenges.

Customers in focus

Our products, services and transport solutions are developed in close cooperation with our customers with the aim of improving their productivity and profitability, and thereby creating value for our customers. We believe that the reliability, endurance, driving performance, high fuel efficiency and

high environmental performance of our products really does improve our customers' productivity and profitability.

With regard to complete transport solutions, many customers want a long-term relationship to be able to perform their work as efficiently as possible and to be able to generate maximum profitability and reliability.

Our vision is to be number one as regards customer satisfaction. All companies within the Group measure customer satisfaction; it represents an integral part of our focused agenda and is followed up in our strategy dialogues.

We have different approaches for customer feedback across the Group. Each product company has a database system for handling complaints, orders, customer services, quality requests, dealer quality requests etc. The information contained in this system is used in our product development process.

Our customers can contact our Action 24 service to get support or to ask questions, e.g. where the closest workshop is located, at any time of the day.

We also conduct a Global Brand Tracking Survey to measure customers' perception of the brand. This is based on interviews with decision-makers in selected key markets, including both customers and non-customers.

More than 99 percent of employees within Volvo Group work in operations certified by a third-party auditor in accordance with the quality management system ISO 9001:2008.

We recognize the importance of a strong dealer network to provide our customers with the best availability and service and we have made significant investments in this over the years.

Investor Assessments

– Attracting long-term shareholders

The investor community is adopting a long-term perspective and is increasingly considering environmental, social and governance (ESG) aspects when making investment decisions.

Dialogue with investors

Volvo Group strives to facilitate investor assessments by giving current and potential shareholders a fair basis for evaluation by communicating transparently on our work to enhance environmental and social sustainability.

Approximately 40 actors on the capital market have over a three year period engaged in a dialogue with Volvo Group regarding our CSR performance and strategies.

We receive several questionnaires every year and strive to be responsive to requests for information. We believe that our Sustainability report is the most appropriate and efficient channel for providing information about our practices, and we seek to cover the most common questions from investors and questionnaires in this report. We do however value constructive dialogues on risks, opportunities and strategies related to CSR and sustainability.



Included in prestigious sustainability index again

Once again, Volvo Group has qualified for inclusion in the Dow Jones Sustainability World Index (DJSI World). DJSI assesses the world's 2,500 largest companies on the basis of economic, environmental and social criteria, focusing on long-term shareholder value. The DJSI World includes approximately ten percent of the highest ranked companies, one of which is Volvo Group.

The annual assessment includes areas such as corporate governance, risk management, brand, climate, suppliers and work environment. Volvo Group received particularly high marks for its handling of:

- Environmental issues
- Work environment
- Corporate governance
- Compliance with Code of Conduct and anti-corruption policy

We have been included in the DJSI World since its inception, but competition has intensified significantly over the years, since it has become increasingly important for companies to obtain external verification and acknowledgment of their sustainability efforts.

Volvo Group did not qualify for the 2009 index due to insufficient information about our philanthropic commitments, but was included in DJSI World once again in 2010.



Swedish investor drive for sustainable value creation

In 2010, a Swedish investor group, including 15 of the country's largest institutional investors, launched the result of a survey of responsible business practices.

The survey included the 100 largest corporations on the Nasdaq OMX Stockholm Stock Exchange. Volvo Group was among the highest ranked in each of the main categories: guidelines and commitments, implementation and compliance, communication and reporting, and the board's responsibility.



Other sustainability indices

OMX GES Sustainability Index series

Volvo Group is also included in the OMX GES Sustainability Index series and the OMX GES Ethical Index series for the Nordic and Swedish region.

The OMX GES Sustainability indexes comprise the leading companies in the region in terms of sustainability. The analyses cover criteria for environmental, social and governance (ESG) issues, and are based on international guidelines for ESG issues. The assessments are conducted by GES Investment Service.

Similarly, the OMX GES Ethical Index series are designed to reflect the market development of all listed companies on the Swedish, Finnish, Danish and Norwegian exchanges, but only include companies that comply with defined ethical criteria.

GES Investment Services conducts a screening of ethical criteria based on international standards relating to the environment, human rights and corruption.



Nordic Sustainability Stars

SIX STAR is a Nordic sustainability index launched in 2009 by SIX and Ethix SRI Advisors. Volvo is ranked among the top 25 Swedish companies.



Global Challenges Index

In 2007, the Hanover Exchange and Oekom research AG introduced the Global Challenges Index, which includes Volvo. The index comprises 50 companies that 'take active responsibility for future global development by making substantial, forward-looking contributions to meeting global challenges'.

The Folksam Index

The 2010 Folksam Index for responsible business enterprises - drawn up by the Swedish insurer, Folksam - has ranked 259 companies listed in Sweden.

Volvo Group received seven out of seven stars for our environmental work. We received five out of seven stars for our work on Human rights.

ECPI Indexes

Volvo Group is included in EPCI Global Carbon Equity and Ethical Index Global. The indexes are designed to select the 300 top capitalized companies in the global market that are eligible investments according to the ECPI Screening Methodology.

Carbon Equity Index is an investable index that picks out the companies best equipped to tackle a world of rising carbon emissions and tougher climate legislation from carbon intensive sectors such as Utilities, Basic Materials, Industrial and Energy.

Environmental Responsibility



ENVIRONMENTAL CARE – A CORE VALUE

The challenge for commercial transports today is to constantly reduce the environmental impact of products and production, and continuously look for more efficient solutions.

By introducing safe and efficient transport solutions and developing alternative solutions, Volvo Group strives to reduce the environmental impact of the use of our products. At the same time, we are tackling the challenge from a broader perspective.

We take environmental impact into account at all stages of the product lifecycle - from the first sketches on the drawing board, throughout its service life until it is recycled.

Environmental care is a corporate core value in Volvo Group. Our long-term vision for our production is to become carbon dioxide neutral.

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Environmental Priorities

– Environmental responsibility leads the way to sustainable mobility

Efficient transport is crucial for societal and economic development. Our role in society is to provide products, services and transport solutions. At the same time, transportation has an impact on the environment, through emissions that contribute to climate change. Volvo Group recognized early the importance of taking environmental responsibility by striving to minimize the negative environmental impact of our products as well as from production – a responsibility of highest importance to us.

Significant events during 2010:

- Volvo Group is the first vehicle manufacturer in the world to join the WWF initiative, 'Climate Savers'
- Volvo Environment Prize Foundation awards Professor Harold A. Mooney the 2010-prize for his pioneering work in the field of biodiversity
- Renault Trucks started selling a fully-electric urban distribution truck
- Volvo Trucks North America is the first vehicle manufacturer in the world to offer trucks that comply with the US10 emission regulation
- Volvo Buses started serial production of the Volvo 7700 city bus hybrid and the Volvo B5L hybrid double-decker
- Progress on vehicles equipped with methane diesel technology

Environmental care is a corporate core value

'Environmental care' is one of Volvo Group's corporate core values. Our focused environmental work had already started in 1972, when we participated in the United Nations Conference on the Human Environment in Stockholm, Sweden. Volvo's preparatory work resulted in a document on environmental politics called 'Mobility and the Environment'.

Since then, we have communicated and trained employees and management on environmental responsibility issues. Today, environmental issues are an integral part of not only our business strategy but also our daily work.

We have faced many challenges over the years, some of which seemed impossible to solve, but looking back we have been able to tackle most of them.

Climate change is one of the greatest challenges faced by mankind. As one of the largest manufacturer of commercial vehicles we have a responsibility to address this issue. We believe that carbon dioxide neutral transport is not a utopian dream. Our vision is to make all of our production plants carbon dioxide neutral.

Volvo Group also takes the lead in focusing on energy-efficient transport solutions and renewable fuels. We focus on

our products in use in our endeavor to support our customers in strengthening their competitiveness and minimize the negative environmental impact.

A holistic approach for environmental responsibility

Volvo Group Environmental Policy is the foundation of our environmental work and includes four strategies:

- Holistic approach – the environmental impact of products shall be assessed from a lifecycle perspective – from concept to disassembly
- Continual improvement – environmental programs must be integrated and monitored in all operations
- Technological development – environmental requirements are to be met through active research and development
- Efficient resource utilization – the entire lifecycle of products and processes must be taken into account to ensure optimum resource utilization



Strategic challenge

Volvo Group's focused environmental agenda identifies the most important environmental issues, prioritizing the projects that provide the most business value over a three-year period. Our group-wide environmental objectives are part of the annual

strategic process from the CEO to the Group companies. The strategic challenge, related objectives and required actions are then implemented in the business plans.

The process ensures that the agenda is focusing on the most relevant issues. The current areas included are:

- Energy efficiency - high efficiency in products and production
- Climate change - high fuel efficiency in products and low emissions for all transport work
- Climate change – our long-term vision is to make all production sites carbon dioxide neutral
- Renewable fuels - solutions for alternatively fuelled power trains and products
- Communication – communicating environmental features to the market and society

Climate Challenge

– Transport industry faced with the challenge of climate change

Climate change is one of the most complex and challenging issues of our time. While transportation is closely linked to the development of societal welfare and growth, transport also contributes to climate change. Volvo Group is committed to developing solutions that enhance mobility while having a reduced impact on the environment. We are convinced that our future products will also remain an important part of a sustainable society.

The challenge – reducing emissions of greenhouse gases

Climate change is on the political as well as the corporate agenda. The European Union has formulated a reduction target for emissions of greenhouse gases for the transport sector.

The EU target for the transport sector is a reduction of 20 percent by 2030, based on 2008 levels, and at least 60 percent by 2050, with the baseline 1990. Great emphasis will be put on urban transports, where the target is to achieve essentially carbon dioxide-neutral city logistics in major urban centers by 2030.

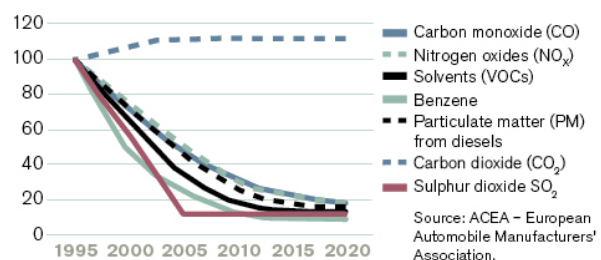


The EU has stated that new technologies for vehicles, through new engines and material and design, and traffic management will be key to lower transport emissions as well as cleaner energy use through new fuels and propulsion systems. These are all areas prioritized by Volvo Group, to which major resources have been dedicated.

Road transport emissions

Research shows that transport is responsible for approximately 13 percent of the total greenhouse gas emissions

caused by humans. Goods transports on roads account for about four percent globally.



Within the EU all road transport emissions except for CO₂ are expected to decrease in the future. This is the result of stringent emission regulations.

Road transport emissions in the EU

Emissions need to decrease dramatically over the long-term perspective. Climate change is very much a global issue and requires global action. According to the United Nations' Climate Panel (IPCC), greenhouse gases must decrease by 50–80 percent between 2000 and 2050.

Preparing for upcoming carbon dioxide regulation

Volvo Group is affected by the cost of, access to and availability of fuel, as well as legislation in the environmental area. Continued problems with air pollution and climate change entail more stringent legislation. These are just some of the factors that must be addressed and we have focused on the development of energy-efficient engines, hybrid engines and vehicles that can operate on renewable fuels.

Within Volvo Group we are closely monitoring the development of forthcoming carbon dioxide-related regulation. Fuel consumption is already being regulated in China today, and Japan will follow in 2015. We expect the US to be the first market to introduce a greenhouse gas-emission regulation in 2014. We are also following the EU debate regarding greenhouse gas/fuel consumption certification.

Addressing climate change – part of Volvo Group strategy

Volvo Group recognizes climate change and is committed to reducing the climate impact of transports. Our most important contribution is to develop solutions that increase fuel efficiency and to introduce vehicles that use renewable fuel. We also have a responsibility for and the possibility of minimizing the impact of our own production processes.

These aspects are integrated into our environmental agenda and form part of our prioritized areas.

As a Group, we are striving to minimize the climate impact of our activities by focusing on:

- The reduction of energy consumption and departure from energy from fossil fuels in production processes
- Developing alternative drivelines and working with renewable fuels
- Decreasing carbon dioxide emissions from our internal transports.

Cooperating with actors in society

We believe in the ability and willingness of people to find solutions to environmental problems. We therefore make efforts to increase awareness of environmental issues related to transport industry.

We work together with authorities in different countries on subsidies and grants for the development of environmentally enhanced products, and for incentives for our customers to enable the transition to more sustainable transport solutions.

As a result of the global focus on action to deal with the climate change, many countries have been given the incentive to encourage development towards a low-carbon society. Access to new funding for specific measures in developing countries can provide an important opportunity for Volvo Group. We can contribute to new projects with transport solutions and low-carbon technology.

Joint industry partnerships

Climate partnership with WWF

We have gone into partnership with the World Wide Fund for Nature (WWF) to further underline Volvo Group's commitment to climate action. In 2010, Volvo Group became the world's first manufacturer in the automotive industry to join the WWF Climate Savers Program.

Being a partner in Climate Savers, we have agreed to even more ambitious emission targets for greenhouse gases. Volvo Group's truck companies have undertaken to reduce carbon dioxide emissions from vehicles manufactured between 2009 and 2014 by 13 million tonnes. The results will be monitored by independent technical experts.

Sustainable Urban Transports

Volvo Group is participating in a project called Sustainable Urban Transports (SUT), which aims to define how transport in city centers will function in the future. The project has been funded by VINNOVA (the Swedish Governmental Agency for Innovation Systems) and different actors in society are collaborating in the project.

Partnership for carbon dioxide neutral transportation

The KNEG (Climate Neutral Freight Transportation) network gathers a large number of Swedish companies, researchers, organizations and public authorities. The goal is to reduce the climate impact of goods transport on Swedish roads.

The objective of the individual participating companies is to halve the emissions from typical Swedish long haul transport operation by 2020 compared with 2005.

Volvo Truck's and Volvo Logistic's commitments:

- Require that all drivers be trained in fuel-efficient driving by 2010
- Be the leading transport buyer in promoting alternative fuels
- Actively work for better infrastructure and longer vehicles, and promote an increase of the maximum vehicle length in Europe to 25.25 m
- Always include sea and rail when considering new transport flows
- Increase the filling rate every year and constantly improve the efficiency of logistic systems
- Cooperate with other buyers of logistic services for increased efficiency and better balance.



碳减排先锋
Defensores do Clima
クライメート・セイバーズ
Climate Savers

CASE

Volvo Group joins WWF partnership

During 2010 Volvo joined the WWF Climate Savers Program – a partnership between some of the leading companies in each industry and the World Wide Fund for Nature. Their aim is to reduce carbon dioxide emissions as a means of fighting climate change. Håkan Wirtén, is the Secretary General of WWF Sweden.



Companies key to change

"Companies must play a crucial role if mankind is to decrease emissions. The WWF has a long tradition of fighting environmental problems in cooperation with companies – it is one of the most efficient methods. WWF seeks partnerships with leading companies and we want to support their work in combating climate change," says Håkan Wirtén.

Ambitious commitments

Volvo Group is the first vehicle manufacturer to join the program; Volvo truck companies have undertaken to reduce carbon dioxide emissions from the vehicles they manufacture by 13 million tonnes and to reduce carbon dioxide emissions from their production plants by 12 percent.

"We welcome the involvement of Volvo which shows their level of ambitions. The transport industry has a clear effect on climate change, representing a major challenge for the industry as a whole. It takes a strong commitment to join our program, so we are happy that Volvo is on board as the first one in the industry."

Impact on product development

"To achieve these goals Volvo will develop new products with even higher environmental standards. Volvo will produce a truck prototype with 20 percent lower fuel consumption, while the company also plans to offer trucks to the commercial market that run on renewable gas. So there are new business opportunities associated with these partnerships," says Håkan Wirtén,

"Volvo has conducted a systematic process for many years to deal with environmental issues including climate change. Volvo is one of the companies that is both maximizing profits at the same time as adapting to meet new requirements for environmental responsibility."

Product Development

– Systematic approach towards sustainable products

Volvo Group works to reduce the environmental impact of our products and develop more efficient business solutions for our customers, contributing to a sustainable society. It is strategically important for us to reduce the environmental impact of our products. Innovative solutions and breakthrough vehicle technology is the result of a systematic approach to environmentally enhanced product development.

Leading research and development

Our investments in research and development (R&D) make Volvo Group predisposed to introduce new smart transport solutions. R&D at Volvo Group relies on the combined expertise of different companies within our organization. Substantial economies of scale are created by coordinating R&D initiatives as well as general processes and tools.

About 50 percent of Volvo Group's R&D is conducted in Sweden, with the remainder distributed between locations in France, US and Japan. A major part of the product development budgets is dedicated to compliance with emission regulations.

We are involved in a comprehensive series of cooperative ventures with authorities, research bodies and academic institutions to advance the technologies needed for future product development.

Development process including environment and safety

Volvo Group's product development is affected by changes in society, legislation and the needs of customers as well as new technology.

We are a driving force in the industry within the areas of environment and energy efficiency. Lower fuel consumption provides dual benefits – less impact on the environment and lower costs for customers. The undertaking involves a gradual transition from fossil fuels (such as oil and natural gas) to fuels from renewable sources and from conventional drivelines to hybrids.

We have three parallel approaches for environmentally enhanced product development:

- Attain high fuel efficiency and low emissions throughout the life cycle
- Develop alternatives that complement the diesel engine, such as hybrid drivelines that offer potential energy storage
- Identify and develop engine and vehicle technology for renewable fuels

Global product development process

There are six stages to our product development cycle. Each stage has different environmental, quality and safety objectives

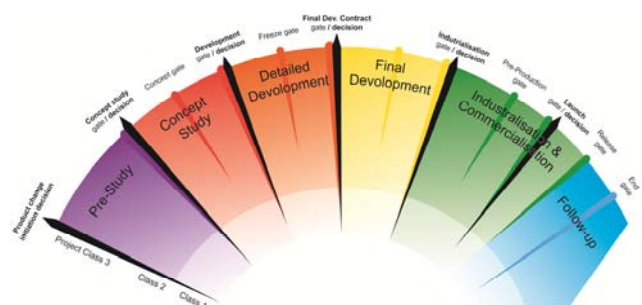
that need to be met for the process to proceed to the next stage. Work is organized in multifunctional teams, taking advantage of different experiences and skills from the global organization.

In the first phase of the product development process, the scope of the project is defined by balancing project targets, development requirements and alternative solution concepts. In phase two the concept is chosen. For example, we look at market research, environmental impact assessments, the business case and alignment with other projects. At the third stage we enter the applied research phase, which includes conducting a technical feasibility study.

The fourth phase is the final development phase, and includes building, verifying, validating and ratifying the product solution. In this phase market, aftermarket, manufacturing and assembly solutions need to be refined by conducting feasibility studies.

The fifth phase is the industrialization and commercialization phase where the industrial system has to be installed, prepared and verified to enable production. This is followed by the launch of the product and the aftermarket products. After the launch, we follow up the project and summarize project experiences.

Our products have an average life length of eight years depending on the use of the products.

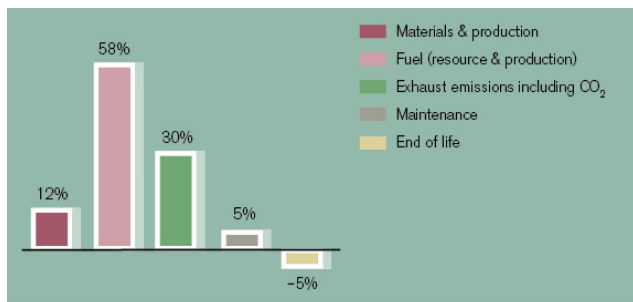


GDP overview

LCA broadens the perspective and provides deep insights

Each new product from Volvo Group should have less environmental impact than the product it replaces. We use [Life Cycle Analysis](#) (LCA) to map a product's environmental impact in order to make better informed decisions in the development process.

Findings from analyses indicate that 80–90 percent of environmental impact results from the use of the products. Consequently, our main focus is on reducing the environmental impact of products in use.



Environmental impact assessment for a truck in long-haul operation

Environmental Product Declaration

For many of our products we give customers an Environmental Product Declaration (EPD), which is formulated based on the results from the LCA. The purpose of such declarations is to help customers understand the environmental impact of the product, and help them to make more informed choices when choosing vehicles.

The EPD is divided into three sections:

- 'Production' provides information about energy consumption, emissions and waste during the production of our products
- 'Use' presents fuel consumption, emissions and spare parts utilization during the use phase of our products
- 'End of Life' deals with the scrapping and recycling of our products

Completed in 2010, all new Volvo trucks in Europe have access to detailed lifecycle analysis of their vehicles' environmental footprint. The analysis covers five sections; materials and production, fuel, exhaust emissions, maintenance and end-of-life treatment.

Even though the EPD was introduced ten or so years ago, Volvo is still unique in offering customers this information. The

information helps customer verify their performance against their own environmental targets.

Achievements so far - and potential

The fuel consumption for a Volvo truck has been reduced by 40 percent since 1975, while regulated emissions of nitrogen oxides (NOx) and particulate matter (PM) have fallen by some 90 percent.

Increasing fuel efficiency further

The most significant share of a vehicle's environmental impact occurs during the use phase, and this is largely attributed to fuel consumption.

When a fully loaded truck is compared with a fully loaded passenger car, the carbon dioxide emissions of the truck are approximately ten times lower per tonne kilometer. The fuel consumption for a Volvo Truck FH tractor and semi-trailer combination, fully loaded, is well below 3 liter per 100 kilometers in long-haul operations. This fuel consumption corresponds to carbon dioxide emissions of approximately 30 g per ton kilometer.

The estimated fuel-saving potential for a standard truck will be 15 percent in 2020 compared with fuel consumption in 2005. This can be achieved by further improving the driveline, design, weight and tires. New technology can be used to achieve more significant savings. For instance, the use of a hybrid driveline may improve fuel savings by up to 35 percent in certain operations.

Exhaust emissions

The environmental impact of exhaust emissions, PM (Particulate Matter) and NOx (Nitrogen Oxides), is significant as regards the product's impact on local air quality over its life cycle.

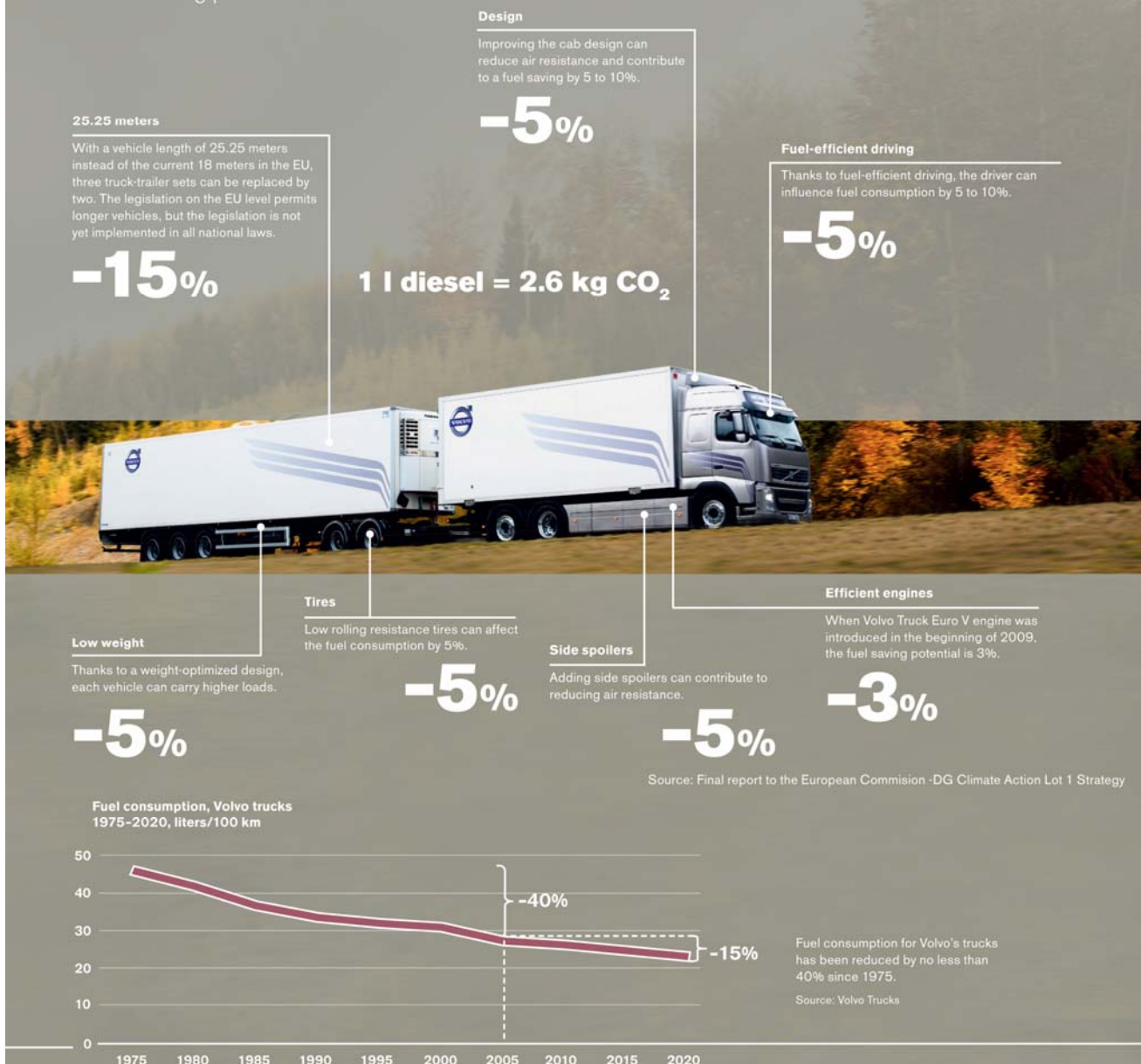
Different authorities are imposing increasingly stringent requirements on emissions of NOx and PM from road transport. The latest emission regulation in the EU is Euro V, which was introduced in October 2009. The most recent regulation in the US, US'10, became effective in 2010. Volvo Group's products sold on these markets comply with, or exceed, current product regulations.

There is also an emission regulation for off-road products which affects Volvo Construction Equipment's products as well as some of Volvo Penta's products.

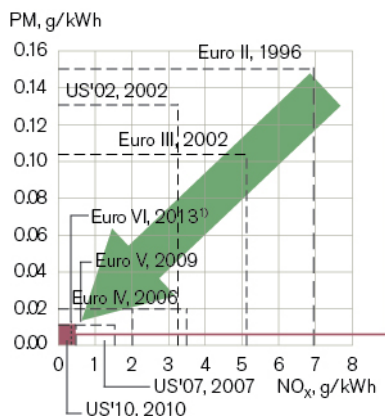
We support the global harmonization of emission regulations when these are competitively and technology neutral.

Fuel saving potential - taking the entire picture into account

Creating sustainable transport solutions requires taking the full spectrum of the transport sector, such as the infrastructure, fuel producers, drivers and the vehicle, into account. This means that joint efforts with different actors in society are needed. Looking at the possibilities of further improve the driveline, design, weight and tires, the estimated fuel saving possibilities for a standard truck is 15% in 2020 compared with the fuel consumption in 2005. The other possible fuel saving possibilities presented in this illustration can be seen as an additional. Using a hybrid driveline can further improve the fuel saving possibilities.



Volvo Group is working to meet the future [Euro VI](#) standard, which will be introduced in the EU in 2013. NO_x and PM will be reduced by 97 percent from the early 1990s for the coming Euro VI, thereby reaching very low levels.



Emissions regulations for trucks and buses

Emission regulation	Reduction in PM	Reduction in NO _x
Euro IV – reference Euro III	80%	30%
Euro V – reference Euro III	80%	60%
US'07 – reference US'02	40%	80%
US'10 – reference US'02	80%	90%

Reduction in PM and NO_x

Pioneering diesel engine meets US requirements

The diesel engine represents the focus of Volvo Group as it is currently the most efficient energy converter for heavy-duty vehicles. The first vehicles with US'10 certified engines were delivered to customers in 2009. Volvo Trucks and Mack Trucks were the first manufacturers to have their engines certified by the U.S. Environmental Protection Agency and the California Air Resources Board as meeting US'10 emissions regulation, which is the current most stringent standard in the world.

The vehicles that meet the demanding requirements of US'10 are equipped with both:

- Exhaust Gas Recirculation (EGR)
- Selective Catalytic Reduction (SCR)

EGR lowers the amount of oxygen in the combustion chamber, which reduces combustion peak temperature and in doing so lowers the formation of NO_x. With SCR technology, diesel exhaust fluid, a water solution of urea, is injected into the exhaust stream to convert NO_x into harmless nitrogen and water

vapor. It is necessary to use both techniques to achieve low emissions as well as high fuel efficiency in vehicles.

Recycling of vehicles

Volvo Group's products are to a large extent recyclable, since by weight they consist of almost 85 percent metal, mostly iron, steel and aluminum. The additional materials are mainly:

- Plastic
- Rubber
- Material from electronics components.

The total weight of a truck, such as a Volvo FH tractor, is approximately 7,000 kg, of which approximately 33 percent is made of recycled material. Virgin material is needed to ensure quality and solidity. Handbooks which show how to disassemble the vehicle are available for most products to support the optimal materials recovery.

Disassembly stations are available where trucks and buses can be disassembled for recycling and where reusable product parts can be harvested. The vehicle is assessed to decide what parts will be recycled, reused or scrapped. Remaining substances, such as oil, diesel and coolant are emptied from the vehicle and the vehicle is disassembled.

Remanufacturing spare parts

Remanufactured spare parts are offered as an alternative to new ones to prolong product life and save resources and costs for our customers. Before a part is remanufactured it undergoes a stringent quality control process to ensure that our remanufactured parts meet the strictest tolerances.

Inboard Performance System (IPS)

Volvo Penta's IPS is a propulsion system for high-performance boats. Fuel consumption can be cut by up to 30 percent compared with conventional technologies thanks to the forward-facing propellers and the thrust being parallel to the boat hull. This new technology also makes the boat quieter while also improving performance and maneuvering characteristics.

Light weight design

Volvo Aero's unique technologies are becoming important due to the focus on fuel economy and environmental issues in the aerospace industry. Lightweight structures have a major impact on fuel consumption and thus also on aircraft emissions. Lightweight structures, simulation and patented manufacturing methods cut development lead times, while simultaneously making engines quieter and reducing weight.

Product Development

Hybrid Technology

– Continued progress in hybrid technology

Volvo Group is a leading player in hybrid technology for heavy-duty vehicles, with a unique solution that offers considerable fuel savings while reducing carbon dioxide emissions. Hybrid technology is one of the most promising and competitive technologies for commercial vehicles. It saves fuel and reduces emissions, and can be run on renewable fuels.

Environmental and cost benefits

Volvo Group is well positioned with our unique solution for hybrid technology for heavy-duty vehicles. Hybrid technology is best suited to urban operations since the most appropriate vehicles for hybrid drivelines are those operating in continuous stop-go conditions, such as city buses and refuse or distribution trucks.

Because of its potential for saving fuel, hybrid technology means lower operating costs for customers while at the same time significantly reducing environmental impact.

We have tested various types of hybrid solutions since the 1980s and unveiled the first commercially viable hybrid solution for heavy-duty vehicles in March 2006. Our solution is based on a concept known as I-SAM (Integrated Starter Alternator Motor).

Hybrid solution with proven track record

The I-SAM concept involves an electric motor and a diesel engine working in parallel, whereby each of them can be used where they are most effective. This increases the capacity compared with series hybrids, while simultaneously reducing fuel consumption and improving driving characteristics. The market prospects for Volvo Group's hybrid technology are favorable since it is based on a platform solution.

The solution can be used for different Volvo Group products and applications, thus reducing production costs and facilitating large-scale manufacturing. We have been demonstrating vehicles based on our hybrid solution, including:

- city buses
- refuse collection trucks and distribution trucks
- wheel loaders

Tests have revealed fuel savings of 15-20 percent for distribution trucks and up to 35 percent for city buses.



Serial production of hybrid trucks and buses

The Volvo 7700 Hybrid city bus had its world premiere in April 2009 following successful field tests of hybrid buses in Stockholm and Gothenburg, Sweden and London, England.

Volvo Group commenced serial production of the Volvo 7700 Hybrid city bus and the Volvo B5L Hybrid double-decker in 2010. Significant fuel savings of up to 35 percent, combined with the technology being based on standard components makes this bus a commercially viable option compared with many other hybrid technologies. Approximately 180 hybrid city buses have been delivered to customers.

The technology functions equally well where there is greater distance between bus stops, not just in highly congested traffic situations. The diesel engine does not start until the bus reaches 15–20 km/hour, which ensures a quiet and exhaust-free environment at bus stops. In addition, passenger capacity has increased compared with the standard diesel bus.

Volvo Trucks continued field testing hybrid refuse trucks in Gothenburg, Lyon and New York. These hybrid trucks will be available for sale in 2011 when serial production will start.

Renault Maxity electric: a zero emission commercial vehicle

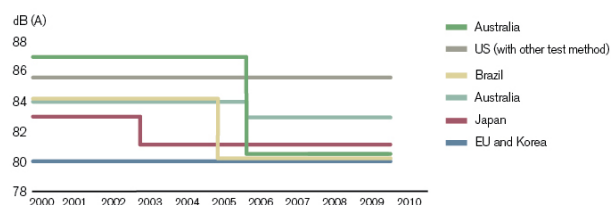
Renault Trucks has developed an electric commercial vehicle offering in partnership with PVI, which is based on the Renault Maxity. This vehicle offers two very distinctive advantages: no atmosphere-polluting and carbon dioxide emissions at all and no noise pollution. Renault Maxity Electric can therefore be operated at night and in restricted low-emission zones.



Less noise emissions

Noise pollution is a growing problem in urban areas. Vehicles equipped with hybrid technology are almost noiseless when operating on the electric engine. There are different regulations around the world for noise emissions for the transport sector.

EU and South Korea have among the strictest noise level regulations: 80 decibels for heavy-duty vehicles. Other countries are gradually approaching the same level. Volvo Group products meet these regulations.



Noise emission requirements for heavy-duty vehicles

Product Development

Carbon Dioxide Neutral Transports

– Future vision of carbon dioxide neutral transport

Carbon dioxide neutral vehicles are powered by fuel produced from renewable raw materials such as biomass. Vehicles that operate on renewable fuels do not add extra carbon dioxide to the atmosphere. Volvo Group is actively exploring and developing technologies that operate on renewable or alternative fuels.

Need for reduced dependency on fossil fuel

Burning fossil fuels contributes to raising the levels of greenhouse gases in the atmosphere. The supply of easily accessible and cheap crude oil is diminishing, which will lead to higher fuel prices. More than 95 percent of the energy resources used in the transport sector today is oil-based, hence there is a significant potential for finding commercially viable alternatives.

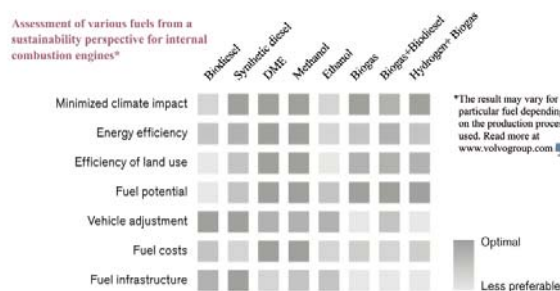
Reducing dependency on fossil fuels such as oil, coal and natural gas by increasing the use of renewable fuels makes business and environmental sense.



Research on renewable fuels

Volvo Group has conducted research on seven renewable fuels assessed from seven aspects and from a well-to-wheel perspective. All seven renewable fuels have the potential to reduce carbon dioxide emissions from transports.

It is crucial that these fuels can be produced using sustainable methods, for instance the production of raw material/biomass. The best solution in the short term is to mix renewable fuels that are currently available with today's fossil fuels. We believe that no renewable fuel alone will replace oil globally; different regional solutions will be used based on regional prerequisites. Since we know that biomass will be a limited resource, it is very important to choose the most energy-efficient alternative from a well-to-wheel perspective.



Assessment of sustainability features of fuel categories

Transit to renewable fuels requires collaboration

The diesel engine is one of the most efficient energy converters around. A major advantage of the diesel engine is that it can be adapted to run on a wide range of renewable fuels.

The transit to a low-carbon society requires collaboration to gain broader acceptance. We have the technology and know-how to develop carbon neutral transports.

Already in 2007 we presented seven trucks which can be operated on seven different renewable fuels. All of these can all be driven without net emissions of carbon emissions.

The purpose of showcasing these vehicles was to create discussions with different actors in society. Cooperation between vehicle manufacturers, politicians, government agencies and

fuel producers is necessary. For example, a functioning infrastructure for the production and distribution of new fuels needs to be developed to be make this viable.

BioDME – one future alternative

Volvo Group views DME (dimethylether) as one of the strong future alternatives to fossil fuel; it is energy-efficient and has proven a lower environmental impact.

DME is a gas that is easy to liquefy and transport. It also has high cetane number, no sulfur and ultra-clean combustion properties. It has considerable potential for use as an automotive fuel when combined with renewable and low-carbon fuels.

DME can be derived from many sources, including renewable materials (biomass, waste and agricultural products) and fossil fuels (natural gas and coal). DME produced from biomass, known as BioDME, is highly energy-efficient, cost competitive and emits low greenhouse gas emissions all the way from the source to the wheel.

Proceeding with collaboration on BioDME

Along with other actors, we are proceeding with a project covering the full chain for the production of renewable fuel. The BioDME project is a joint venture to demonstrate the full technology chain involved in the production and distribution of DME from biomass to its use as vehicle fuel.

The project includes building a pilot facility, distribution and filling stations, fuel specification and project evaluation. Volvo Group is coordinating the project and develops demonstration vehicles for field tests between 2010 and 2012. Two of the vehicles were handed over to customers for field tests in early 2011.

The field test is being made possible through a broad-based joint project involving, among others, the EU, the Swedish Energy Agency, fuel companies and the transport industry. The aim is to assess the potential of DME as a vehicle fuel.

Use of Bio-DME instead of diesel will cut carbon dioxide emissions by 95 percent.

Continued progress combining methane and diesel

Volvo Trucks is the first manufacturer to have an efficient diesel engine fuelled by a mixture of methane gas and diesel. A diesel engine is 30–40 percent more efficient than many gas-operated engines on the market. About 50–75 percent of the diesel can be substituted by methane. The benefit of methane diesel

technology is that methane fuel is already available as a fuel for vehicles.

Calculated across the entire fuel chain, from production to use on roads, this new technology could reduce carbon dioxide emissions by up to 70 percent in the long term compared to traditional diesel operation, if biogas and biodiesel are used.

Field-testing started

Trucks, buses, construction equipment and industrial engines equipped with methane diesel technology were field tested in 2010. In Sweden, the field tests coincided with the inauguration with Sweden's first public filling station for liquefied methane gas in Gothenburg.

There were previously only filling stations for compressed natural gas, but when liquefied this halves the space needed for fuel tanks. This makes it an attractive alternative for heavy-duty vehicles, as trucks running on liquid gas combined with methane diesel technology have a driving range that is up to four times longer than most traditional gas trucks, which makes them somewhat dependent on the diesel distribution factor.

First order for methane-diesel technology buses

Volvo Buses is participating in a demonstration project for methane-diesel technology using buses for regional traffic and trucks. A diesel engine is used with diesel process efficiency. The engine can run on diesel alone or on both diesel and biogas or natural gas. The diesel functions as a type of ignition for the methane gas, which is the primary fuel.

The Swedish Energy Agency is contributing nearly SEK 24 M to the project.

Volvo Group received its first order from Vårgårdabuss in 2010 for buses that operate on both biogas and diesel. The order includes eleven intercity bus, and will be put into operation in Sweden in July 2011.

The first biogas-fueled snow sweeper

In partnership with Schmidt and Swedavia, Volvo Group is involved in field test with the world's first biogas-fuelled snow sweeper.

The snow sweeper is equipped with two nine-liter Volvo engines fueled by biogas combined with conventional diesel. This enables replacement with biodiesel, ultimately making the operation carbon dioxide neutral.

Environmental Impact of use of Products

– Solutions to support the most efficient use of products

Between 80–90 percent of the total environmental impact of Volvo Group's products is generated during use, mainly through fuel consumption. This impact can be reduced by developing more energy-efficient products. However, the behavior of drivers is also key to further decrease fuel consumption. We actively contribute to reducing fuel consumption both through technological solutions and through awareness raising activities to influence attitudes and behavior.

Eco Driving targeting attitudes

Human behavior is an important factor for sustainable transports. The driver's attitude to and behavior in respect of speed and driving patterns significantly affect the impact on the environment, fuel consumption and traffic safety.

Eco Driving is a way of driving that helps reduce the vehicle's fuel consumption, emissions and causes less wear and tear on the vehicle. This reduces costs and environmental impact. In addition to this, the risk of accidents is also reduced through the better planning of routes.

A number of Volvo Group companies worldwide offer driver training to improve vehicle knowledge while addressing safety issues and the reduction of fuel consumption. On average drivers can save five to ten percent in fuel consumption after participating in a course in fuel-efficient driving.

Volvo Truck Fuelwatch yields immediate return on investment

Volvo Group offers solutions that help customers to use products in the most efficient way. Fuelwatch is a concept for various fuel-saving products and fuel management techniques for Volvo Truck's customers. They include Fuel Management Service, product maintenance, upgrading of engines and transmissions and the Dynafleet system.

The data on vehicle and driver performance derived from these products helps customers to reduce costs and is vital for developing driver training. Research shows that fuel savings of between 5 and 15 percent are possible. Return on the investment is estimated to be less than one year, while environmental impact is reduced.



Volvo Construction Equipment uses Care Track

CareTrack is a telematics system used to manage the productivity and work availability of heavy machines. The operation and utilization of the machine can be optimized by monitoring fuel consumption, location, hours, speed and upcoming service intervals by using GPRS (cellular) or satellite technology to transmit information that is secure and instantly available wherever there is an online connection. Care Track has been a standard fit since 2010.

Fuel efficient offer from Renault Trucks

Renault Trucks offers a package aiming at improving fuel efficiency with Renault Premium Optifuel: a driveline combined with aerodynamics and accessories, vehicle management software and ecodrive training. Fuel reduction is at least six percent compared to a standard truck.

Commute Greener!

Commute Greener is a mobile-based application that calculates and keep track of carbon dioxide emissions. The application easily transforms a cell phone into a tool to measure carbon dioxide emissions generated during everyday commuting, including travelling by bus, car, train, bicycle or other means of transport.

The Commute Greener! application has been developed by Volvo IT as an open innovation to welcome many partners. External target groups are corporations, cities, organizations and individuals.

In addition to the application itself, Commute Greener! also provides an engaging community website where commuters can challenge each other to reduce their individual carbon dioxide footprint.



Mexico City reduced CO2 in a smart climate campaign

Mexico City uses Commute Greener! for government employees with the objective to certify results as part of their Environmental Management System, which embraces 200.000 employees. Successful results have already been achieved through a smart climate campaign with participants from five organizations which reduced their CO2 emissions, some groups more than 30%.

Learn more about Commute Greener! at www.CommuteGreener.com

Environmental Performance in Production

– Systematic approach to improve environmental performance

Volvo Group was one of the first companies in the world to have an environmental management system certified according to ISO 14001. We carefully monitor and manage our production processes to continuously increase our efficiency and performance in all of our production facilities.

Volvo Group has production in total 65 production facilities in 19 countries, covering a wide range of production processes. Regardless of size and location, all of our production units must comply with our minimum requirements for environmental performance and an improvement program. The requirements include monitoring of energy consumption, waste levels and emissions to air and water, as well as specifying maximum emission levels to air and water.

The increase in net sales was approximately 24 percent in 2010, which has affected our emissions, energy consumption and use of resources.

Targeting energy consumption

Reducing energy usage per manufactured unit is a priority environmental target. Volvo Group's energy usage was 2,315 GWh in 2010, an increase of 427 GWh compared with 1,888 GWh in 2009. This increase is almost proportional to the increase in net sales. Most of the recorded energy usage is for heating and production processes, and approximately one third of energy usage is used at our powertrain production facilities.

Modern and efficient foundry in Volvo Powertrain

Volvo Powertrain inaugurated a new foundry in 2010 to increase the capacity in Skövde, Sweden. The new foundry, which is the world's most modern facility in terms of technology, energy consumption, working environment and overall environmental impact, has increased the annual casting capacity to 150 000 tonnes.

Energy consumption for the foundry has been reduced by 45 percent, and no coal dust is produced by the process.

Energy-saving targets

Since 1995 Volvo Group has worked systematically to improve energy efficiency. Between 2003 and 2008 the challenge for energy savings in production was 50 percent per unit produced. Energy efficiency initiatives, such as controlled lightning and ventilation, turning off equipment from idle running and replacing old machinery, have saved 43 percent per net sales at the

Group level. We are proud of the results and are continuing to pursue energy savings.

The energy saving challenges for 2010–2012 are:

- Idling losses, i.e. energy use outside production, shall be reduced by 50 percent
- An additional energy reduction of 15 percent per produced unit in 2012 compared to 2008.

Most of our focus has been on our production sites, although we are striving to include most parts of our value chain in our work. One example is Volvo Trucks, where we are working with their dealers to make the plants more energy efficient and increase the use of renewable energy.

Towards carbon dioxide neutral production

Our long-term ambition is to make our production carbon neutral with no contribution of extra carbon dioxide to the atmosphere. Despite our efforts, emissions of carbon dioxide increased from 213,000 tonnes to 279,000 tonnes in 2010.

Carbon dioxide emissions increased by six percent in relation to net sales.



Carbon dioxide neutral production plant

Volvo Trucks presented the world's first carbon dioxide neutral automotive plant in Ghent, Belgium in 2007. The plant invested in wind power and a biofuel plant to produce electricity and heat, which resulted in annual carbon dioxide emissions reductions by 10,000 tonnes. In 2010 we have been working on making three Swedish plants in Tuve, Vara and in Umeå carbon dioxide neutral.

Volvo Trucks presented its first carbon dioxide neutral dealership facility in Verona, Italy, in 2008. The ambition is for more dealers to follow this initiative.

Other emissions to air

Volvo Group has a minimum standard for emissions to air. The strategy to decrease emissions of sulphur dioxide and nitrogen oxides is to use low-sulphur fuels and/or purification equipment. The emissions are largely due to the use of energy for heating.

Emissions of sulphur dioxide decreased from 38 tonnes in 2009 to approximately 33 tonnes in 2010, or by 13 percent. Nitrogen oxides increased from 322 tonnes to 719 tonnes, mainly due to intensive product development engine testing due to new emission regulations for non-road engines. Relative to net sales, emissions of nitrogen oxides increased while sulphur dioxide emissions decreased.

Emissions of solvents (VOCs) stems mainly from painting and surface treatment processes, and are high-priority issue that is subject to statutory control in most countries. Solvent emissions totaled 2,294 tonnes in 2010, representing an increase of 859 tonnes mainly due to the significant production increase. Emissions of solvents increased in relation to net sales.

Replacing solvent-based paint in Blainville

Solvent-based paint in Blainville, France, is being replaced by water-soluble paint for the truck market. This significantly reduces VOCs and eliminates the risk of inflammability. In addition it has lowered gas consumption as lower baking temperatures are required.

Increased focus on water management

During 2010, water management was included into the strategic process that precedes the review of Group targets in our business plans, a process where companies are challenged to formulate ambitious goals. Each company will establish targets related to water use, which eventually will lead to aggregated targets at a Group level.

Volvo Group has recognized water as a growing environmental concern and has been engaged in water management projects since 1992. The main issues in relation to water include inefficient water use and industrial waste water treatment systems. We initiated several after-treatment and water recycling projects in Sweden, Belgium and Peru to address the issues, aimed at reducing consumption and effluent emissions.

Water consumption and emissions to water have been measured since 1990. We also include water as an area for our minimum environmental requirements for production, with regard to substances in process water and that process water with organic content must be treated chemically or by equivalent method.

Water consumption

Water consumption compared with net sales has decreased every year, with the exception of 2009, which was due to very low production volumes.

Water consumption increased from 6,637 m³ in 2009 to 7,519 m³ in 2010.

Emissions to water

All of Volvo's majority-owned plants have either installed their own treatment facilities or discharge their effluents to external treatment plants.

An increasing number of plants are also installing closed process water systems. This is often done when installations undergo major renovation work, as was the case with the new paint shop project at the Umeå plant. The new standard specifies the maximum permissible values for emissions of various metals, as well as treatment requirements for organic impurities.

Responsible use of chemicals

To restrict the use of chemicals, Volvo Group has maintained since 1996 a 'black list' of prohibited chemicals and a 'grey list' of products whose use must be limited.

These lists will be supplemented with additional substances which must be declared in newly designed components of products. This list, known as GADSL (Global Automotive Declarable Substance List), was drawn up in a collaboration between global automotive manufacturers and subcontractors.

We maintain a database (MOTIV) to make it easier to choose chemicals, this contains detailed information about over 6,000 chemical products.

An internal task force concluded the development of support systems during the year to enable us to fulfill our obligation to track chemicals used in our products in accordance with European REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) legislation. REACH involves registering and replacing chemicals with better alternatives from the perspective of health and environmental risks.

Volvo is mainly a down-stream user of chemicals and relies upon chemical suppliers to report according the new legislation.

Tougher follow-up on waste

In an effort to further improve material efficiency and the responsible use of resources and also encourage a more active follow-up of waste related to specific raw materials, business areas were asked to set up indicators to follow up of key material usage in 2009.

Waste is usually classified as either hazardous or non-hazardous, although definitions vary from country to country and changes over time. Although our total amount of waste has decreased over time, these changes in definitions have resulted in the amount of waste classified as hazardous increasing in recent years. The total amount of hazardous waste in 2010 was 22,730 tonnes, compared to 17,558 tonnes in 2009.

Environmental Performance in production, Industrial operations

Absolute values related to net sales	2006	2007*	2008	2009	2010
Energy consumption (GWh)	2,612	2,426	2,530	1,888	2,315
Energy consumption (MWh/SEK M)	10.5	9.6	8.6	9.1	9.0
CO ₂ emissions (1,000 tonnes)	282	242	291	213	279
CO ₂ emissions (m ³ /SEK M)	1.1	1.0	1.0	1.0	1.1
Water consumption (1,000 m ³)	7,596	7,067	8,205	6,637	7,519
Water consumption (m ³ /SEK M)	30.6	27.9	27.8	31.8	29.2
NO _x emissions (tonnes)	606	542	800	322	719
NO _x emissions (kg/SEK M)	2.4	2.1	2.7	1.5	2.8
Solvent emissions (tonnes)	2,048	1,979	1,945	1,435	2,294
Solvent emissions (kg/SEK M)	8.3	7.8	6.6	6.9	8.9
Sulphur dioxide emissions (tonnes)	69	58	64	38	33
Sulphur dioxide emissions (kg/SEK M)	0.3	0.2	0.2	0.2	0.1
Hazardous waste (tonnes)	26,987	27,120	27,675	17,558	22,730
Hazardous waste (kg/SEK M)	109	107	94	84	88
Net sales (SEK billion)	248.1	253.2	294.9	208.5	257.4

* Excluding UD Trucks and Ingersoll Rand Road Development

Noise

Noise levels from most of Volvo Group's plants are in general extremely low. Our target is to ensure that the external noise level measured at the nearest residential property does not exceed 60 dB(A).

Environmental management systems in place

The implementation of environmental management systems improves the quality of our environmental programs and helps to assure the quality of data reported. 96 percent of the total workforce at Volvo Group's production plants were working in accordance with the certified environmental management system ISO 14001:2008 by end of 2010. This means that the management system has been audited by a third party.

Currently, 63 of our 65 production sites have been awarded an ISO 14001 certification. The Lingong site in China, and the Volvo Construction Equipment site in Tultitlan, Mexico, have not yet been certified, although the Mexico site has a similar system, approved by governmental authorities. The work of implementing environmental management systems covers the entire value chain, including product development, purchasing, sales and [service](#).

Audits ensure consistent processes and data collection

Volvo Group has conducted environmental internal audits since 1980 to ensure adherence to the environmental policy. Environmental data is collected annually from production sites since 1990.

Environmental audits help to monitor the environmental activities and examine the data. The audit program follows a set plan, although priority is given to auditing newly acquired operations or where the continuous improvement in environmental performance has become stagnant.

Data collection and coverage

Volvo Group had 65 (60) majority-owned production plants around the world at the end of 2010, each of which was included in the data reporting. In addition to this, eight Volvo Logistics sites and 39 Volvo Parts distribution centers have also been included in the energy use reporting.

Volvo Group has reported detailed environmental data since 1991. The data reporting is based on the global environmental standard for production plants that was introduced by Group management in 2000. This standard specifies minimum requirements and focuses on a number of key areas, including:

- Use of chemicals
- Energy consumption
- Water consumption
- Emissions to air and water
- Waste
- Noise

Environmental data includes about 40 indicators, and the full Volvo Group Environmental Data Report can be found at www.volvogroup.com.

Environmental risk management

The consideration of environmental risk represents a component of Volvo Group's enterprise risk process. When assessing potential acquisitions of companies and real estate, audits consider environmental and social factors in addition to financial and legal aspects. The information provides the basis for action plans, if required.

All production plants must fulfill the minimum environmental requirements and submit to audits conducted by Volvo Group's Environmental manager and auditor, in order to minimize risk.

Our business activities generate transports to and from plants. These transports are continuously monitored to identify potential ways of reducing environmental impact.

Environmental permits

All of the production plants in Sweden have the required environmental permits. 17 facilities in Sweden require permits that cover waste, noise and emissions to land, air and water. No permits had to be renewed in 2010. An annual inventory is made of polluted land on our properties. Remedial operations were conducted at one real estate property in 2010. No spillages were reported in 2010.

Remediation programs

Audits may also reveal a need for remedial work at contaminated properties used for former or current operations. Through

an ongoing program of remedial measures, contamination discovered in refurbishment or rebuilding projects are dealt with immediately. Installations that pose the greatest risk of causing soil and groundwater contamination, such as underground storage tanks and underground piping systems, have been

targeted for rebuilding work under an internal directive focusing on such installations.

Volvo Group has insurance to cover costs related to accidents that have a negative impact on the environment.

Transport and Logistics

– Leading logistics solutions

Volvo Logistics provides the entire Volvo Group and other customers with leading logistics solutions. All vehicles and transport services are insourced. Apart from being a logistics provider, Volvo Logistics also brings valuable knowledge and experience into the product development process. To minimize environmental impact, we focus on smart logistics, reduced emissions, renewable fuels, energy efficiency and knowledge-enhancement.

Ambitious targets for carbon dioxide reductions

Volvo Logistics has been challenged by Volvo Trucks to lower carbon dioxide emissions from land-based transports to and from the plants by 20 percent by 2010 compared with the 2006 level. A number of measures have been taken to decrease carbon dioxide emissions from transports.

Environmental surveys and audits of suppliers

Volvo Logistics requires suppliers of road transport solutions to demonstrate their preparedness with regard to engine emission requirements, fuel-efficient driver training and continuous improvements.

These requirements are followed up by an annual Supplier Survey and random sample audits. The data from the 2009 survey shows that 97 percent of the engines used in truck fleets in Europe are equipped for Euro III or subsequent emission requirements — an improvement of three percent compared with the previous year.

In 2009, 75 percent of road transport suppliers in Europe were certified in accordance with the environmental standard ISO 14001. Globally, the corresponding figure was 72 percent (major transport suppliers). From 2009, social and ethical requirements are included in supplier requirements specifications, in accordance with the Group's requirements. Data for 2010 will be presented during the second quarter, 2011.

Calculating the environmental impact of transports to support transport solutions and decisions on routes

Volvo Logistics plans the logistics for material flows from suppliers to Volvo Group's plants and the transport of new vehicles from the plants to the dealers.

The EnvCalc tool is used to calculate emissions to air for new or changed transport routes or for choice of carriers.

The EnvCalc calculation is based on the volume of goods, distance and mode of transport. The result is presented to the customer as Environmental Load Units (ELU) or broken down into the amounts of carbon dioxide, nitrogen oxide, sulphur oxide and particle matter emissions.

Volvo Logistics also offers customers a Logistics Emission Report for a specified transport scope, for example all inbound and outbound transports for a specific plant over one year.

Logistic Emission Reports were supplied to Volvo Parts warehouse in Ghent, Belgium and Eskilstuna and Flen in Sweden in 2010. These reports are used to calculate the environmental impact of our inbound transports.

Volvo Packaging System

The Group uses a returnable packaging system to transport goods from suppliers to our plants, as well as for use within the plants. This packaging can be stacked, taking up minimal space when freighted and in turn minimizing environmental impact. The system comprises over 100 types of packaging in different materials such as wood, plastics, card-board and metal.

Volvo Logistics has terminals around the world for collecting and cleaning packaging materials, which are then reused until they no longer meet quality standards. All packaging is ultimately scrapped, with most parts being recycled into new materials or energy. Recycling is conducted by Volvo Logistics and through an outsourced operation.

Environmental impact is a vital aspect in the product development of new packaging. Volvo Logistics developed a new Life Cycle Assessment tool in 2009 to compare the environmental impact of different packaging materials. This assessment represents a good complement to the current environmental impact analysis procedure.

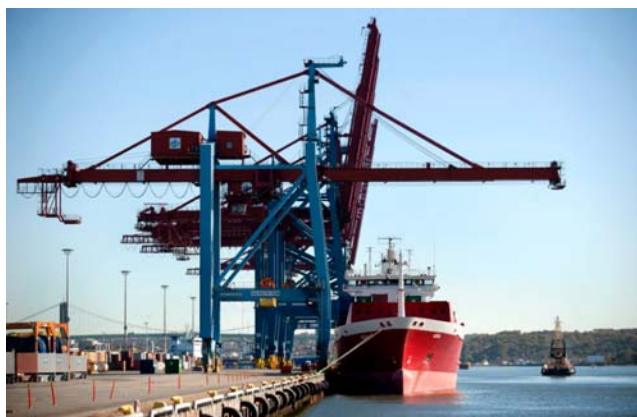
Clean shipping and intermodal transports

Most of our transports, measured in tonne kilometers, are made by sea. The Clean Shipping Project was intensified in 2010. Since 2010, all of our contracted sea carriers have been required to report the environmental impact of each of their vessels.

The driving force of the Clean Shipping Project is a network of 26 of the largest export and import companies in Sweden. The main objective of this project is to catalyze a process to-

wards effectively functioning techniques for clean shipping and to place stringent but reasonable health and environmental demands on ship transport.

We clearly communicate environmental requirements for shipping operators in respect of chemicals, water, fuel and waste control, carbon dioxide, nitrogen oxides, sulfur oxides and particle matter, which have been formulated in a clean shipping index.



A mix of transports

Viking Rail is an operation based on mega trailers and mega trailer wagons linking Germany to Gothenburg, Sweden. It represents an excellent example of intermodal transports, combining two or more modes of transport. Intermodal transports are essential for a sustainable transport mix.

Viking Rail was launched in October 2008. Owing to the recession, the concept had to be redesigned in February 2009 to

adapt to decreased volumes. The new operation was developed in cooperation with other rail freight actors that were moving freight from Germany to Sweden and has been in operation from the end of May 2009 until December 2010. In January 2011, we have reimplemented the original stand-alone solution for Volvo Group once again, i.e. a block train solution with 100 percent Volvo cargo northbound. We observe an average filling level of 95 percent, both north- and south-bound.

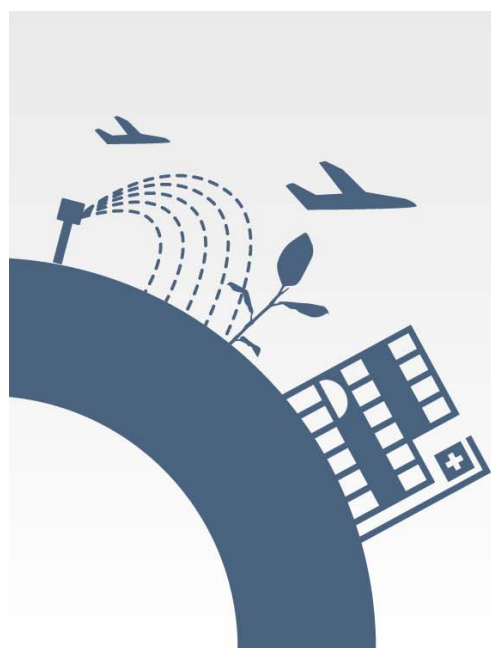
Viking Rail was awarded the Swedish Logistics Award for 2009 in the category Innovation of the Year – Rail Freight. This successful environmentally adapted concept has been selected as a case study by BestLog, an initiative of the European Commission to coordinate and disseminate state-of-the art competence in the field of logistics.

Longer trucks

Volvo Group is in favor of longer trucks in Europe. The maximum length for truck and trailer is 25.25 meters in Sweden, and 18.75 meters for the rest of Europe. Increasing the length in Europe would mean that two trucks could carry what is currently transported by three trucks. This would benefit the environment and reduce congestion on European highways.

Volvo Logistics uses the longest truck in the country aimed at reducing carbon dioxide emissions. A 32 meter long vehicle shuttles between our terminal in Arendal, Gothenburg and the Port of Gothenburg. This means that two 40 ft containers can be transported instead of one, a reduction of 20 gram carbon dioxide per tonne kilometer. Volvo Logistics is now looking into the possibility of connecting another wagon for a third container. This would mean a 48-50 meter vehicle.

Social Responsibility



In societies
throughout the world,
 more than **200,000**
industrial engines
 from Volvo Penta are ensuring
 power supply for hospitals,
 airports and irrigation
 systems

MOVING PEOPLE AND SOCIETY FORWARD

With over 90,000 employees and business linked to trade and welfare all over the world, our operations are part of the everyday life of numerous people worldwide.

This gives the Volvo Group the opportunity to contribute to positive development in society, both in social, economic and environmental terms.

Our initiatives and activities are based on our core business; to provide safe and efficient transport solutions that contribute to a sustainable society that enables the present generation to meet its needs without compromising the ability of future generations to meet theirs.

As a global provider of commercial transports solutions, we strive to share our experience and knowledge on sustainable mobility and traffic safety. We work together with business partners, authorities, customers and other actors to contribute to sustainable development.

As a major actor in many communities, we focus on our impact as an employer, responsible sourcing and building relations with the local society.

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Employees

– Being an employer of choice

We aim to be an attractive and responsible employer of choice for both current and future employees. To succeed in pursuing Volvo Group's strategy, we must ensure that we have engaged and motivated colleagues who are willing to take an active part in the Group's development and future. This is the reason for investing in employee development, health and well-being, and leadership.

Significant events in 2010

- Positive market turnaround enables reinstatement of former and new colleagues
- New global policy adopted for Workplace Safety, Health and Wellbeing
- New performance indicators to follow up diversity
- Developing a new Volvo Group attitude survey to measure employee engagement
- 'Leadership pipeline' career paths and competences for leaders is defined and program rolled out globally

Priorities for Volvo Group as an employer of choice

Investing in our employees is a fundamental part of staying competitive, sustainable and profitable. We recognize that our employees represent an important factor in our success. We work in a variety of areas such as competence development, talent planning, health and well-being, work environment and leadership training, and actively seek feedback and the opinions of our employees.

Our strategic focus areas include:

- strategic competences
- diversity and inclusive leadership
- organizational agility

Our ambition is to offer unique opportunities and company cultures that help us attract and retain the best people, wherever they are and wherever we do business.

Our total value proposition is based on compensation related to market levels, individual performance and also includes interesting opportunities, career paths and health promotion to attract and retain the best people to contribute to our common development over the long-term. One specific challenge is to improve our attractiveness in Asia where our operations are expanding fast.

Looking back at 2010

The market has turned around following a few years of dramatic volatility in the economy, when we were forced to lay off staff. Volvo Group has reinstated many of our former employees while working to increase flexibility and our ability to adapt to changing conditions in 2010.

We had 90,409 employees and 14,851 temporary employees and consultants at the end of 2010, compared with 89,178 employees and 7,104 temporary employees and consultants at the end of 2009.

We are very proud to be among the leaders in international benchmarking as both an attractive employer and a respected company, and to have largely retained our reputation even during the recession. Volvo Group worked to address issues related to the staff redundancies, including ethics and transparent communication and to support employees during the transition period.

Top Employer award in Poland

Volvo Polska was awarded the Top Employer Polska title by the Corporate Research Foundation (CRF) Institute in 2010. This independent research foundation has granted certification for top employers to 500 companies around the world, and to 14 companies in Poland.

Volvo received the maximum score possible for company culture and was also ranked very highly for career opportunities, salary and benefits, training and development, and working conditions.

'Best company in the IT-consultant industry in Sweden'

Volvo IT topped the ranking in the IT consultant category in 'Karriärbarometern' (Career Barometer), a Swedish survey that is conducted on an annual basis. The list of companies in the Data/IT category was topped by the trio of Google, Apple and Microsoft. The first IT consulting company on the list was Volvo IT. The survey canvassed 9 000 so called young professionals, a group comprised by people aged 40 and under, who have been working for between one and eight years.

Human Resources organization

A Human Resources function works at Group level to secure and develop our employees, our culture and the organization. The work is organized into the following areas:

- Talent Management
- Competence Development
- Compensation and Benefits

- Labor Relations – including workplace safety, health and wellbeing, labor and employee relations
- Organization Development and Change
- Business Office – driving global Human Resources strategy development and implementation



Social Responsibility, key figures	2008	2009	2010
Number of regular employees (at year-end)	101,380 ¹	89,178	90,409
Number of temporary employees and consultants at year-end	na	7,104	14,851
Share of women, %	17	17	16
Share of women, Board Members, %	10	11	12
Share of women, Presidents and other senior executives, %	17	19	15
Absence due to illness in the Group's Swedish companies			
Total absence due to illness of regular working hours, %	4.6	3.6	3.3
-of which continuous sick leave for 60 days or more, %	39.1	35.8	38.0
Absence due to illness (as percentage of regular working hours) by gender			
-Men, %	4.4	3.5	3.2
-Women, %	5.4	3.9	3.6
Absence due to illness (as percentage of regular working hours) by age			
29 years or younger, %	4.6	2.7	2.3
30-49 years, %	4.6	3.6	3.1
50 years and older, %	4.8	3.7	3.8

¹Includes regular and temporary employees and consultants.

Volvo voice

Information and joint contributions helped the Ghent facility through the crisis

"Dialogue and a continuous flow of information were decisive in helping us, together with our employees, through the macro-economic downturn in 2009," says Jens Holtinger, General Manager at Volvo Trucks in Ghent, Belgium.

A tough year

The full force of the recession hit the global automotive industry in late 2008. For Volvo, 2009 also turned out to be a very tough year financially, with production at the Ghent factory falling from 44,000 vehicles in 2008 to 12,000 in 2009.

"No one could have foreseen that demand would drop as much as it did," said Jens Holtinger. "It was a very tough situation. Here in Ghent, we made the on-the-spot decision to be as transparent as possible with our employees to minimize the anxiety created by uncertainty."

Ambition to retain all permanent employees

Jens Holtinger and his team at the Ghent facility decided in late 2008 that they would do everything in their power to retain permanent employees, despite the recession. But all parties had to contribute to achieve this. It was therefore important to get everybody to understand how serious the situation was.

"We started early on with large meetings to inform all our employees verbally. It was important that they all received the same information at the same time. We explained the seriousness of the situation and explained our goal - that no one would lose their job."

Meetings were held even when there was no new news or decisions to discuss, partly in order to minimize the risk for rumors but also to promote participation and build trust.

Production lines were stopped during these meetings, which was also an important signal to employees, underlining the importance and urgency of the situation.



Continuous dialogue decisive

Jens Holtinger describes how the management team in Ghent managed to sustain employee loyalty thanks to a focus on continuous dialogue throughout the crisis.

"Both the union and the employees understood the seriousness of the situation and were all willing to contribute."

A joint effort was vital as production had fallen to 20 percent in May 2009. The plant only ran for five days during the entire month of May.

Both employees and managers accepted shorter work hours and a reduction in their wages in order to save the situation.

"I am proud and impressed by how resilient and loyal everyone was during this tough period."

It was not until the third quarter of 2010 that production levels got back to normal.

Employees

The Volvo Way

– Investing in our unique corporate culture

We are convinced that a cohesive culture based on global values strengthens our brands and makes Volvo Group a more attractive employer, business partner, industry leader and trusted corporate citizen. The revised Volvo Way was rolled out in 2010 following a two-year process to redefine the fundamentals of our unique corporate culture.

Culture provides a competitive advantage

Culture is a critical factor for sustainable growth. Unlike technologies, strategies, organizational structures or business models, a unique company culture is difficult for competitors to copy. It would be equally difficult for us to replicate the culture of our competitors.

A cohesive culture provides a competitive advantage. Our unique corporate culture and shared values demonstrate what is important to us as a Group. The Volvo Way defines the Volvo Group companies and what makes working here special.

The Volvo Way is the fundamental Volvo Group policy that defines our culture and reflects our shared values. The Volvo Way shows what we stand for and what we are aspiring to be in the future. Volvo Group's Code of Conduct defines appropriate business practices and the minimum level of compliance. The three corporate core values are shared across all brands:

- Quality
- Safety
- Environmental care

Review of The Volvo Way

The values and principles contained in The Volvo Way guide our daily efforts to effectively realize our business strategies. Volvo Group learnt some important lessons when dealing with the global financial downturn in 2008 and 2009. We need to be lean. We need empowered employees. We need to be accountable, aligned, agile, and able to execute decisions. We need to add customer value and drive change.

Relying on culture to drive change and transformation, we decided to review The Volvo Way. Extensive research and employee involvement supported this review. In August 2009 the new version of The Volvo Way was unanimously approved by the Group Executive Committee. All managers received the new Volvo Way in October 2009, which was translated into twelve different languages, together with a Manager's Workbook for Self-study.

Implementing The Volvo Way

Group wide dissemination of the new Volvo Way to all employees started during the first half of 2010. Every manager within

the Group was assigned the responsibility of informing their team about the updated content and discussing how the sharpened values and principles should affect the team's daily work.

- 95 percent of all responding managers have informed their teams about the new Volvo Way. 86 percent state that they have discussed the values and principles with their teams. 65 percent have identified local improvement measures.
- The Volvo Way Stories captures employee experiences from around the world concerning The Volvo Way's values and behaviors in their daily work. The stories are unscripted, unedited and uncut. These inspiring and thought-provoking stories are used by different working groups and teams to trigger reflection and dialogue. These conversations about our values and principles are supporting the cultural transformation of a growing organization.

CASE

A new Volvo Way

"Our culture is how we work together with energy, passion and respect for the individual. It is about involvement, open dialogue and feedback. It is about diversity, teamwork and leadership. It is how we build trust, focus on customers and drive change. Our culture embodies individual responsibility and accountability for results. This means a clear orientation towards common goals and solutions, and a strong determination to grow, develop and improve. It is how we conduct our business around the world."

The revised version of The Volvo Way was first introduced to leaders in October 2009 and then throughout the whole organization in 2010. The purpose of redefining the corporate culture is to build a high commitment and high performance organization.

Customer in focus

"The new Volvo Way supports the strategy for delivering added value to demanding customers in selected segments. In this customer centric culture, there is a strong focus on responsiveness, agility and the ability to execute with speed," says Charlie Nordblom Vice President Strategic Internal Communication, who is responsible for The Volvo Way process.

Developing the new version of The Volvo Way took almost two years. This in-depth process included active dialogues and interviews with more than 600 managers and employees globally. Blue and white collar employees at Powertrain in Skövde, Sweden, provided valuable input during a full-day World Café forum. At the end each member of the senior executive man-

agement team were interviewed for their perspectives and insights.

Employee alignment

The Volvo Way addresses business critical issues such as putting customers first, enhancing the alignment of cultures with the business strategy, creating people alignment and developing global leadership qualities. The Volvo Way is about enabling people.

"To be involved and empowered in setting the direction means that we take individual responsibility and ownership for decisions. This employee engagement results in a strong sense of commitment to meet agreed objectives and goals. All of us feel accountable for driving change and building the future. Only engaged employees can deliver excellence.

Building a high commitment and high performance organization requires constant attention and support by senior management. The business outcome is a more resilient organization where individuals can change, transform, learn and grow," says Charlie Nordblom.



Employees

Development and opportunities

– Global employment opportunities

Volvo Group offers interesting career opportunities and career paths across our business and wants to attract and retain the best people. We invest in development and training and strive for each individual to have both business-related and competence-development targets. Our leaders shall inspire colleagues to perform at a higher level.

Career opportunities

Volvo Group is known for its innovative solutions. Our capacity for innovation is dependent on the effective sharing of knowledge and experience within our organization. Interesting and challenging career opportunities help our employees to achieve their full potential. The ability to enhance and develop employees' capacity and competencies is one of our success factors.

Working within Volvo Group means working in an international environment with committed employees from all over the world. It is important that each employee knows how to contribute to business success.

However, the most effective development comes from different forms of work assignments, e.g. international projects. We encourage motivated employees to move between roles and companies within the Group. A program has been launched for global mobility, aimed at making mobility between countries, functions and between companies a productive and enriching experience for employees, their families and Volvo Group.

We have a rich talent pipeline, diverse career opportunities and paths for effective succession planning. This ensures that we maintain our competitive edge.

Individual competence development

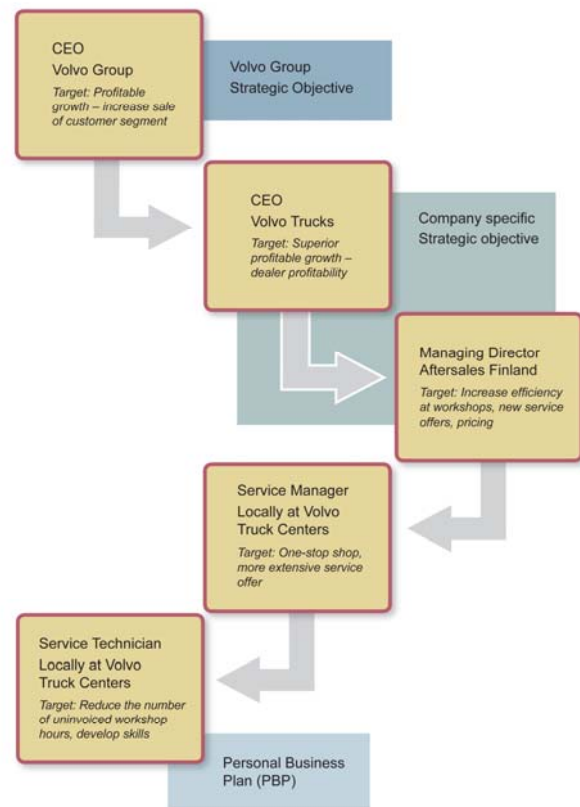
Securing and enhancing competences is crucial to being competitive and attractive as an employer and business. We regularly map our strategic competences, and annually aggregate findings on a Group level to identify the most important competencies for future needs.

We thus offer a wide variety of training programs at all levels for employees, in specific professional areas as well as for stimulating personal growth. The activities range from traditional and e-based training to individual coaching and mentoring.

Individual competence development is based on a personal business plan, which provides support for translating corporate strategic objectives into individual objectives and contribution. The purpose is to facilitate discussions between individuals and their managers and to ensure that employees clearly understand their role in the team and what is expected of them.

The personal business plan has business-related and competence-development targets. Personal business plans are reviewed annually and provide essential feedback for both short-term and long-term career paths.

All white-collar employees have personal business plans that are followed-up at company as well as at Group level. We continued to implement the personal business plan process for industrial workers in 2010, and expect this to be implemented in all companies by the end of 2011.



The above chart serves as an example to show how the strategic objectives are broken down and being translated into personal business plan.

Leadership Pipeline

Every manager is responsible for assessing and developing talent in the organization. The Leadership Pipeline provides us with a structured approach to developing and preparing our present leaders as well as our potential leaders for future roles.

Volvo Group Leadership Pipeline has been set up jointly with research institutes. It is based on successful decision styles, has been validated by global research and is also designed to support Volvo Group's culture and values as well as our strategic objectives.

Inspiring leadership

Our leaders must be team players who can enhance both individual and team performance, as well as provide motivation. Managers at all levels need good leadership and communication qualities, as well as competence and knowledge in respect of, for example, regulations and legislation.

Volvo Group has a number of training programs to support managers at different phases of leadership. Examples include:

- Preparation for new managers
- Efficient conflict management
- Leading multicultural organizations
- Benefits from diversity and a global environment
- Self-evaluation in ethical dilemmas
- Labor law
- Coaching for experienced managers
- Workplace health promotion

Compensation and benefits

The Group's fundamental values and principles as expressed in The Volvo Way are reflected in the compensation and benefits policy. We aim to be a competitive and attractive employer. Pay, as well as benefits, are important drivers, as are career opportunities, personal development, culture and values, leadership, company performance and reputation. Equal pay for work of equal value is the guiding principle. Individual salaries are based on position, the market and the employee's performance, and comply with pay practice within the country. Cooperation, commitment and internal mobility are encouraged and highly valued.

In addition to fixed salaries and variable remuneration, other customary benefits are usually offered such as pension solutions, health plans, company cars or car allowances, recreation facilities, insurance, etc. The programs are country-specific and comply with local practice. The purpose of the benefits programs is to:

- Offer total remuneration packages which are relevant for the specific country and employee category
- Offer basic protection through insurance arrangements for areas such as sick pay, pensions and other life events
- Promote areas such as diversity, health and wellbeing

Employees

Diversity

– Diversity enhances innovation

In Volvo Group we consider diversity to be a catalyst for innovation and a source of competitiveness and profitability. By expanding our knowledge base, skills and understanding, we become more responsive to customer needs and strengthen our market position. During the year we improved our ability to measure, set targets and follow up on diversity and inclusion.

Actively promoting diversity

Our performance is based upon the skills, values and ethics of our employees. To create the dynamics required to succeed in the global competition we need to recruit and retain a broad spectrum of employees with different backgrounds, experience and perspectives. Diversity enhances innovation.

Diversity and inclusion have long been prioritized within Volvo Group, and are promoted in our Code of Conduct. Discrimination – with regard to gender, race, religion, age, sexual orientation, nationality, political opinion, union affiliation, disabilities and social or ethnic origin – is not tolerated.

Working actively with diversity also nurtures a healthy company culture, thus helping to attract the most competent people.

New indicators to measure and follow up

We work actively to promote gender balance in all parts of the company and aggregate data on different levels to measure and follow up.

We introduced new indicators to measure diversity in 2010. The Balanced Team Indicator is a quantitative measure for diversity including nationality, gender, age and experience from different Volvo Group companies.

The Inclusiveness Index is designed to follow up qualitative aspects, i.e. how employees are experiencing the inclusiveness work. The results of the indicator, as well as improvement work and action plans, are included annually in the President's Review.

Affirmative recruitment processes

Working with diversity means working with attitudes, which requires different approaches in different cultural contexts. Several initiatives on the local and global level address diversity in Volvo Group.

We work actively to balance diversity in leadership positions and in other employee categories. Traditionally, it has been a challenge for the automotive industry to attract women. One way of overcoming this challenge is focus on diversity at the recruitment stage.

Our policy is to improve and profit from the diversity of our global workforce by requiring at least one woman and one man

on each recruitment panel. Skill is always the determining factor when choosing final candidates.

Recent years' gender equality initiatives conducted in recent years have resulted in a relatively larger proportion of women among newly hired employees. However, the effects of the financial crisis have made it difficult to retain this keep up the percentage of women employees and managers, as since many of the employees who had to leave the Group were new recruits. , a relatively percentage of women. Despite this, Volvo Group has managed to keep the numbers quite stable. The percentage of women managers decreased to 15 (19) percent whereas the percentage of women employees was 16 (17).

Women on the Board

Volvo Group's Board of Directors consists of nine members elected by the Annual General Meeting. Currently two women serve on the board. Ying Yeh has been a member of the Volvo Board since 2006, and Hanne de Mora was elected in 2010.

The Group's general counsel, Eva Persson, is the Board's secretary. Volvo Group has a long-term ambition to increase the number of women on boards and executive teams, while also striving to take into account other important parameters in terms of diversity, such as educational background, professional experience and nationality.

The Group has for many years been working on increasing the knowledge and awareness of gender related issues. The network consisting of former participants from the leader development program 'Walk the Talk' use their own networks to influence gender distribution on internal boards. The Walk the Talk network is supported by Volvo Group's Human Resources function and identifies female candidates for board positions. So far this project has been successful and has received positive attention internally.

Diversity and Inclusive Leadership

The objective of the global initiative for diversity, Diversity and Inclusive Leadership, is to raise managers' awareness of inclusiveness. An inclusive work climate enables all employees to contribute to their fullest potential irrespective of gender, na-

tionality, ethnic origin, sexual orientation or age. Tools are provided to identify and address exclusion behavior and for managers to learn how to be role models.

Gender diversity	2008	2009	2010
Share of women, Presidents and other senior executives; %	17	19	15

Internal networks

Volvo Group has several networks that address different aspects of diversity and inclusion.

Volvo GLOW is an executive network for women in key positions in the Group. Its purpose is to develop global leadership and promote cross-cultural and cross-functional networking. Volvo GLOW thus addresses several diversity dimensions such as gender, nationality and functions/company origin. The network was launched in 2009.

The Walk the Talk network consists of male managers who have previously taken part in the Walk the Talk program, advanced gender awareness training for male executives. The network was launched in 2005. The purpose is to actively work to increase the number of female managers within Volvo Group, to disseminate knowledge and help shape values and attitudes, in order to speed up the achievement of the Group's strategic goals in respect of female managers.

Volvo Group was presented with a gender equality award in 2010 by the Swedish NGO Fredrika Bremer Förbundet for our work on developing gender awareness among male managers.

Yet another diversity network is Volvo Eagle, a global network for gay and lesbian employees. The purpose of Volvo

Eagle is to support its members and act as a stakeholder group helping Volvo Group to create a genuinely inclusive culture.

Volvo Truck's manager recognized as Future Female Leader

In 2010, Salomeh Tafazoli of Volvo Trucks received the Future Female Leader award from Ledarna, the Swedish Organization for Managers, and the careers network Shortcut. The jury specifically praised her 'determination that ensures that everything and everyone around her undergoes constant development: results, processes and people and, not least, her own leadership'. Salomeh Tafazoli was number four on the list for 2009, and her ability to succeed in driving challenging projects and motivate her co-workers earned her the top position in 2010.

Salomeh Tafazoli became one of Volvo Truck Corporation's youngest ever white-collar managers three years earlier. She cites the company's support to develop leadership skills and development as vital.

Enhancing intercultural business skills

GlobeSmart is an interactive web-based tool helping employees to develop the multicultural skills we need to work effectively and do business with people from other countries. It is available to all employees.

GlobeSmart provides information from about 30 different countries and helps employees to familiarize themselves with local customs and traditions. The tool has a number of interactive features to help employees assess their own cultural preferences and interaction style and to compare these with people from other countries.

Employees

Health and Safety

– Promoting health, safety and wellbeing

We have made health, workplace safety and employee wellbeing a priority. Healthy, energetic employees are better equipped for life and work. Volvo Group is committed to developing health-promoting workplaces that increase productivity, reduce costs and contribute to an attractive workplace. The objective is to make employees of Volvo Group among the healthiest in the world.

New global policy for health, workplace safety and wellbeing

The policy for Workplace Safety, Health and Wellbeing that was adopted in 2010 applies to all Group companies, and to majority-owned joint ventures. It has been rolled out over the year. The policy provides more detailed guidance on how to ensure a safe workplace by setting injury and illness reduction goals, follow up compliance with safety protection and encourage employees to voice concern about risks that need to be addressed. The findings (e.g. safety-related targets) will be followed up on in 2011.

Award inspires good health

In 2010, the Volvo Group Workplace Safety, Health and Wellbeing award went to Volvo Trucks South Africa for their work against HIV/AIDS. Voluntary tests, protection and preventive counseling have been offered to employees over the past five years. In addition to our own operations, the awareness campaign has also involved customers.

The internal award was founded in 2006 with the aim of promoting good examples, as well as inspiring other functions within the Group to work with workplace safety, health and wellbeing issues.

Systematic approach to health and safety

A safe workplace is the foundation for productive and efficient work. In accordance with the principles of our Code of Conduct, the conditions required for a safe and healthy work environment shall be made available to all employees in Volvo Group. We seek to provide all employees with access to information and support to reduce or eradicate health risks associated with work, lifestyle or emotional stress.

Managers at all levels share the responsibility of guaranteeing the high level of safety expected by employees, suppliers and visitors. A manager is responsible for safety precautions.

Workplace safety is also subject to national requirements and regulations; hence policies, guidelines and training material are adapted to national laws and regulations.

Volvo Group's health and wellbeing work is divided into six processes, and in some instances they also include the family of the employee:

- Medical examinations – as part of health risk assessment and health programs
- Rehabilitation of injuries and illness – support in rehabilitation processes involving the individual, the company and third parties
- Health risk assessment analysis – promotion of a healthy lifestyle and support in identifying, reducing or eradicating health risks
- Employee Assistance Programs – assisting employees in challenging situations, for example in dealing with the emotional and psychological stress of personal or work-related problems
- Ergonomics in physical work – global manufacturing/engineering and production managers need to be aware of the ergonomic implications and opportunities at work
- Travel Medicine and Health – helping individuals to anticipate and address potential health risks ahead of assignments abroad or for business travel.

Involvement with academic institutions

We cooperate with academic institutions to develop our own organization and work environment in order to avoid harmful stress and promote physical health and mental wellbeing amongst our employees. One example is a Stress Observation Project which is currently being conducted in France.

Management systems

The Volvo Production System provides tools including occupational risk assessment, indicators to measure safety and health, and methodology for ergonomic workplace assessment.

Three of our plants in the US have earned certification in accordance with OHSAS 18001. OHSAS 18001 (Occupational Health and Safety Assessment Scheme) is an international standard for processes that control and improve company workplace safety and health performance.

Reporting and remedial action

Employees are responsible for reporting all accidents and incidents to enable the investigation and identification of root causes so that immediate corrective action can be taken. Depending on the conditions, a detailed analysis of the incident may conclude that more long-term measures would be more effective. There were no reported fatalities in 2010.

Data relating to injuries and absence due to illness are collected on a country level, based on national legislation. Currently, this information is not aggregated on a Group level.

Preventing accidents in Bourg

Renault Trucks Global Manufacturing has made zero accidents one of its priorities. The Bourg sub-assembly plant in France had no accidents to declare in 2009, thereby becoming the only plant to have zero recorded accidents, with or without a stoppage.

The Observe Approach, Risk Hunt, Safety Meetings and Risk Assessment measures were implemented simultaneously at the Bourg plant. The first Safety Reference Zone was also set up to take it another step further.

This pilot zone made it possible to test safety measures and tools before deploying them more widely at the site.

Apart from analyzing cases involving first aid treatment, the Bourg plant identified and analyzed some 15 incidents as though they were accidents. In addition, more than 500 actions or situations which could hypothetically have been dangerous were listed, and 370 of them were eliminated during 2009.

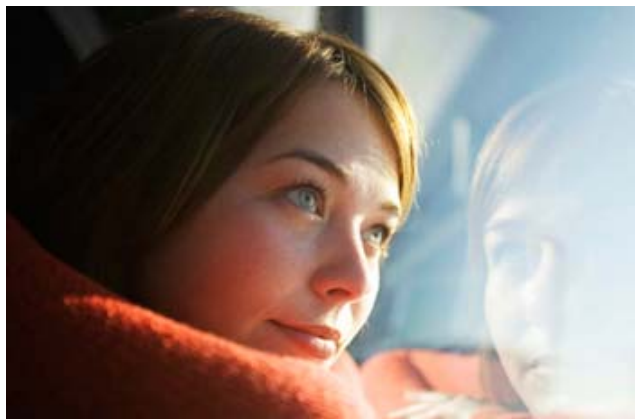
The initiative aims to reduce the rate of accidents that involve a production stoppage: from 9.5 in 2009 to 5 in 2010, and then to 3 in 2011.

Absence due to illness in the Group's Swedish companies	2008	2009	2010
Total absence due to illness of regular working hours, %	4.6	3.6	3.3
of which continuous sick leave for 60 days or more, %	39.1	35.8	38.0
Absence due to illness (as percentage of regular working hours) by gender			
Men, %	4.4	3.5	3.2
Women, %	5.4	3.9	3.6
Absence due to illness (as percentage of regular working hours) by age			
29 years or younger, %	4.6	2.7	2.3
30-49 years, %	4.6	3.6	3.1
50 years and older, %	4.8	3.7	3.8

CASE

New policy to further increase workplace safety, health and wellbeing

Volvo Group introduced a new policy for Workplace Safety, Health and Wellbeing during the year. This applied to all majority owned Group companies and has been introduced in a decentralized manner where each company is responsible for its implementation locally. The Group's internal network for health and workplace safety has also been involved.



Encourage action

The purpose is to actively promote employees' safety, health, and wellbeing within physical, psychological and social areas.

"The policy is aimed at influencing work within the organization and to have committed, content and healthy employees. This includes their mental wellbeing, their attitude to their work and their cultural belonging," says Anders Abramsson, Vice President Labor Relations and Global Coordination. "The policy is there to stimulate and motivate."

The policy covers, for example, the design and operations of the facilities and the establishment of injury and illness reduction goals, ensuring that everyone follows established safety procedures and encouraging employees to identify conditions that need to be addressed.

Responsible employer with healthy employees

Providing a safe and healthy work environment is essential to the business success of Volvo Group. The policy supports and enables us to become an attractive employer.

"Our ambition is high. We will have among the healthiest employees in the world," says Anders Abramsson.

Employees

Labor Relations

– Dialogue and cooperation with unions

Volvo Group recognizes everyone's right to freedom of association, and maintains a close relationship with a number of unions that represents our employees.

Cooperation with unions complies with the national laws and regulations in each country.

International forums

The Volvo European Works Council was formed in Europe in 1996 as a forum for employer-employee dialogue. The forum meets once a year and the chairman is the CEO of the Volvo Group.

In addition to this forum, employee representatives have two meetings each year. Representatives from outside Europe are invited every two years. The Works Council meeting was held in China in 2008, to enhance understanding and share experience of labor practices. The next global Works Council will be held in Sweden in May 2011 and CSR issues will be on the agenda.

Freedom of association and collective bargaining

Cooperation with unions complies with national laws and regulations in each country. Collective bargaining agreements are

used in many places, including the ten countries where we have our largest operations.

In several of the countries we operate, our industry has a long tradition of union cooperation. We estimate that approximately 70 percent of our employees around the world are covered by collective bargaining agreements. We always consult trade unions on organizational changes that affect trade union employees.

Board representation

There are three employee representatives on the AB Volvo Board of Directors and two deputies are appointed by the labor organizations.

Suppliers

– Managing risks and promoting responsible behavior in long-term relationships

Responsible supply chain management for us means managing risk, promoting responsible behavior and building long-term relationships with suppliers to improve social, environmental and business ethics in the supply chain. We have evaluated the efficiency of our supply chain process over the past year.

Significant events in 2010

- External evaluation of our Responsible Supply Chain process.
- Focus on suppliers in high-risk countries
- Updated environmental requirements for suppliers

Integrating expectations in formal agreements

Ensuring good standards in the supply chain is not only important to Volvo Group, but also to other stakeholders.

Quality requirements have long been in place and are well-integrated in our relationships and joint development programs with suppliers. The Volvo Group started imposing demands on suppliers' environmental performance in 1996. CSR requirements were introduced in 2006, and these requirements were updated in October 2009.

Our master agreements with suppliers have included a clause since 2008 that obliges them to comply with our Code of Conduct. Currently, 82 percent of our expenditure for automotive products is made with suppliers with whom we have signed a master agreement.

Development in close cooperation

Volvo Group works closely with suppliers on account of the complex processes and product requirements. We build long-term relationships based on an understanding of each other's processes and requirements, and the exchange of knowledge. Joint development sometimes acts as an incentive for a supplier to choose to work with us.

Some of our suppliers are corporations that are larger than Volvo Group. As a rule of thumb, our aim is that sales to Volvo Group should constitute less than 30 percent of a supplier's turnover. This decreases a supplier's vulnerability. The recent years of recession have highlighted the importance of independent suppliers during times of economic difficulty for Volvo Group.

The Volvo Group stepped in and supported suppliers in different ways during the recession, including helping to find financiers, to enable suppliers to survive the sharp decline in demand.

Strategic sourcing program

Consciously integrating key suppliers in the product development process will help us to continue to develop deeper relationships with a smaller number of key suppliers, which will benefit both Volvo Group and the suppliers.

Local sourcing and risk assessments

We generally source close to our production sites to ensure efficient flow into the production. This means that most of our suppliers are located in Europe and North America.

Volvo Group has more than 6,000 suppliers on the automotive side. Eight percent of these suppliers are located in countries assessed as 'high risk'. The risk assessments are based on analyses conducted by internationally recognized institutions and include factors such as human rights, labor standards and corruption.

Suppliers

Supplier Requirements

– CSR requirements for suppliers

Since 1996 Volvo Group has gradually increased requirements for suppliers regarding environmental, ethical and social responsibility aspects. Compliance with our Code of Conduct has been included as a requirement in the Master agreements since 2008.

Supplier requirements and assessment

The steering document on Corporate Social Responsibility for the supply chain includes both a self-assessment tool and specific requirements.

The CSR assessment is an opportunity to present the supplier with an overview of how well the supplier complies with Volvo Group's requirements. The assessment poses approximately 40 questions on issues such as:

- Social performance
- Work environment and conditions
- Workforce rights including freedom of association and non-discrimination
- Child and forced labor
- Environmental care
- Business ethics

We have included stopping parameters – minimum standards – and a requirement for an action plan if the supplier does not achieve these critical aspects.

The principles contained in the Code of Conduct should be the minimum level used in relations with suppliers' employees, business partners and other stakeholders. The other specific CSR-requirements are to:

- Comply with the laws and regulations of the countries of operation; the principles in the Code shall prevail in the absence of local laws and regulations
- Ensure that subcontractors throughout their supply chain comply with the requirements
- Maintain an open dialogue with Volvo Group companies concerning achievements, trends and possibilities for improvements in the area of CSR
- Systematize compliance with Volvo Group's Code of Conduct
- Have a senior executive who is responsible for compliance with the United Nations' Global Compact initiative

The environmental supplier requirements have been communicated in a separate document since they were formulated in 1996. The requirements entail for example third-party certified environmental management systems (ISO 14001) and compliance with Volvo Group's standpoint on hazardous substances and improvement plans.

We reviewed the environmental requirements in 2010 due to changes in our business and in legislation such as REACH.

Internal implementation

Each purchasing organization within the Group is represented on the CSR Supply chain advisory board. The representatives are responsible for implementing the procedures and following up the application of the requirements within their organization.

In order to support implementation, different activities have been conducted over the year. For instance, purchasers have been provided with information and training material, including e-learning on general CSR issues. Articles in the employee magazines have been aimed at raising the general awareness of these issues.

Focused audits will be conducted in 2011 for certain purchasing organizations to follow up the application of the requirements.

Key element procedures

Volvo Group requirements for our suppliers are described in seven different documents called Key Element Procedures:

- General requirements - include an acceptable level in the Supplier Evaluation Mode and the supplier's approval of the conditions contained in the Volvo Purchasing Agreement.
- Quality requirements - cover for example quality target commitment and quality management.
- Production and engineering requirements - related to production and engineering activities including quality assurance in product development.
- Cost management requirements - highlight the need for cost transparency to ensure a fair price is reached between Volvo Group and its suppliers.
- Environmental requirements – entails environmental management systems and chemicals
- Corporate Social Responsibility requirements – cover areas of the Code of Conduct
- Logistics - define the inbound supply chain aspects and responsibilities of Volvo Group and its suppliers.

Suppliers

Evaluating Performance

– Benchmarking our evaluation process

We continuously evaluate supplier performance against our requirements. In order to ensure that our processes are robust, a third-party auditor and representatives from Volvo Group visited suppliers in 2010 to verify that the assessment process yields the expected result. These findings are being used to enhance guidelines on assessment, development of the process and training material.

Organization and responsibilities

All relevant instructions, including requirements and information about the evaluation process and Volvo Group's Code of Conduct are available at the Supplier Portal website.

Each company within Volvo Group is responsible for evaluating the compliance of suppliers with requirements as well as for ensuring that there is a contact person in order to maintain a ongoing dialogue with the supplier. We have developed guidelines and checklists to help rate performance consistently across the Group.

Purchasing organizations in Volvo Group are organized in a CSR Purchase Advisory Board. This network coordinates and monitors CSR requirements and improves CSR processes, communication and education. The network is coordinated by a purchasing representative who reports to the Global Purchasing Council (GPC) and the Volvo Group CSR Committee.

Evaluating our suppliers' CSR performance

CSR requirements are the same for all suppliers. The requirements are integrated into the sourcing processes in each company within the Group to enable us to communicate, track and evaluate the CSR performance of our suppliers.

Volvo Group's suppliers can be divided into two groups:

- suppliers of automotive products (direct material)
- suppliers of non-automotive products (indirect material).

Approximately 35,000 suppliers delivered products and services to Volvo Group in 2010. Approximately 6,000 are suppliers of the direct material used in our products on the automotive side. We have two different processes for CSR in the supply chain based on the same requirements: one for existing suppliers and another for potential suppliers.

We have opted for a self-assessment approach as opposed to conducting large numbers of site audits. The reason for wanting the same process for all suppliers is that, while many are located in countries that are considered to have high level of preparedness, the sub-supply chains, which can sometimes be long, extend in some cases into countries with higher risks.

The self-assessment process means that we can reveal such circumstances, which provides us with a better overview in a

more efficient way than by performing an ever-increasing number of audits.

The verification process performed in 2010 revealed some areas for improvement in the environmental and CSR requirements, i.e. to reword some of the questions contained in the self-assessment questionnaire.

Existing suppliers:

Suppliers are asked to fill in a self-assessment report covering CSR requirements in order to evaluate CSR performance. If the suppliers do not fulfill our requirements they must draw up an action plan.

Potential suppliers:

All new potential suppliers are evaluated using the Supplier Evaluation Model based on the Key Elements Procedures, including environmental and CSR requirements. Since 2009, any new supplier must have been approved by the Global Sourcing Committee. Potential suppliers who fail a stopping parameter cannot become a supplier.

Results from the Assessments conducted in 2010

Automotive product purchasing

25 percent (1519) of our total number of suppliers (6,000) of product-related goods and services had completed the self-assessment by the end of 2010. The self-assessment was completed by 58 percent of suppliers from countries considered to be high risk from a CSR-perspective. We consider that the speed of execution was too slow and will therefore increase our efforts to encourage more suppliers to complete the assessment in 2011.

59 percent of the 25 percent that completed the assessment passed. Almost exclusively, the main reason for failing to comply with the assessment is a lack of adequate systems at the supplier to address these requirements in their own sub-supply chain. Suppliers that do not pass are asked to draw up an action plan.

We will focus on working with the non-approved suppliers in 2011 in order to ensure compliance with our requirements.

Looking at expenditure in terms of suppliers of direct material, more than 80 percent was from suppliers that are certified in accordance with ISO 14001:2008 or equivalent.

Non-automotive purchasing

The CSR-assessment of suppliers of non-automotive products started at the end of 2009. Non-automotive products include any products or services that are not directly used in our automotive products. This includes everything from cleaning services to office furniture, travels, education or training, communication services and merchandise and so on.

Because of the large number of suppliers in this category, we have focused on high-risk segment suppliers in high- and medium-risk countries. More than 500 suppliers have been assessed during 2010.

Premium suppliers

As a way of encouraging and highlighting suppliers' compliance with the Volvo Group's requirements, we instituted an award for 'premium suppliers' in 2010. This award should be regarded as a seal of quality and requires compliance with all aspects of the CSR requirements.

Targets for 2011

Based on our experiences from 2010, we have formulated new targets for the end of 2011. Our objective is that 100 percent of suppliers in high-risk countries and segments shall have completed the self-assessment.

Defining high-risk areas

We will continue to focus on the number of suppliers in high-risk areas, concentrating efforts where these are needed and have largest impact.

As an important input for purchase departments, we have a risk methodology for identifying suppliers located in high risk country from a CSR perspective. In particular, the country risk assessment is based on human rights information from the Danish Institute for Human Rights, labor standard ratings from the World Bank and anti-corruption information from Transparency International. The aggregated scores produce a risk classification; high, medium or low risk.

For non-automotive products, we also take into account the risk level of the respective industry segment. For instance, high-risks are associated with merchandise, personal safety equipment, temporary labor, construction and waste management.

Society

– Together we are moving society forward

Our products and services are part of the daily life of modern society and contribute to development, quality of life and growth. Our trucks, buses, construction equipment, industrial engines and air craft components form part of many of the functions that most of us rely on every day. Being in contact with so many aspects of society through our products and services inspires Volvo Group to be a great corporate citizen.

Significant events in 2010

- Volvo Environment Prize awarded to Professor Harold A Mooney of Stanford University.
- The Academic Preferred Partners program was extended and agreements were signed with INSA University in France and with Penn State University in the US.
- SEK 36,3 M was distributed through Volvo foundation

Volvo Group's involvement in society

Our involvement in society is guided by our corporate core values – quality, safety and environmental care – as well as our culture and principles as embodied in The Volvo Way. We choose to involve in projects and activities that help to:

- Increase road safety awareness
- Encourage environmental awareness
- Contribute to local communities and education

Interacting with local communities

We have an impact on local communities' from Sweden to China and from Brazil to South Africa, primarily as an employer, but also in other ways.

We strive to be actively involved in local societies and support a wide range of activities and projects that are important to our employees, partners and communities. While this is encouraged at Group level, we believe that local and national operations are better equipped to identify and select local causes or projects to become involved in, recognizing the specific challenges and opportunities in their respective community.

Interacting with local communities provides opportunities to meet people and groups with diverse views, experiences and expertise, and to learn from them. By working together, we can find ways to move society forward.

Relations with communities

There are many different reasons for us to become involved outside our direct operations which depend on the kind of activity.

We believe that becoming involved in society strengthens our relations with stakeholders such as employees, customers, neighbors and local authorities. It also improves our understanding of the different contexts and cultures in which we operate.

It is important to current and future employees that we are committed to contributing to society. In our culture, employees can engage in local communities on their own initiative. We maintain and actively support this culture, and encourage all companies in Volvo Group to support involvement in society.

Our efforts contribute significantly to our overall brand image and credibility, to building relations with actors in society as well as to our own learning process as a company.

Safe, modern transport solutions provide positive spin-offs

Trucks bring goods to their destination, ensuring that products from small to large businesses reach their customers. Trucks with proven safety records help to protect the driver and minimize injuries in accidents. Buses in the public transportation system help many people to reach work, holidays, friends and family and by avoiding congestion - a serious traffic challenge in urban areas - the situation is safer for everyone.

Industrial engines can support hospitals, airports and others by providing secure electrical supplies, or running irrigation equipment to stop crops from drying out and preventing farmers from earning money.

These are just a few examples of how the world is moving forward everyday thanks to products and services from Volvo Group.



Society

Towards Zero Accidents

– Traffic Safety as a guiding star

Road accidents are one of the world's major public health problems. According to the World Health Organization, more than 1.2 million people are killed and 50 million are injured in traffic every year. Road traffic accidents are the most common cause of death among young people in many parts of the world. We are dedicated to using our expertise to create safer roads for everyone – traffic safety is our guiding star.

Dedicated action can improve traffic safety

Safety has been a corporate value for Volvo Group since 1927. We are committed to continuing to develop safer trucks and buses. This ambition applies equally to construction equipment, marine engines and all other products from Volvo Group. We cooperate enthusiastically with authorities, governments, organizations and individuals that share our dedication to safety. Together we can make a real difference.

We are convinced that traffic accidents can be dramatically reduced. In the EU, for instance, the number of fatalities in traffic has reduced by approximately a half since 1990 and safer vehicles have been a major contributing factor.

Vision: Zero accidents with Volvo Group products

Our ultimate goal is zero accidents with Volvo Group products. While we cannot guarantee that a bus or truck from Volvo Group will never be in an accident, we are working on systems that prevent accidents from happening in the first place.

In 2010, we instituted the Volvo Group Internal Safety Award to encourage achievements and progress towards our vision of zero accidents. This is one way of highlighting great initiatives and encouraging an increased focus on safety.

One of the most common causes of traffic accidents is drivers not paying attention. Finding ways of reducing the risk of accidents caused by driver fatigue or inattention can have a large impact. Driver Alert Support is a mechanism that monitors and analyses a truck driver's lane-keeping behavior and kicks in when the driver shows signs of being tired.

Volvo Group Internal Safety award

The Volvo Group Product and Traffic Safety Council instituted an Internal Safety award in 2010 to further strengthen the focus on safety as a corporate core value and to strive to maintain our position as world leader in safety.

The aim is to encourage and motivate the companies to be creative in the area of product and traffic safety, to stimulate research and development in new safety features, to promote safety communication and to emphasize the importance of continuously working on improving safety.

The Brazilian Transform program was awarded the prize in 2010, for its efforts in preventing accidents involving truck drivers.

Traffic Accident Research Team

If an accident were to occur, our products are built to reduce the consequences. Volvo Truck's Traffic Accident Research Team has investigated accidents on-site for 40 years, building up a unique bank of knowledge and experience from more than 1,500 accidents.

These experiences combined with our own research and test programs have given us good insight into the causes of accidents and injuries — and what can be done to prevent them.



Preparing for a Decade of Action for Road Safety

Volvo Group strongly supports the decision of the United Nations General Assembly to proclaim 2011–2020 a Decade of Action for Road Safety, which aims to save five million lives over a ten-year period. We believe that traffic safety needs to be prioritized on the international agenda.

In Europe, we strongly support ambitious targets for reducing road deaths and serious injuries by 2020. We advocate a goal of reducing road deaths by at least 40 percent between 2010 and 2020.

Volvo Group is active in the development of an international Road Traffic Safety Management System (ISO 39001). This is a voluntary tool, complementary to legislation, and can be used by all organizations that directly or indirectly use the roads. The ultimate goal is the elimination of death and serious injuries in the road transport system.

Stimulating debate and discussion to change attitudes

The human factor is decisive in more than 90 percent of traffic accidents. Tired or distracted drivers or those under the influence of alcohol represent a major part of the problem. Speed and not using seat belts are significant factors. The most advanced safety technology cannot fully compensate for shortcomings in drivers' attitudes and behavior.

We cooperate with different stakeholders on safety-awareness issues like alertness, use of safety belts, alcohol and speed. We try to encourage people to communicate and discuss safer transport.

One example is driver training. In India, for instance, at least two customer drivers are trained for every Volvo truck sold. Drivers need to pass a test to qualify for the training program. Over 23,000 Indian drivers have been trained up until now. Training segments includes Sense of Responsibility, Fuel Efficient Driving and Traffic Safety.

The Volvo Research and Educational Foundations are financing a competence center on Road Safety & Urban Transport Planning in New Delhi. This center explores a wide range of transportation questions, from increased safety for pedestrians to traffic planning and policy-making.

Volvo do Brazil founded the Volvo Traffic Safety Program in Brazil in 1987 to reduce the number of road accidents. The program has involved thousands of people and is based on conferences, symposiums, seminars, safety video production, training for professional drivers and interaction with schools, cities and communities.



Continued support for Safe & Sober

The Safe & Sober campaign is run by the independent, not-for-profit European Transport Safety Council (ETSC) with active support from Volvo Trucks. The campaign focuses primarily on politicians, opinion leaders, safety organizations and the transport industry.

The aim is to reduce the number of deaths and injuries in Europe that are caused by drunk driving. One third of the

40,000 fatal road accidents in Europe every year are directly linked to alcohol.

The 'Safe & Sober Talks', a series of debates were held in selected Member States throughout Europe in 2010. As part of the campaign, Volvo Group and ETSC also aim to identify and support good practices and carry out training programs and information activities.

Making machines intelligent

Volvo Group is leading part of the development of intelligent vehicles. The welfare of human beings is paramount in everything we do. But we use modern communications and information technology.

We have worked hard to develop vehicles that can 'see' — for example, by detecting lane markers and obstacles. The next step is to make the vehicles 'talk'. Many accidents could be prevented if vehicles on the road could communicate with each other and with infrastructure.

Intelligent Cooperative Systems increase the quality and reliability of the information available to drivers about the immediate environment. Road operators benefit from cooperative systems by receiving information about the vehicles, their position and road conditions. This will lead to the safer and more efficient use of our roads.

Intelligent Cooperative Systems have already been implemented in some of our research trucks. Volvo Group demonstrated trucks with various intelligent transport systems at the ITS World Congress in September 2009.

Tomorrow's techniques in Volvo trucks today

Cooperative systems are still mainly at the research and demonstration stage. We believe that we will ultimately see full-scale systems in parts of the world. This technology will open up new ways of travelling, such as vehicles that can drive themselves in long road trains on motorways.

Driving in a close formation convoy would improve traffic flow and journey times, offering greater comfort to drivers, reducing accidents and improving fuel consumption, and hence lowering carbon dioxide emissions.

The EU-financed SARTRE project conducted the first demonstration of its technology at the Volvo Proving Ground outside Gothenburg, Sweden in early 2011. The test conducted included a lead truck from Volvo Trucks and a single following car. While the technology is well underway, there is still much to do in order to gain public acceptance and produce the necessary legislation.

Promoting new technology with EuroTra Safety and Innovation Award

Volvo Trucks together with the European Transport Training Association (EuroTra) awarded the Safety and Innovation Award to Shell Chemicals and Bertocco. The companies had jointly developed a system that can simply and effectively help to reduce the risk of truck roll-over accidents. Volvo Trucks wants to encourage good ideas that may help to improve traffic safety.

Society

Encouraging environmental awareness

– Stimulating innovations and highlighting research

Volvo Group encourages and rewards groundbreaking research on environmental issues, and supports the development of cutting-edge solutions for future transport systems. We are committed to raising awareness of the environmental challenges that face us, and to explore solutions for a more sustainable world.

Volvo Environment Prize

Environmental care is a corporate value. We are committed to raising awareness of environmental challenges through many different activities. Environmental issues are central to our daily operations and to our outreach to stakeholders.

Volvo Environment Prize Foundation was established in 1988. The Foundation presents an annual award to individuals who are investigating ways to create a sustainable world. The prize is awarded to people for 'Outstanding innovations or scientific discoveries which in broad terms fall within the environmental field'. A Scientific Committee makes the initial screening and evaluation of candidates which are presented to the Prize Jury. The international Prize Jury then selects the laureate.

The prize for 2010 was awarded to Professor Harold A Mooney of Stanford University. Professor Mooney is one of the world's leading researchers into biodiversity and ecosystem services. 37 people have received the prize since it was first awarded in 1990, including many well-known names and three Nobel Prize winners.

The prize is a good example of how we highlight and support cutting-edge research and initiatives, thereby raising awareness of environmental issues.



Professor Harold A Mooney of Stanford University

Research and educational foundations

We fund a research program called Future Urban Transport (FUT) through four independent foundations, referred to as The Volvo Research and Educational Foundations (VREF).

Future Urban Transports is based on three pillars:

1. The program currently finances seven Centers of Excellence in four regions of the world. Some examples:

- The China Urban Sustainable Transport Research Center (CUSTReC) in Beijing is working to find solutions that are applicable at both technical and policy levels.
 - Research and Training in New Delhi, India was launched in April 2003. Research has been conducted in a number of areas, including Bus Rapid Transport Systems (BRTS), pedestrian behavior at intersections, air quality in Delhi, and helmet optimization.
 - The African Centre of Excellence in Public and Non-Motorized Transport (ACET), located in Cape Town South Africa, aims to produce better analytical methods and models of transportation systems to develop the infrastructure in a region where pedestrians and para-transit are important.
2. More than 40 Smaller Projects have been granted funding since the FUT program was initiated in 2000.
 3. To facilitate the sharing of knowledge and experience between researchers and practitioners in the field of Future Urban Transports. An international conference is arranged every third year.



Preferred Academic Partner Program

The Volvo Group Academic Partner Program (APP) is a systematic approach for long-term cooperation with selected universities and research institutes in areas of special interest. The program aims to provide the Group with a holistic picture of important collaborative partners and to increase the Group's visibility to students and researchers.

The program was launched in 2009 and in the first phase agreements were signed with three universities in Sweden. The program was extended in 2010 to become more global.

and the Group signed agreements with INSA University in France and with Penn State University in the US.

Volvo voice

"Scientific findings show us what lies beyond!"

Gunnar Bjursell, Chairman of the Scientific Committee of Volvo Environmental Prize and Professor at the University of Gothenburg, Sweden, is convinced that environmental science can help prepare businesses for what lies ahead and beyond the scope of traditional business cycles.

Volvo Group is a patron of good science

"Prizes have an astonishing ability to highlight interesting issues and people, and make them and their work accessible to a broader group of people – it can help give science a human face.

The fact that Volvo is behind this initiative, Volvo Environmental Prize, also increases the legitimacy of science in the business arena. By supporting the prize, Volvo acknowledges that environmental findings and theories are worthy of discussion and the attention of business society as well as society at large.

When I was working in the research community in California in the '70s, where cutting-edge research was being conducted, the Volvo brand was favored by scientists because of the connection to safety and function. The Volvo brand today is still grounded in those values and qualities, and those are values worth protecting and developing – that transports shall benefit people and the society. I believe that the backing of a party that is associated with safety and that is trusted may contribute to the credibility of the prize.

The fact that Volvo did not reduce funding for the prize during the financial downturn really underlines the seriousness of Volvo's commitment."

Independent nomination process to safeguard quality

"It is of utmost importance that we in the Volvo Environmental Prize foundation have been given the mandate to operate independently from Volvo. This is a must for the credibility of the prize. We believe this is not only important for us, but also to Volvo – to ensure that the scientific findings that we recognize in the process are nominated solely on their merits as the best research available in the environmental field, truly breakthrough findings – regardless of what impact they may have on the operations of Volvo.

Instead, through the prize, we give Volvo and the industry at large the opportunity to become acquainted with leading edge researchers, and to discuss how their findings relate to their respective operations and businesses. Science can really help companies prepare for the future with important insights; businesses need to embrace knowledge rather than back away from it."



International research that benefits Sweden too

"Over the years, the organization behind the prize has become increasingly international – science *is* international! We need to find the absolute best research available internationally, and the Swedish Science Committee and the International jury are dependent on an international network of researchers to identify future prize winners.

We are pleased to be able to provide a forum for the Swedish scientific community and industry to meet with the world's best research in the environmental field, and to meet with scientists presenting ground-breaking theories.

When we look for candidates for the prize, we are looking for up and coming stars who are making findings in emerging areas of interest. We are looking to be one step ahead all the time. I think that the fact that three of Volvo Environmental Prize winners have gone on to receive the Nobel Prize is a sign of the quality of our process – and the potential of the science we highlight."

Science shows us the way forward

"Of course some people make a special impression, and to me Buzz Holling, the winner in 2008, was one of those persons. He is renowned for his work on the resilience of ecosystems – but more than that he really conveyed the spirit of optimism, that it is possible to turn crisis into opportunity.

I believe that is one of the most important contributions that science can give – especially in the environmental field – courage and hope that things can change. There is an important driver in that, to challenge the problems and finding ways to resolve the situation."

CASE

Research on Future Urban Transport

In early 2011, Anders Brännström assumed the position as Chairman of Volvo Research and Educational Foundations (VREF). One of his priorities is to disseminate the research results to a broader audience that have been generated by the foundations. A new research program was recently launched: coping with freight in future urban transport systems.



"Urban transport is becoming one of the major headaches of political leaders on city, regional and even national levels. Very little research has been made up until now on the impacts of urban freight on the urban environment. Therefore we see this topic as a prioritized area to investigate further", says Anders Brännström.

Some three billion people live in cities and within a couple of decades another two billion people are expected to move to cities. The urbanization goes hand in hand with industrialization and higher standard of living, which increases the

value of time and thus the search for more efficient transport systems.

VREF finances research and educational projects at universities all around the world. Universities all over the world can apply for funding for a five-year research program about freight in urban transport.

Approximately 25-30 MSEK is distributed to research programs annually.

FUT program contributes to sustainable city areas

VREF initiated some ten years ago the research program Future Urban Transport (FUT). The program intends to develop strategies to support the development of sustainable transportation systems in large urban areas around the world.

Around the world, eight Centres of Excellence have been established through funding from VREF. The Centres are located in Australia, Chile, China, India, South Africa, UK and in the US. The Centres collaborates with local opinion leaders and decision makers in the regions.

Disseminate the results

VREF receives positive feedback for the contribution to transport research, but Anders Brännström aim to further disseminates the results to a broader audience.

"We plan to publish a book on the research results in fall 2011. In total some 200 man-year of research have been conducted so far," Anders says.

Society

Community Involvement

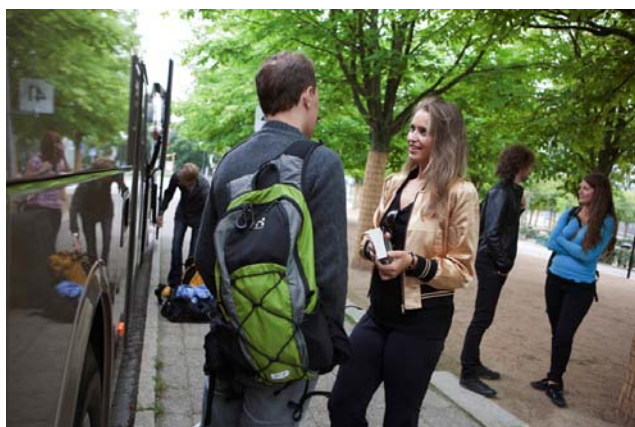
– A partner involved in local and global initiatives

We are involved in communities both as a company as well as on an individual basis. Committed colleagues within Volvo Group around the world often identify needs and projects in communities in which we operate that we can contribute to or support. Our culture and values form the basis of this involvement.

Focus areas for support

Our involvement with society comes in many forms: we contribute to schools for disadvantaged children; help to build homes for the homeless; and support the reconstruction of communities struck by disaster.

We present here some of the activities conducted by employees of Volvo Group around the world. We call it Moving Society Forward. More about our activities can be found at www.volvogroup.com/responsibility. It also includes our efforts to increase environmental awareness and to support the development of sustainable future transport solutions.



Education and training

We want to help to provide better opportunities for children and young persons. Volvo Group supports secondary and upper secondary school education in a number of ways at many locations around the world.

Inspirational talks in classrooms on current and future technologies, class field trips to our facilities and short-term young apprentice positions put education in a meaningful life and career context and provide role models and career information.

In Sweden, in addition to small scale partnerships, we are involved in extensive exchange and support to schools in a number of locations where we have production facilities such as:

- Göteborgs Tekniska Gymnasium – Volvo Group, Volvo Car Corporation and the City of Gothenburg jointly own

and support this upper secondary school, which specializes in mathematics, science and technology.

- MATENA – the Volvo Group is a key stakeholder in MATENA – a program being developed to encourage and support effective collaboration between schools and businesses to increase interest in mathematics, science and technology education and careers.
- The Industrial High School - Volvo Aero Corporation and the Local Education Authority of Trollhättan have jointly developed the Industrial High School – a three-year upper secondary school education where Volvo Aero is responsible for a third of the theoretical and practical tuition. Students are educated to become operators who will have special skills for aviation and space vehicle production work.

Special focus on mathematics, science and technology

The number of people in Europe graduating with degrees in mathematics, science and technology is continuing to decline, and this trend may have an effect on the future competitiveness of Europe.

It is important that there is a variety of qualified and internationally competitive education alternatives so that we can recruit competent future colleagues to our technology-intensive industry.

We consequently pay particular attention to mathematics, science and technology (MST) education. A workforce deficit in MST is emerging in Europe, which is why the Volvo Group is placing a particular focus on school partnerships in MST to promote interest in MST education and careers.

Keeping Europe competitive

The European Round Table of Industrialists (ERT) brings together many of Europe's business leaders to generate ways of ensuring that the region stays competitive at a time when global economic power is being redistributed. ERT was formed to advocate policies at national and European levels to create conditions for generating jobs and growth in Europe.

Volvo Group's CEO Leif Johansson is the Chairman of ERT and works alongside more than 40 executives from other major European industries. ERT has working groups active on topics

such as energy and climate change, society change and foreign economic relations.

Education in rural China

The Volvo Chenglan Hope School was inaugurated in January 2010 in Mingshan Village, which is located in the Jiangxi Province of China. This is the third Hope school to be built by Volvo Group China, in collaboration with local government.

Volvo intends to continue to partner with others to build more Hope schools in China, as ensuring children access to education in rural China which is crucial for future development.

Help activities for Haiti

An earthquake struck Haiti on January 11, 2010 causing a great loss of lives and leaving many injured. The earthquake also caused major damage to the country's infrastructure, destroying buildings, roads and ports and affecting millions of lives.

Several fundraising activities were initiated locally through Volvo Group companies, such as raising funds to support the Swedish division of SOS-Kinderdorf International, an organization providing protection and shelter for children in Haiti. Volvo Group contributed to the relief efforts by providing financial and in-kind donations. USD 100 000 was donated to the Red Cross. 5 trucks were donated to the United Nations, 4 trucks were donated directly to the Haitian government and 40 trucks were donated to support the French government's aid program to Haiti.

Renault Trucks employees engaging to support children

During the year, 5,200 employees got together to vote for a charity initiative to support on a voluntary basis. 60 percent voted for the Doctor CLOWN association, a regional association working since 1995 to provide enjoyment to allow sick children in hospitals to forget their illness for a magical moment.

Renault Trucks employees dedicated part of their free time, on a voluntary basis, to raise money through a number of innovative initiatives, including sale of breakfast pastries and a chess tournament.

The company supported the initiative through assistance, communications and the provision of premises for the logistical requirements of the campaign.

Planning ahead

Involvement in society is part of our vision of contributing to sustainable development. We will continue to develop and evaluate our commitments and initiatives, moving society forward together with our stakeholders.

We can look back at a long history of different projects and continue to work for change. We have identified a need to map past and current efforts so we can learn from what we have achieved so far.

Volvo Group initiated a project with that aim in 2009. The project has improved our knowledge of the initiatives and their results, so that we can make further improvements.

GRI Table

– Applying the GRI framework for reporting

Volvo Group applies the GRI (Global Reporting Initiative) framework for sustainability reporting. This voluntary framework sets out principles and indicators for measuring and reporting economic, environmental and social performance. The table below provides references to where the indicated GRI-information can be accessed in the Sustainability Report 2010. In some cases, reference is made to content in the Volvo Group Annual Report or the Corporate Governance Report for 2010. Volvo Group has chosen to self-declare the report to meet GRI Application Level B.

Report Application Level	C	C+	B	B+	A	A+
Standard Disclosures						
G3 Profile Disclosures	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15		Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17		Same as requirement for Level B	
G3 Management Approach Disclosures	Not Required	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured
G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Responsibility.		Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

*Sector supplement in final version

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PR1	Life cycle stages in which health and safety impacts of products and services are assessed		Product Development , page 47 Product Development , page 47
PR2	Incidents of non-compliance with regulations concerning health and safety impacts of products		Annual Report/Note 29 Contingent Liabilities , page 99
PR3	Type of products and service information required by procedures, and percentage of products subject to such information requirements		Product Development , page 48
PR4	Incidents of non-compliance with regulations concerning product labelling		Annual Report/Note 29 Contingent Liabilities , page 99
PR5	Results related to customer satisfaction, including results of surveys		Investments for the Future , page 38 Stakeholder Relations , page 13
PR6	Programs for adherence to laws, standards and voluntary codes for marketing communications		Investments for the Future , page 38
PR7	Incidents of non-compliance with regulations concerning marketing communications		Annual Report/Note 29 Contingent Liabilities , page 99
PR8	Substantiated complaints regarding breaches of customer privacy		
PR9	Monetary value of fines for non-compliance with regulations concerning products and services		Annual Report/Note 29 Contingent Liabilities , page 99

Global Compact

– A decade as a signatory to the Global Compact

Volvo Group was one of the first companies to become a signatory to the United Nations' Global Compact when it was launched in 2001. We are committed to the principles of the initiative, and they are integrated into our Group policy and core governance document, Volvo Group Code of Conduct.

Integrated principles

At Volvo Group we consider the culture we nurture and the behavior we encourage to be aligned with the spirit of the Global Compact. In 2003, we introduced the Volvo Group Code of Conduct based on the principles of the Global Compact. The ten principles in the areas of human rights, labor rights, environment and anti-corruption are reflected in our Code of Conduct, which governs our internal behavior and also our conduct in relations with others.

Communication on progress

This report, the Volvo Group Sustainability Report 2010, describes our work to advance the ten principles in our daily operations and in relations with our stakeholders. It contains detailed information on our achievements and results, and describes initiatives and activities across our Group, designed to help us progress towards more sustainable transport solutions and as a responsible company.

This report constitutes our annual Communication on Progress, in accordance with our commitment to the United Nations' Global Compact initiative.



About Volvo Group

– The world's leading supplier of commercial transport solutions

Volvo Group's vision is to be valued as the world's leading supplier of commercial transport solutions. Transport is essential for development. Our responsibility is therefore to provide society with transport solutions that both reduce negative environmental impact and contribute to social development.

We are one of the world's leading manufacturers of trucks, buses and construction equipment, drive systems for marine and industrial applications, aerospace components and services. Volvo Group also provides complete finance and servicing solutions.

Transport solutions for an international market

Our products are available in more than 180 markets, mainly in Europe, Asia and North America. We sell products and services both through wholly owned dealers and independent dealers.

Annual sales for the Volvo Group amounted to about SEK 265 billion in 2010 compared with SEK 218 billion in 2009. For more information about our financial results, see Annual Report 2010.

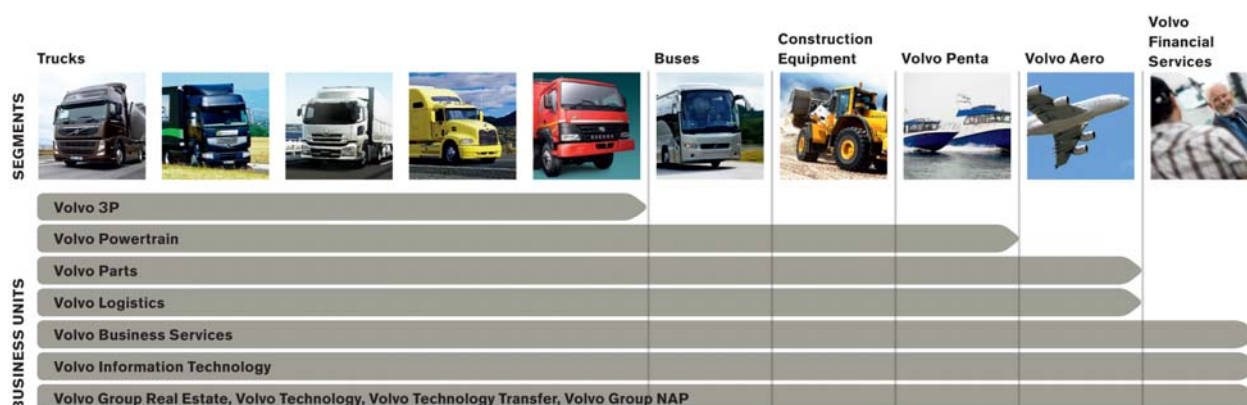
Approximately two thirds of our net sales are related to the sale of new vehicles and machines; the rest is from soft products such as servicing, financing and spare parts. In 2010, we sold 179,989 trucks compared to 127,681 in 2009, represent-

ing an increase of 41 percent. The number of buses and bus chassis sold in 2010 was 10,229 compared with 9,857 in 2009, an increase of approximately four percent.

We have about 90,000 employees and in total 65 production facilities in 19 countries. Most of our employees are based in the following countries:

- Sweden
- France
- Japan
- US
- China
- Brazil
- South Korea

Volvo Group is a publicly traded company with its headquarters in Gothenburg, Sweden. The Volvo share is listed on the NASDAQ OMX Nordic.





Volvo Group Production Facilities world-wide

	North America	South America	Europe	Asia	Africa and Oceania
Number of regular employees, end year 2010	12,844	4,322	52,312	18,535	2,396
Net sales 2010, SEK M	47,922	29,013	102,947	65,487	19,380
Number of delivered trucks and buses	26,374	22,657	67,898	57,310	15,979
Total assets, SEK M	63,683	23,442	160,451	72,481	7,950

Glossary

Business Area	Product-related company within Volvo Group; Volvo Trucks, Renault Trucks, Mack Trucks (included in North American Trucks), UD Trucks (included in Trucks Asia organization), Volvo Buses, Volvo Construction Equipment, Volvo Penta, Volvo Aero and Volvo Financial Services
Business Unit	The business units within Volvo Group are organized globally and created to combine expertise in key areas. Volvo 3P, Volvo Powertrain, Volvo Parts, Volvo Logistics, Volvo Technology, Volvo Information Technology, Volvo Business Services, Volvo Group Real Estate, Volvo Group NAP and Volvo Group Insurance
CLI	Communication Leadership Index
GDP	Global Development Process
GEC	Group Executive Committee
KEP	Key Element Procedure
PBP	Personal Business Plan
VGAS	Volvo Group Attitude Survey
VPS	Volvo Production System

About the Report

Volvo Group's Sustainability Report 2010 addresses how we work to help promote sustainable development, in economic, environmental and social terms. Our aim is to present our work in a straightforward, transparent and informative way for a wide audience.

The report is a platform for internal and external dialogues with customers, suppliers, investors, employees, the general public and other stakeholders. We therefore welcome and value your feedback.

Annual sustainability reports available on website

Volvo Group published its Sustainability Report 2010 in March 2011. Sustainability information and the Sustainability Report are available at Volvo Group's website: www.volvogroup.com. Volvo Group will publish annual sustainability reports.

Scope and boundary of the report

Unless otherwise stated, the Sustainability Report encompasses all companies in Volvo Group. Our financial performance and information regarding Volvo Group's Corporate Governance is available in the Annual Report 2010 and at www.volvogroup.com/investors.

Volvo Group has published Environmental Reports since 1991. These reports initially covered environmental issues and were subsequently expanded to cover a wider perspective on sustainability, including considerations of ongoing trends and events that has occurred in the business world or are voiced through dialogue with stakeholders.

The process for defining the content, focus and target groups of the 2010 report included an internal workshop with key CSR representatives from Volvo Group, which was conducted in December 2010.

Data collection

The main purpose of this report is to answer the most frequent questions we have received from our stakeholders and to make them public. This sustainability report is based on the voluntary

framework provided by GRI. The GRI Index refers to where the information may be found.

This report was not audited by a third party. Although we acknowledge the value of an audit, we have in current circumstances opted to give priority to developing our in-house process in an effort to further improve our sustainability work.

Most of the data in this report is also presented in our Annual Report 2010. All information included in the Annual Report is assured by the external auditors PWC, and the process for collecting environmental data is audited by a third party and certified in accordance with ISO 14001:2008.

Volvo Group consists of many different companies offering a wide range of transport products and services. A substantial part of our CSR work is carried out independently. Many important data and performance indicators are measured and followed up at company level, and not aggregated at Group level.

Additional information

- Annual Report 2010
- Environmental Data Report
- www.volvogroup.com/responsibility

Disclaimer

Any links to external or third party web sites in Volvo Group Sustainability Report 2010 are included solely for readers' convenience. You make use of any links, and rely on the information contained on such external web sites at your own risk. Volvo Group does not give any representation regarding, nor accepts any liability for the quality, safety, suitability or reliability of any external web sites or any of the content or materials contained therein.

Welcome to contact us

If you have questions regarding this report or Volvo Group's CSR work, please contact:

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