

CORPORATE GOVERNANCE

Corporate governance report 2016

The Volvo Group appreciates the value of sound corporate governance as a fundamental base in achieving a trusting relation with shareholders and other key parties. The Swedish Corporate Governance Code, which is applied by the Volvo Group, aims at creating a sound balance of power between shareholders, the board of directors and the senior management. Sound corporate governance, characterized by high standards when it comes to transparency, reliability and ethical values, has always been a well-established guiding principle within the Volvo Group's operations.

SIGNIFICANT EVENTS 2016

On March 1, the Volvo Group introduced a new brand-based organization with clearer commercial accountability for the Group's various truck brands. Volvo's Group Executive Board was changed in connection with the new organization and the number of executive positions comprising the Group Executive Board increased from 10 to 13.

In March, the sale of the Volvo Group's external IT operation and the operation of the IT infrastructure to HCL Technologies was completed. The transaction entails both sustained cost savings and a capital gain corresponding to SEK 885 million.

In July, the Volvo Group announced that it had reached a settlement with the European Commission putting an end to a long running EU antitrust investigation. As part of the settlement, Volvo has paid a fine of EUR 670 million, corresponding to SEK 6.5 billion.

During autumn, the Volvo Group completed the sale of properties for a sales price amounting to SEK 2.7 billion. The divestment is part of a long-term plan to gather the majority of Volvo Group office workers in Gothenburg in an area that will be called Campus Lundby.

In November, the Volvo Group announced that it has conducted a strategic review of the Governmental Sales business area and intends to initiate a process to divest the business.

The Swedish Corporate Governance Code

AB Volvo's shares are admitted to trading on the stock exchange Nasdaq Stockholm and accordingly, Volvo complies with Nasdaq Stockholm's Rule Book for Issuers. As a listed company, Volvo also applies the Swedish Corporate Governance Code (the Code), which is available at www.corporategovernanceboard.se.

This Corporate Governance Report has been prepared in accordance with the Swedish Annual Accounts Act and the Code, and is separate from the Annual Report. The report has been reviewed by Volvo's auditors and includes a report from the auditors.

Corporate Governance Model

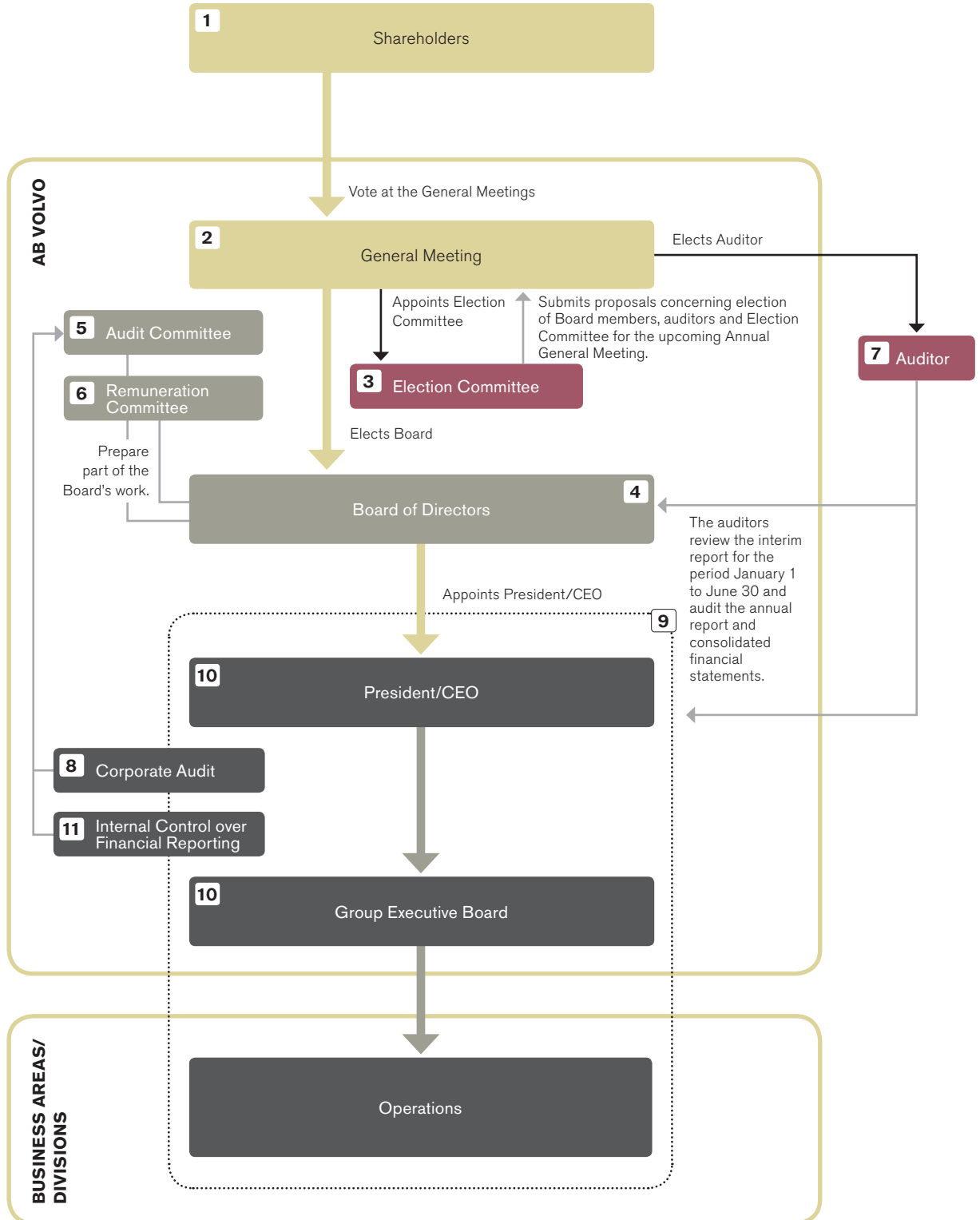
The governance and control of the Volvo Group is carried out through a number of corporate bodies. At the General Meetings of AB Volvo, which is the Parent Company in the Volvo Group, the shareholders exercise their voting rights with regard to for example the composition of the Board of Directors of AB Volvo and the election of auditors.

An Election Committee, appointed by the Annual General Meeting of AB Volvo, submits proposals to the Annual General Meeting concerning the election of Board members and Board Chairman as well as proposals for resolutions concerning fees to the Board. When applicable, the Election Committee also submits proposal concerning the election of external auditors and proposal for resolutions concerning fees to the auditors.

The Board is ultimately responsible for Volvo's organization and management of its operations. The duties of the Board are partly exercised through its Audit Committee and its Remuneration Committee.

In addition, the Board appoints the President of AB Volvo, who is also the CEO of the Volvo Group. The CEO is in charge of the daily management of the Group in accordance with guidelines and instructions provided by the Board.

Division of responsibilities and duties between the General Meeting, the Board of Directors and the President are regulated inter alia by the Swedish Companies Act, Volvo's Articles of Association, the Code and the Board's Work Procedures.



1 Shares and shareholders

AB Volvo's share register is kept by Euroclear Sweden AB. On December 31, 2016, Volvo had 237,654 shareholders according to the share register. The largest shareholder on that date, in terms of votes, was AB Industrivärden, with 22.6 percent of the votes based on the number of outstanding shares. Cevian Capital held 15.3 percent of the votes, Norges Bank Investment Management held 6.1 percent of the votes and Svenska Handelsbanken together with SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen held 5.1 percent of the votes, based on the number of outstanding shares.

Volvo has issued two classes of shares: series A and series B. In a vote at a General Meeting, series A shares carry one vote and series B shares one-tenth of a vote. The two share classes carry equal rights to a share in the assets and earnings of the company. According to a special share conversion clause in the Articles of Association, holders of series A shares are entitled to request that their series A shares are converted to series B shares. Implementation of such conversions entails that the total number of votes in the company decreases.

At the end of 2016, the total number of shares in AB Volvo amounted to 2,128,420,220, of which series A shares accounted for 492,525,221 and series B shares accounted for 1,635,894,999. The total number of votes amounted to 656,114,720.90.

For more information about the Volvo share and its shareholders, reference is made to the Board of Director's report on pages 103–105 of the Annual Report.

2 General Meeting

General

The General Meeting is Volvo's highest decision-making body. The Annual General Meeting is held within six months after the end of the fiscal year, normally in Göteborg. The Annual General Meeting adopts the income statement and balance sheet for AB Volvo and the Volvo Group, and resolves on the allocations of profit, the composition of Volvo's Board of Directors, Board remuneration and elects, when applicable, external auditors. Notice to attend a General Meeting is issued in the form of an announcement in Post- och Inrikes Tidningar (Swedish Official Gazette) and on the company's website. The fact that notice has been issued is announced in Dagens Nyheter and Göteborgs-Posten.

In addition to what follows from applicable law regarding shareholders' right to participate at General Meetings, under Volvo's Articles of Association shareholders must give notice of their attendance (within the time stated in the convening notice) and notify the company of any intention to bring assistants.

A shareholder who wants the Meeting to consider a special matter must submit a request to the Board in sufficient time prior to the Meeting to the address provided on Volvo's website, www.volvogroup.com.

Resolutions at a General Meeting are normally passed by simple majority and for elections, the person who receives the most votes is considered elected. However, certain resolutions, such as amendment of the Articles of Association, require a decision by a qualified majority.



AB Volvo's Annual General Meeting 2016 was held on April 6 in Konserthuset, Gothenburg, Sweden.

3 Election Committee

Annual General Meeting 2016

Volvo's Annual General Meeting 2016 was held on Wednesday, April 6, 2016 in Konserthuset, Göteborg. The Meeting was attended by 1,430 shareholders, either in person or by proxy, representing 70.26 percent of the votes in the company. Attorney Sven Unger was elected Chairman of the Meeting. Members of the Board and of the Group Executive Board were present at the Meeting. Authorized Public Accountants Peter Clemedtson, Volvo's Lead Audit Partner, and Johan Palmgren were also present, representing the company's auditor PricewaterhouseCoopers AB.

The Annual General Meeting 2016 decided to pay a dividend of SEK 3.00 per share. The Meeting further resolved to re-elect Board Members Matti Alahuhta, Eckhard Cordes, James W. Griffith, Kathryn V. Marinello, Martina Merz, Hanne de Mora, Carl-Henric Svanberg (as Chairman) and Lars Westerberg, and to elect Martin Lundstedt, Håkan Samuelsson and Helena Stjernholm as new Board Members.

The further resolutions of the Meeting are included in the complete minutes from the Annual General Meeting 2016 which, together with other information about the Meeting, are available at www.volvogroup.com.

Annual General Meeting 2017

Volvo's Annual General Meeting 2017 will be held on Tuesday, April 4, 2017 in Konserthuset, Göteborg. For further information about the Annual General Meeting 2017, please refer to the fold-out in the end of the Annual and Sustainability Report and Volvo's website. www.volvogroup.com.



Duties

The Election Committee is the shareholders' body responsible for submitting to the Annual General Meeting the names of candidates to serve as Chairman at the Meeting and Chairman and other Members of the Board and, when applicable, proposal for auditors and remuneration to the auditors.

The Election Committee is also responsible for submitting proposal for fees and other compensations to be paid to the Board Members. In addition, the Election Committee, in accordance with prevailing instructions for Volvo's Election Committee, presents proposals for members of the Election Committee for the following year.

The Election Committee's proposal shall be presented to Volvo in sufficient time to be included in the notice to attend the Annual General Meeting and to be published on Volvo's website at the same time. In conjunction with the notice to attend the Annual General Meeting being published, the Election Committee shall comment on whether those persons who are proposed to be elected as Board Members are to be considered as independent in relation to the company and company management as well as to major shareholders in the company and further to comment on their important assignments and holding of shares in Volvo.

Composition

In accordance with instructions for the Election Committee adopted by the Annual General Meeting 2016, the Annual General Meeting shall elect five members to serve on the Election Committee, of whom four shall represent the largest shareholders in the company, in terms of the number of votes, who have expressed their willingness to participate on the Election Committee. In addition, one of the members shall be the Chairman of the AB Volvo Board. Additionally, the Election Committee can offer other major shareholders to appoint one representative as a member of the Election Committee. If such an offer is made, it should be directed in turn to the largest shareholder in terms of voting rights not already represented on the Election Committee. The number of members on the Election Committee may however not exceed seven.

In accordance with its instructions, Volvo's Annual General Meeting 2016 resolved to appoint the following individuals as members of the Election Committee:

- Carl-Henric Svanberg, Chairman of the Board,
- Bengt Kjell, representing AB Industrivärden,
- Lars Förberg, representing Cevian Capital,
- Yngve Slyngstad, representing Norges Bank Investment Management, and
- Pär Boman, representing Svenska Handelsbanken, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen.

The Election Committee appointed Bengt Kjell as Chairman.

4 Board of Directors

Duties

The Board of Directors is ultimately responsible for Volvo's organization and management of the company's operations. The Board is responsible for the Group's long-term development and strategy, for regularly controlling and evaluating the Group's operations and for the other duties set forth in the Swedish Companies Act.

Composition

During the period January 1, 2016 to April 6, 2016, AB Volvo's Board consisted of nine members elected by the Annual General Meeting. In addition, the Board had three members and two deputy members appointed by employee organizations. According to the Articles of Association, the Board shall consist of not less than six and not more than twelve members elected by the General Meeting.

The Annual General Meeting 2016 re-elected Matti Alahuhta, Eckhard Cordes, James W. Griffith, Kathryn V. Marinello, Martina Merz, Hanne de Mora, Carl-Henric Svanberg and Lars Westerberg as Board members and Carl-Henric Svanberg as Chairman of the Board. Martin Lundstedt, Håkan Samuelsson and Helena Stjernholm were elected as new Board Members. An account of each Board member's age, principal education, professional experience, assignments in the company, other important board memberships, their own and related parties' ownership of shares in Volvo as of March 6, 2017, and the year they were elected on the Volvo Board, is presented in the "Board of Directors" section on pages 178–179.

Independence requirements

The Board of Directors of AB Volvo must meet independence requirements pursuant to the Code entailing that only one person from the company's management may be a member of the Board, that a majority of the Board members elected by the General Meeting shall be independent of the company and the company management and that at least two of the Board members elected by the General Meeting who are independent of the company and the company's management shall also be independent of the company's major shareholders. Prior to the Annual General Meeting 2016, the Election Committee presented the following assessment concerning independence of the Board members elected by the Annual General Meeting 2016.

Matti Alahuhta, James W. Griffith, Kathryn V. Marinello, Martina Merz, Hanne de Mora, Håkan Samuelsson, Carl-Henric Svanberg and Lars Westerberg were all considered independent of the company and the company management as well as of the company's major shareholders.

Since Martin Lundstedt had the position as AB Volvo's President and CEO of the Volvo Group prior to the Annual General Meeting 2016, he was considered independent of the company's major shareholders but not of the company and the company management.

Eckhard Cordes and Helena Stjernholm were considered independent of the company and the company management.

Since Cevian Capital Partners, prior to the Annual General Meeting 2016, controlled more than 10 percent of the votes in the company, Eckhard Cordes, due to his capacity as partner in Cevian Capital Partners, was not considered independent in relation to one of the company's major shareholders.

Since AB Industrivärden, prior to the Annual General Meeting 2016, controlled more than 10 percent of the votes in the company, Helena Stjernholm, due to her capacity as President and CEO of AB Industrivärden, was not considered independent in relation to one of the company's major shareholders.

Work procedures

Every year, the Board adopts work procedures for the Board's work. The work procedures contain rules pertaining to the number of Board meetings, matters to be addressed at regular meetings of the Board and duties incumbent on the Chairman.

Volvo's Chairman shall organize and guide the Board's work, be responsible for contacts with the owners regarding ownership matters and provide the owners' viewpoints to the Board, ensure that the Board receives adequate information and decision documents for its work and verify that the Board's resolutions are implemented. The work procedures further refer to the charter of the Audit Committee and the charter of the Remuneration Committee for the tasks assigned to the respective committee.

The Board has also issued written instructions specifying how financial information should be reported to the Board, as well as defining the distribution of duties between the Board and the President.

The Board's work in 2016

The Board's work is mainly performed within the framework of formal Board meetings and through meetings in the respective committees of the Board. In addition, regular contact is maintained between the Chairman of the Board and the CEO in order to discuss on-going business and to ensure that the resolutions taken by the Board are executed.

In 2016, there were nine regular Board meetings, two extraordinary meetings and one statutory meeting. The attendance of Board members at these meetings is presented in the table on page 177.

During 2016, the Board has continued to focus on measures to increase the Group's profitability, strengthen the balance sheet and streamlining the business.

As a result, Volvo completed in March the sale of its external IT operation and the operation of the IT infrastructure to HCL Technologies. The transaction is the result of a review of the Group's IT operations conducted during 2015 and entails both sustained cost savings and a capital gain corresponding to SEK 885 million.

As part of its focus, the Board decided to divest the Group's properties in the areas of Arendal, Torslanda and Säve in Gothenburg, Sweden, which was completed during the autumn. The sales price totalled SEK 2.7 billion and the transaction results in a positive impact on the Group's operating cash flow and net financial debt in the amounts of SEK 2.6 billion and SEK 2.3 billion, respectively.

Finally, a strategic review of the Governmental Sales business has been conducted and in November it was announced that Volvo intends to initiate a process to divest the business.

In addition to the above measures, the Board has decided on an overall financial plan and investment frame for the Group's operations. The Board has continuously followed-up the Group's performance and financial position in order to ensure proper actions and that there are efficient systems for follow-up and control of the business and the financial position of the Volvo Group. In connection therewith, the Audit Committee has been responsible for preparing the Board's work to assure the quality of the Group's financial reporting by reviewing the interim reports, the Annual Report and consolidated accounting. The Board has met with the company's auditors at several occasions during 2016 and without the presence of management at one occasion. Additionally, the Board has engaged in the succession planning for the executive management.

The Board has also focused on risk-related matters, such as enterprise risk management and ongoing legal cases and investigations. As part of this work, the Board has decided on a settlement with the European Commission, putting an end to the EU antitrust investigation. The settlement implies



In October 2016, the Board visited the Group's facilities in the US.

that Volvo, during the fourth quarter, has paid a fine of EUR 670 million to the Commission, corresponding to SEK 6.5 billion.

Finally, the Board continuously keeps itself updated about the status and development of the business operations of the Group by devoting considerable time to operational reviews of the Group's various Truck Divisions and Business Areas. As part of these operational reviews, the Board usually visits a Volvo Group facility once a year and in October 2016, the Board visited the Group's facilities in the US, which deepened the Board's understanding for the American market as well as for the Volvo Group's activities in the US.

Evaluation of the board's work

During 2016, the Board performed its yearly evaluation of the Board's work. The purpose of the evaluation is to develop the Board's efficiency and its working procedures and to determine the focus of the Board's coming work. In addition, the evaluation serves as a tool in determining the requirements for special competence needed in the Board and for analyzing the competence already accessible in the current Board. By that, the evaluation also serves as input for the Election Committee's work with proposing Board members.

In performing the yearly evaluation, the Board members were asked to complete an individual questionnaire rating, from their own perspective, different areas relating to the Board's work. The areas being evaluated for 2016 included, for example, the Board composition, management and

focus of Board meetings, Board support, Board oversight and priorities for change. The areas covered by the evaluation may differ from one year to another to reflect the development of the Board's work and the Volvo Group.

Separate evaluations for the Board, the Chairman of the Board, the Audit Committee, the Remuneration Committee and the CEO were completed. The reports over the evaluations were discussed at a Board meeting. In addition, the results of the evaluations of the Board and the Board Chairman are shared with the Election Committee.

Remuneration to Board members

The Annual General Meeting resolves on fees to be paid to the Board Members elected by the shareholders. The Annual General Meeting held on April 6, 2016, decided that until the end of the next Annual General Meeting, the remuneration to the Board should remain unchanged, as follows.

Volvo's Chairman receives a fee of SEK 3,250,000 and each of the remaining Members elected by the shareholders receives a fee of SEK 950,000 with the exception of the President. The Chairman of the Audit Committee receives SEK 300,000 and other members of the Audit Committee SEK 150,000 each. In addition, the Chairman of the Remuneration Committee receives SEK 125,000 and other members of the Remuneration Committee SEK 100,000 each.

The Board's committees**5 Audit Committee***Duties*

In December 2002, the Board established an Audit Committee primarily for the purpose of overseeing the accounting and financial reporting processes and the audit of the financial statements.

The Audit Committee is, among other things, responsible for preparing the Board's work to assure the quality of the Group's financial reporting by reviewing the interim reports, the Annual Report and the consolidated accounting. The Audit Committee also has the task of reviewing and overseeing the Group's legal and taxation matters as well as compliance with laws and regulations that may have a material impact on the financial reporting. Further, the Audit Committee has the task of reviewing and overseeing the impartiality and independence of the company's auditors. The Audit Committee is also responsible for evaluating the internal and external auditors' work and, when applicable, handling the tender process for audit services. In addition, it is the Audit Committee's task to pre-approve what other services, beyond auditing, the company may procure from the auditors. The Audit Committee also adopts guidelines for transactions with companies and persons closely associated with Volvo. Finally, the Audit Committee shall evaluate the quality, relevance and efficiency of the Group's system for internal control over financial reporting, as well as with respect to the internal audit and risk management, and discharge any other duties of an audit committee.

Composition and work in 2016

At the statutory Board meeting following the Annual General Meeting 2016, the following Board members were appointed members of the Audit Committee:

- Lars Westerberg
- Helena Stjernholm
- Hanne de Mora

Lars Westerberg was appointed Chairman of the Audit Committee.

The Audit Committee met with the external auditors without the presence of management at four occasions during 2016 in connection with the Audit Committee meetings. The Audit Committee has also met with the Head of Corporate Audit at the meetings of the Audit Committee.

The Audit Committee and the external auditors have, among other tasks, discussed the external audit plan and risk management. The Audit Committee held eight regular meetings during 2016. The attendance of Board Members at Committee meetings is presented in the table on page 177. The Audit Committee reports the outcome of its work to the full Board on a regular basis, and the minutes of the Audit Committee meetings are distributed to the Board members.

6 Remuneration Committee*Duties*

In April 2003, the Board established a Remuneration Committee for the purpose of preparing and deciding on issues relating to remuneration to senior executives in the Group. The duties of the Committee include presenting recommendations for resolution by the Board regarding the terms and conditions of employment and remuneration for the CEO and the Deputy CEO of AB Volvo, principles for remuneration, including pensions and severance payments, for other members of the Group Executive Team and principles for variable salary systems, share-based incentive programs, pensions and severance payment for other senior executives in the Group.

The Remuneration Committee shall monitor and evaluate ongoing programs and programs concluded during the year covering variable remuneration for the executives, application of the policy for remuneration to senior executives on which the Annual General Meeting shall decide and the current remuneration structures and levels in the Group.

The Board shall, no later than three weeks prior to the Annual General Meeting, submit a report on the results of the Remuneration Committee's evaluation on the company's website.

Composition and work in 2016

At the statutory Board meeting following the Annual General Meeting 2016, the following Board members were appointed members of the Remuneration Committee:

- Carl-Henric Svanberg
- Matti Alahuhta
- James W. Griffith

Carl-Henric Svanberg was appointed Chairman of the Remuneration Committee.

The Code sets the requirement that members of the Remuneration Committee, with the exception of the Board Chairman if being a member of the Remuneration Committee, shall be independent of the company and the company management. The Election Committee's assessment of independence prior to the Annual General Meeting 2016 is presented under the "Independence requirements" section on page 174.

The Remuneration Committee held three meetings during 2016. The attendance of Board Members at Committee meetings is presented in the table on page 177. The Remuneration Committee reports the outcome of its work to the full Board on a regular basis.



The Board's composition and attendance at meetings January 1, 2016 - December 31, 2016

Member	Board (12 incl. statutory)	Audit Committee (8)	Remuneration Committee (3)
Carl-Henric Svanberg	12		3
Martin Lundstedt ¹	8		
Matti Alahuhta	12		2
Eckhard Cordes	12		
James Griffith	12		3
Hanne de Mora	12	8	
Kathryn Marinello	11		
Martina Merz	12		
Anders Nyrén ²	3	2	1
Håkan Samuelsson ³	6		
Helena Stjernholm ⁴	8	6	
Lars Westerberg	10	7	
Lars Ask, employee representative ⁵	12		
Mats Henning, employee representative	12		
Camilla Johansson, employee representative ⁶	6		
Mari Larsson, employee representative	12		
Mikael Sällström, employee representative	11		
Berth Tulin ⁷	3		
Total number of meeting	12	8	3

1 Joined the Board on April 6, 2016.

2 Stepped down from the Board on April 6, 2016.

3 Joined the Board on April 6, 2016.

4 Joined the Board on April 6, 2016.

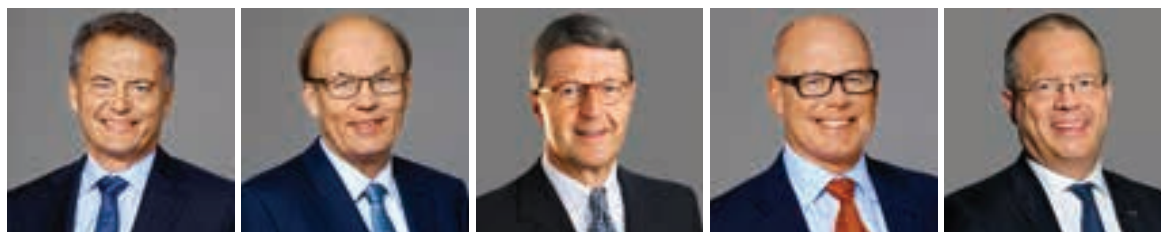
5 Employee representative, deputy member, until April 6, 2016 when he joined as ordinary member.

6 Joined the Board as employee representative, deputy member, on April 6, 2016.

7 Stepped down from the Board as employee representative, ordinary member, on April 6, 2016.

Board of Directors

BOARD MEMBERS ELECTED BY THE ANNUAL GENERAL MEETING









	Carl-Henric Svanberg <i>Chairman of the Board, Chairman of the Remuneration Committee</i>	Matti Alahuhta <i>Member of the Remuneration Committee</i>	Eckhard Cordes	James W. Griffith <i>Member of the Remuneration Committee</i>	Martin Lundstedt <i>President and CEO</i>
Education	Master of Science, BSc. Business Administration.	Master of Science, Doctor of Science.	MBA and PhD, University of Hamburg.	BSc Industrial Engineering, MBA from Stanford University.	MSc.
Born	1952	1952	1950	1954	1967
Member of the Volvo Board	Chairman of the Volvo Board since April 4, 2012.	Since April 2, 2014.	Since April 1, 2015.	Since April 2, 2014.	Since April 6, 2016.
Position and Board memberships	Board Chairman: BP p.l.c.	Board Chairman: DevCo Partners Oy and Outotec Corporation. Board member: Kone Corporation, ABB Ltd.	Partner in Cevian Capital and EMERAM Capital Partners. Member of the Executive Committee of Eastern European Economic Relations of German Industry. Board Chairman: Bilfinger SE.	Board member: Illinois Tool Works Inc.	President and CEO of AB Volvo. Board Chairman: Partex Marking Systems AB and Permobil AB. Board member: ACEA Commercial Vehicle and Concentric AB. Member of the Royal Swedish Academy of Engineering Sciences.
Principal work experience	Has held various positions at Asea Brown Boveri (ABB) and Securitas AB; President and Chief Executive Officer of Assa Abloy AB; President and Chief Executive Officer of Telefonaktiebolaget LM Ericsson; member of the External Advisory Board of the Earth Institute at Columbia University and the Advisory Board of Harvard Kennedy School.	Has held several management positions in the Nokia Group – President of Nokia Telecommunications, President of Nokia Mobile Phones and Chief Strategy Officer of the Nokia Group; President of Kone Corporation between 2005–2014 and between 2006–2014 also Chief Executive Officer. Board Chairman Aalto University Foundation until 2015. Board Chairman at the Confederation of Finnish Industries 2015–2016.	Started with Daimler Benz AG, where he has held several management positions, such as head of the trucks and buses business, Head of Group Controlling, Corporate Development and M&A in AEG AG and CEO of Mercedes Car Group. Previously CEO of Metro AG, senior advisor at EQT and Board member of Air Berlin, SKF, Carl Zeiss and Rheinmetall AG. Since 2012 partner in Cevian Capital and EMERAM Capital Partners respectively.	Began his career at The Timken Company in 1984, where he has held several management positions, such as responsible for Timken's bearing business activities in Asia, the Pacific and Latin America and for the company's automotive business in North America. Until 2014 President and Chief Executive Officer at Timken Company.	President and CEO of Scania 2012–2015. Prior to that, various managerial positions at Scania since 1992. Co-chairman of the UN Secretary-General's High-Level Advisory Group on Sustainable Transport 2015–2016.
Holdings in Volvo, own and related parties	700,000 Series B shares	64,100 Series B shares.	None.	20,000 Series B shares.	36,447 Series B shares.

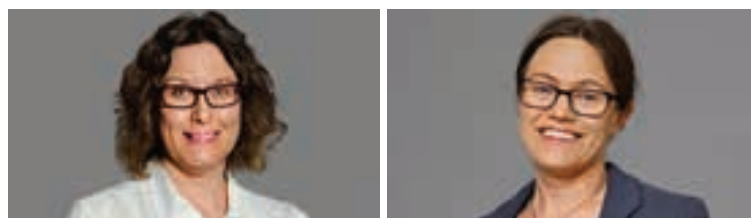
BOARD MEMBERS APPOINTED BY THE EMPLOYEE ORGANISATIONS



	Lars Ask <i>Employee representative, ordinary member</i>	Mats Henning <i>Employee representative, ordinary member</i>	Mikael Sällström <i>Employee representative, ordinary member</i>
Born	1959	1961	1959
Member of the Volvo Board	Deputy member from June 16, 2009. Ordinary member since April 6, 2016.	Since May 9, 2014.	Since September 7, 2009.
Background within Volvo	With Volvo since 1982.	With Volvo since 1982.	With Volvo 1980–1999 and since 2009.
Holdings in Volvo, own and related parties	245 Series A shares.	495 shares, including 250 Series B Shares.	495 shares, including 250 Series B Shares.

					
Kathryn V. Marinello	Martina Merz	Hanne de Mora <i>Member of the Audit Committee</i>	Håkan Samuelsson	Helena Stjernholm <i>Member of the Audit Committee</i>	Lars Westerberg <i>Chairman of the Audit Committee</i>
BA from State University of New York at Albany, MBA from Hofstra University.	BS from University of Cooperative Education, Stuttgart.	BA in Economics from HEC in Lausanne, MBA from IESE in Barcelona.	MSc.	MSc Business Administration.	MSc Engineering, Bachelor Business Administration.
1956	1963	1960	1951	1970	1948
Since April 2, 2014.	Since April 1, 2015.	Since April 14, 2010.	Since April 6, 2016.	Since April 6, 2016.	Since April 4, 2007.
President and CEO Hertz Global Holdings. Board member: Nielsen.	Vice Chairperson: SAF Holland SA. Board member: Deutsche Lufthansa AG (supervisory board) and NV BeKaert S.A.	Board Chairperson: a-connect (group) ag. Board member: IMD Supervisory Board.	President and CEO of Volvo Car Group Board member: Teknikföretagen (Engineering companies).	President and CEO of AB Industrivärden Board member: AB Industrivärden, Sandvik AB and Ericsson.	Board member: SSAB Svenskt Stål AB, Sandvik AB and Stena AB.
Has held several management positions at Citibank, Chemical Bank New York (now JP Morgan Chase), First Bank Systems and First Data Corporation; Division President General Electric Financial Assurance Partnership Marketing and Division President General Electric Fleet Services; President and Chief Executive Officer of Ceridian Corporation and subsequently also Chairman; Board Chairman, President and Chief Executive Officer of Stream Global Services, Inc. Senior Advisor, Ares Management, LLC.	Until January 2015, Chief Executive Officer for Chassis Brakes International. Has, during almost 25 years held various management positions in Robert Bosch GmbH, most recently as Executive Vice President Sales and Marketing in the Chassis System Brakes division combined with responsibility for regions China and Brazil and previously Chief Executive Officer of the subsidiary Bosch Closure Systems, also member of the Board of Management of Brose Fahrzeugteile GmbH & Co.	Credit Analyst Den Norske Creditbank in Luxembourg 1984, various positions within brand management and controlling within Procter & Gamble 1986–1989, Partner McKinsey & Company, Inc. 1989–2002, one of the founders and owners, also Board Chairperson of the global consulting firm and talent pool a-connect (group) ag since 2002.	Began his career in 1977 at Scania where he stayed for more than 20 years. He held leading positions within Scania's technical division before he joined the executive board in 1996. He brought his vast truck experience from Scania to MAN in 2000 when he became Chairman & CEO of MAN Nutzfahrzeuge AG. Chairman & CEO of MAN AG from 2005–2009.	Between 1998–2015, partner in the private equity firm IK Investment Partners (former Industri Kapital) with responsibility for its Stockholm office. She was also a member of IK's Executive Committee. Helena has served in various positions with IK and prior to that worked as a consultant for Bain & Company.	Has held various positions within ASEA 1972–1984. Served several executive positions at Esab AB 1984–1994 including Chief Executive Officer and President. Chief Executive Officer and President of Gränges AB 1994–1999. Chief Executive Officer and President of Autoliv Inc. 1999–2007 and Chairman of Autoliv Inc. 2007–2011. Previously Chairman of Husqvarna AB, Vattenfall AB and Ahlsell AB.
None.	4,500 Series B shares.	3,000 Series B shares.	106,000 Series B shares.	8,000 Series B shares.	198,000 shares including 168,000 Series B shares.

DEPUTIES APPOINTED BY THE EMPLOYEE ORGANISATIONS



Camilla Johansson
Employee representative, deputy member

Mari Larsson
Employee representative, deputy member

SECRETARY TO THE BOARD



Sofia Frändberg
Secretary to the Board
Master of Laws

1966	1978	1964
Deputy member since April 6, 2016.	Deputy member since May 22, 2015.	Secretary to the Board since April 1, 2013.
With Volvo since 1997.	With Volvo since 2004.	Executive Vice President Group Legal & Compliance and General Counsel.
595 Series A shares.	557 Series A shares.	48,517 shares, including 46,827 Series B shares.

7 External auditing

Volvo's auditors are elected by the Annual General Meeting. The current auditor is PricewaterhouseCoopers AB (PwC), which was elected at the Annual General Meeting 2014 for a period of four years. Two partners of PwC, Peter Clemedtson and Johan Palmgren, are responsible for the audit of Volvo. Peter Clemedtson is Lead Partner.

The external auditors discuss the external audit plan and risk management with the Audit Committee. The auditors review the interim report for the period January 1 to June 30 and audit the Annual Report and the consolidated accounting. The auditors also express an opinion whether this Corporate Governance Report was prepared or not, and in such respect whether certain information therein coincides with the Annual Report and consolidated accounting. The auditors report their findings with regard to the Annual Report and consolidated accounting through the audit reports and a separate opinion regarding the Corporate Governance Report, which they present to the Annual General Meeting. In addition, the auditors report detailed findings from their reviews to the Audit Committee three times a year and once a year to the full Board of Directors.

When PwC is retained to provide services other than the audit, it is done in accordance with rules decided by the Audit Committee pertaining to pre-approval of the nature of the services and the fees.

During 2016, Volvo has decided to initiate a tender process regarding statutory audit services to prepare for the election of statutory auditors at the Annual General Meeting to be held in April 2018. The process is currently ongoing.

For information concerning Volvo's remuneration to the auditors, reference is made to Note 28 "Fees to the auditors" in the Group's notes in the Annual Report.

Auditors

PricewaterhouseCoopers AB

Peter Clemedtson

Authorized Public Accountant.

Lead Partner.

Auditor since 2012.

Peter Clemedtson's other listed clients are Nordea AB, SKF AB and Ratos AB. His unlisted clients include Stena AB and Wallenbergstiftelsen.

Born 1956.

Johan Palmgren

Authorized Public Accountant.

Partner.

Auditor since 2015.

Johan Palmgren's other listed clients include Hexatronic Group AB.

Born 1974.

8 Corporate Audit

Volvo's internal audit function, Corporate Audit, helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate, independently and objectively, the effectiveness of risk management, control, and governance processes as well as to contribute to its improvement.

In the discharge of its duties, Corporate Audit performs internal audits and special assignments requested by management and the Audit Committee and issues reports summarizing the results of these activities.

The audits cover, among other things, assessments on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks and evaluation of compliance with policies and directives.

Corporate Audit also assists in investigations of suspected fraudulent activities within the organization and coordinates and provides oversight of other control and monitoring functions.

The head of Corporate Audit reports directly to the CEO, the Group's General Counsel and the Board's Audit Committee.

For additional information on internal control over financial reporting, see pages 186–187.

9 Governance principles and organizational structure

Volvo's strategy

The Volvo Group's mission is to "Drive prosperity through transport solutions". The Volvo Group contributes to society's welfare globally in many different ways, through transportation of people and goods, sanitation and power generation, extraction of raw materials in mines and infrastructure optimization. The Group's products and services are continuously being developed to support sustainable societies and the well-being and safety of people. With this mission in mind, the Volvo Group strives to achieve its Vision to "Be the most desirable and successful transport solution provider in the world". Trust and customer relations are therefore important ingredients of the Group's total customer offer.

Volvo's aspirations are to have leading customer satisfaction for all its brands; being the most admired employer in the industry and having industry leading profitability. The Group values Customer Success, Trust, Passion, Change and Performance are the base for how the Volvo Group's company culture. Seven strategic priorities further set the direction for the Volvo Group. They describe the key fundamentals of the Volvo Group strategy such as customer focus, decentralization, empowerment and P&L responsibility for its brand organizations, continuous improvements as well as the importance of utilizing the Group strengths to increase synergies, profitability and to take leadership in key technologies.

Based on the Group strategic priorities, each Business Area defines their own Business Area execution plans. In addition, long term plans such as the Group's industrial and technology plans are developed as a crucial part of the Group's strategic direction. The follow-up of the Volvo Group strategy is managed by the annual Group Strategy cycle. The strategic direction of the Group is set by the Group Executive Board while overall balancing of the Group's offering portfolio and resources are managed by the Product Board.

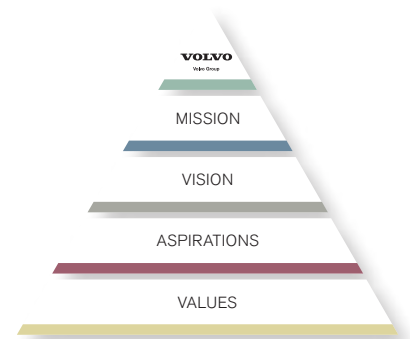
Governance documents

Another key component of the governance and control is the Group's policies and directives, such as the Code of Conduct and policies pertaining to investments, financial risks, accounting, financial control and internal audit, which contain Group wide operating and financial rules for the operations, as well as responsibility and authority structures.

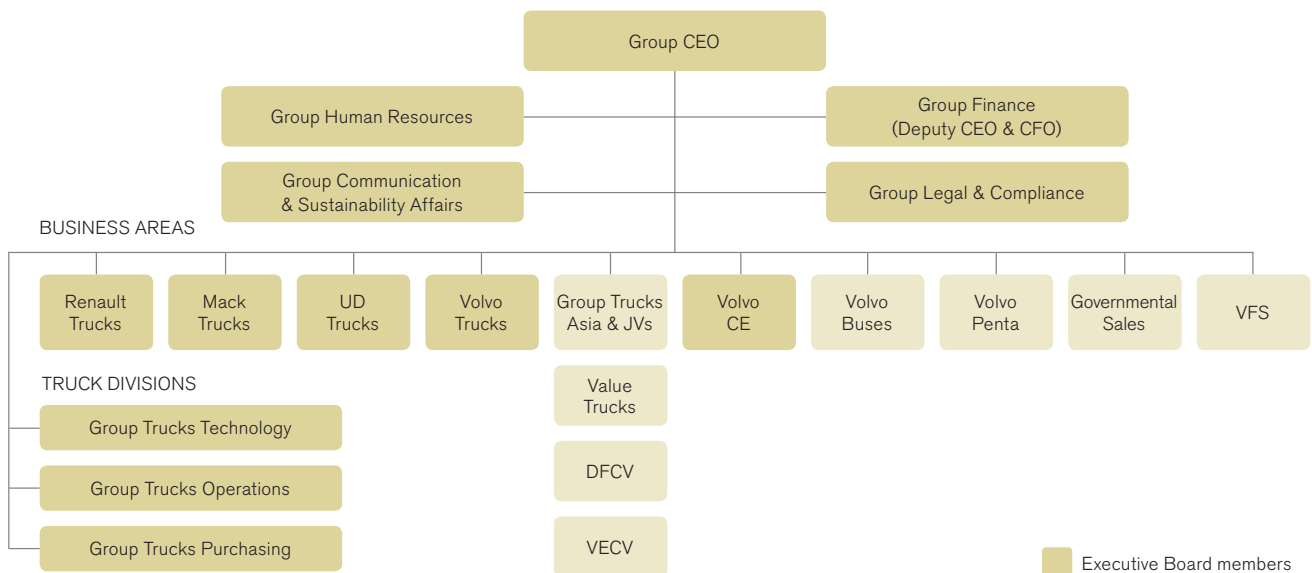
Organizational structure

On March 1, 2016, the Volvo Group introduced a new brand-based organization with clearer commercial accountability for the Group's trucks sales operations. The former single Group Trucks Sales division was replaced by four brand specific Business Areas; Volvo Trucks, UD Trucks, Renault Trucks and Mack Trucks, each with profit and loss responsibility for their respective business. A new Business Area called Group Trucks Asia & JVs has also been introduced.

The Truck Division Group Trucks Technology (GTT) is responsible for product development of engines, transmissions and trucks, whereas the Truck Division Group Trucks Operations (GTO) is responsible for the production of trucks and the Group's engines and transmissions. GTO is also responsible for the Group's spare parts supply and logistics operation.



VOLVO GROUP ORGANIZATION AS FROM MARCH 1, 2016



Executive Board members

**Governance principles and organizational structure (cont.)**

A new Truck Division, Group Trucks Purchasing (GTP) has been introduced, with an overall responsibility for purchasing for the Group's trucks, engines and transmissions operations as well as for the Group's purchase of indirect products and services.

Since March 1, 2016, the Volvo Group's business activities are therefore, in addition to the three Trucks Divisions, organized into ten Business Areas, namely: Volvo Trucks, UD Trucks, Renault Trucks, Mack Trucks, Group Trucks Asia & JVs, Volvo Construction Equipment, Volvo Buses, Volvo Penta, Governmental Sales and Volvo Financial Services (VFS). In addition, there are four Group Functions; Group Human Resources, Group Finance, Group Communication & Sustainability Affairs and Group Legal & Compliance, providing support to the CEO and the Group Executive Board with expertise in each Group Function area and developing standards for the entire organization through policies, directives and guidelines. In addition there are Group Functions that provide services and/or products to the entire Group, for example Group IT and Accounting & Company Control.

With this governance model, Volvo can utilize the synergies of having global organizations for manufacturing, product development and purchasing, while still having clear leadership and responsibility for each truck brand to make sure that customer needs are met. The governance model imply that all Business Areas are driven along the same distinct business principles and the Group's decided brand positioning, whereby each Business Area can follow and optimize its own earnings performance in the long and short term.

10 Group Management

Since March 1, 2016, the Group Executive Board comprises 13 executive positions, including the CEO. The position as Executive Vice President GTP was vacant until January 1, 2017.

In addition to the CEO, the Group Executive Board comprises the Executive Vice Presidents of the three Group Truck Divisions, the Executive Vice Presidents of the five Business Areas Renault Trucks, Mack Trucks, UD Trucks, Volvo Trucks and Volvo Construction Equipment, and the Executive Vice Presidents of the four Group Functions Group Human Resources, Group Communication & Sustainability Affairs, Group Finance (Deputy CEO & Chief Financial Officer (CFO)) and Group Legal & Compliance. The members of the Group Executive Board report directly to the CEO.

The Presidents of the Business Areas Group Trucks Asia & JVs, Volvo Buses, Volvo Penta, Governmental Sales and VFS also report directly to the CEO and are part of an extended Group Management Team together with the members of the Group Executive Board.

The CEO is responsible for managing the day-to-day operations of the Volvo Group and is authorized to make decisions on matters that do not require Board approval. The CEO leads the operations of the Group mainly through the Group Executive Board and the enlarged Group Management Team. Further, the ten Business Areas also have separate decision foras for important matters, so called Business Review Meetings. The CEO is the Chairman of the Business Review Meetings for the five trucks related Business Areas. The Deputy CEO/CFO is the Chairman of the Business Review Meetings for the five Business Areas Volvo Construction Equipment, Volvo Buses, Volvo Penta, Governmental Sales and VFS.

The Product Board is where key decisions are made related to the Group's offering- and technology portfolio. The Product Board makes the overall balancing of the development resources and protects and develops synergies from a Business Area and Group perspective. The Product Board focuses primarily on R&D projects for Truck Business Areas and Group common projects of significant size. Members of the Product Board are the CEO (chairperson), the deputy CEO & CFO, the Executive Vice Presidents of the three Group Truck Divisions and the Executive Vice Presidents of Renault Trucks, Mack Trucks, UD Trucks, Volvo Trucks and Group Trucks Asia & JVs. In Group common matters, the Executive Vice Presidents of Volvo Construction Equipment, Volvo Buses, Volvo Penta, Governmental Sales and VFS are also involved in the Product Board.

The Quality Board is where quality related matters are addressed in order to support fast decision making and customer focus in this area. Members of the Quality Board are the CEO (chairperson), the Deputy CEO & CFO, the Executive Vice Presidents of the three Group Truck Divisions and the Executive Vice Presidents of Renault Trucks, Mack Trucks, UD Trucks, Volvo Trucks and Group Trucks Asia & JVs. On a regular basis, the Executive Vice Presidents of Volvo Construction Equipment, Volvo Buses, Volvo Penta, Governmental Sales and VFS are also involved in the Quality Board.

At the Sales & Operations Planning (S&OP) Executive decision meetings, the executive management decides upon one S&OP plan that optimizes the Volvo Group's overall profitability. The purpose is to balance demand with supply chain capabilities, drive capacity management and provide directions for Sales and Operations. Members of the S&OP Executive decision meeting are the CEO (chairperson), the Deputy CEO & CFO, the Executive Vice Presidents of Renault Trucks, Mack Trucks, UD Trucks, Volvo Trucks, Group Trucks Asia and JVs, Volvo Construction Equipment, Volvo Buses, Volvo Penta, and the Executive Vice Presidents of the Group Truck Divisions GTO and GTP.

All the above bodies affect control and monitoring of the Group's financial development, strategies and targets and take decisions regarding investments and other matters.

Remuneration to the Group Executive Board

AB Volvo's Annual General Meeting annually approves a policy on remuneration to the Group Executive Board, following a proposal from the AB Volvo Board.

In 2015, a review of the reward strategy for the Volvo Group's top 300 executives was performed. The purpose of the review was to ensure alignment between the reward system and the development of the business and to reinforce a high performing culture. As a consequence of the revised Top Executive Reward Strategy the Board proposed that the Annual General Meeting 2016 would resolve to adopt a revised policy for remuneration to the members of the Volvo Group Executive Board.

The remuneration policy adopted by the Annual General Meeting 2016 states that the guiding principle is that remuneration and other terms of employment for the Group Executive Board shall be competitive in order to ensure that the Volvo Group can attract and retain competent executives. The total remuneration to Executives consists of fixed salary, short-term and long-term incentives, pension and other benefits. Short-term and long-term incentives shall be linked to predetermined and measurable criteria relating to EBIT and cash flow targets for the Volvo Group, devised to promote the long-term value creation of the Volvo Group and strengthen the link between achieved performance targets and reward.

The policy states that the short term incentive may, as regards the President & CEO, amount to a maximum of 100 percent of the fixed salary and, as regards other Executives, a maximum of 80 percent of the fixed salary.

Long-term incentive may, as regards the President & CEO, amount to a maximum of 100 percent of the fixed salary and, as regards other Executives, a maximum of 80 percent of the fixed salary. The long-term incentive plan (LTI) adopted in 2016 is cash-based with annual performance targets measured on EBIT and operating cash flow levels, with annual pay-outs. The participants in the plan shall undertake to invest the annual net (after tax) pay-out amounts under the plan in Volvo B-shares and to hold those shares for at least three years. The purpose of the plan is to reward long-term company performance and to ensure alignment between management and shareholders. As of 2016, the new LTI plan replaces the previous share-based incentive program resolved by the Annual General Meeting 2014.

The short-term incentive program (STI) adopted in 2016 is also based on annual performance targets measured on EBIT and operating cash flow levels achieved for 2016 with annual pay-outs. The EBIT and cash flow targets are measured on a Group level for the Volvo Group Executive Board. For less senior management levels the targets may be measured partly on a Group level and partly on a business area/regional/brand/local level.

The AB Volvo Board Remuneration Committee conducts an annual evaluation of the remuneration policy, Volvo's system for variable remuneration to executives and the AB Volvo Board prepares a special report of this evaluation and the conclusions. The report on the evaluation for 2016 will be available on Volvo's website no later than three weeks prior to the Annual General Meeting 2017, www.volvogroup.com. For more information about remuneration to the Group Executive Board and an account of outstanding share and share-price related incentive programs to the management, refer to Note 27 in the Group's notes in the Annual Report.

Changes to the Group Executive Board

As a result of the new trucks sales organization and a decision to include representatives from the Group's largest Business Areas in the Executive Board, the number of executive positions comprising the Group Executive Board increased as from March 1, 2016 from 10 to 13 including the CEO.

The composition of the Group Executive Board after the organizational change is detailed above in the preamble section of this chapter.

On June 1, 2016, Jan Ohlsson joined the Group Executive Board and assumed the position as Executive Vice President for Volvo Group Trucks Operations (GTO). Jan Ohlsson, who replaced Mikael Bratt, served since April 1, 2016 as the Acting Head of Group Trucks Operations.






On October 10, 2016, Lars Stenqvist joined the Group Executive Board and assumed the position as Executive Vice President for Volvo Group Trucks Technology (GTT). Lars Stenqvist replaced Torbjörn Holmström, who in September 2015 announced his intention to step down from his position as Executive Vice President GTT.







On January 1, 2017, Andrea Fuder joined the Group Executive Board and assumed position as Executive Vice President Volvo Group Trucks Purchasing (GTP). The position had, at that time, been vacant since it was introduced on March 1, 2016.



Martin Lundstedt, President and CEO, at the Volvo Group Leadership Summit in February 2016.

Group Executive Board

						
	Martin Lundstedt <i>President and CEO</i>	Jan Gurander <i>Deputy CEO and CFO</i>	Claes Nilsson <i>Executive Vice President Volvo Group & President Volvo Trucks</i>	Bruno Blin <i>Executive Vice President Volvo Group & President Renault Trucks</i>	Dennis Slagle <i>Executive Vice President Volvo Group and President Mack Trucks</i>	Joachim Rosenberg <i>Executive Vice President Volvo Group and Chairman of UD Trucks.</i>
Education	MSc.	MSc.		MBA.	BS Accounting CPA.	MSc Industrial Engineering and Management, MSc Financial Economics, MSc Business and Economics.
Born	1967	1961	1957	1963	1954	1970
Principal work experience	President and CEO of Volvo and member of the Group Executive Board since October 22, 2015. President and CEO of Scania 2012–2015. Prior to that, various managerial positions at Scania since 1992.	Chief Financial Officer & Senior Vice President Finance Volvo Car Corporation 2011–2013. CFO MAN Diesel & Turbo SE 2010. CFO MAN Diesel SE 2008–2009. Group Vice President and CFO Scania AB 2001–2006. President of Business Unit Finance AB Volvo 1999–2001. Senior Vice President & Finance Director Scania AB 1998–1999. Member of the Group Executive Board since 2014. With Volvo 1999–2001 and since 2014.	President Volvo Trucks since 2016. Senior Vice President Volvo Group Trucks Sales Latin America 2015. Senior Vice President Volvo Group Trucks Sales, Europe North and Central 2013–2014. Senior Vice President Volvo Trucks 2011–2012. President Volvo Trucks, Europe Division 2007–2011 and International Division 2006. Member of the Group Executive Board since 2016. With Volvo since 1982.	After having worked for several companies in the manufacturing, quality and purchasing areas, Bruno Blin joined Renault Trucks Purchasing in 1999. He has held several senior positions over the years until being appointed Senior Vice President of Volvo Group Purchasing. He has also served as Senior Vice President, Group Truck Sales South Europe since January 2013. Member of the Group Executive Board since March 1 2016. With Volvo since 1999.	Has held various executive level positions within Volvo Group Trucks Sales North America 2008–2016. President Volvo Construction Equipment NA 2000–2008. Member of the Executive Board since March 1, 2016 and between 2008–2014. With Volvo since 2000.	Has held various senior positions in the Volvo Group, most recently as Executive Vice President Group Trucks Sales 2015. Executive Vice President Group Trucks Sales & Marketing APAC 2012–2014. President of Volvo Group Asia Truck Operations 2007–2011. Vice President Volvo Group Alliance Office 2007. Vice President Volvo Powertrain 2005–2007. Member of the Group Executive Board since 2012. With Volvo since 2005.
Board memberships	Chairman of Partex Marking Systems AB and Permobil AB. Board member of ACEA Commercial Vehicle and Concentric AB. Member of the Royal Swedish Academy of Engineering Sciences.				Volvo Group Representative for National Association of Manufacturers (NAM).	Volvo Group representative for Japan Automobile Manufacturers Association (JAMA).
Holdings in Volvo, own and related parties	36,447 Series B shares.	17,687 Series B shares.	17,195 shares, including 17,037 Series B shares.	19,417 Series B shares.	74,825 Series B shares.	52,194 shares, including 52,107 Series B shares.

						
Martin Weissburg <i>Executive Vice President Volvo Group and President Volvo Construction Equipment</i>	Lars Stenqvist <i>Executive Vice President Group Trucks Technology</i>	Jan Ohlsson <i>Executive Vice President Group Trucks Operations</i>	Andrea Fuder <i>Executive Vice President Volvo Group Trucks Purchasing</i>	Sofia Frändberg <i>Executive Vice President Group Legal & Compliance and General Counsel</i>	Kerstin Renard <i>Executive Vice President Group Human Resources</i>	Henry Sténson <i>Executive Vice President Group Communication & Sustainability Affairs</i>
Master of Business Management, BSc Industrial Management.	MSc Industrial Engineering.	MSc.	MSc and MBA.	Master of Laws.	BSc Sociology.	
1962	1967	1953	1967	1964	1961	1955
President Volvo CE since 2014. President & CEO Volvo Financial Services 2010–2014. President Volvo Financial Services Americas 2005–2010. Prior to Volvo, President Woodard LLC. President Great Dane Financial Services. Senior Vice President ORIX. Member of the Executive Board since March 1, 2016 and between 2010–2014. With Volvo since 2005.	Executive Vice President Group Trucks Technology and Volvo Group Chief Technology Officer since October 10, 2016. Head of R&D and CTO at Volkswagen Truck & Bus 2015–2016. Senior Vice President Vehicle Definition R&D at Scania 2007–2015. Prior to that various senior positions at Scania since 1992. Member of the Group Executive Board since October 2016. With Volvo Group since October 2016.	Senior Vice President Powertrain Production Group Trucks Operations, since 2012. 2001–2012 General Manager European Manufacturing Volvo Trucks. Member of the Group Executive Board since April 1, 2016. With Volvo since 1979.	Has worked in Quality and Logistic and held various senior positions at Volkswagen's Purchasing organization since 1992. Head of Purchasing at Scania 2012–2016. With Volvo since 2017.	Responsible for Group Legal & Compliance and General Counsel of the Volvo Group since April 1, 2013. Head of Corporate Legal at AB Volvo 1998–2013. Corporate Legal Counsel at AB Volvo 1994–1997. Member of the Group Executive Board since April 1, 2013. With Volvo since 1994.	Senior Vice President Human Resources for the Volvo Group 2007–2011. Prior to that Senior Vice President Human Resources & Communication at Volvo Powertrain 2005–2006. Member of the Group Executive Board since 2012. With Volvo since 2005.	2012–2014 Brunswick Group Partner. Senior Vice President Corporate Communications Ericsson 2002–2011. Senior Vice President SAS Group Communications 1998–2002. Senior Vice President Communications Volvo Car Corporation 1995–1998. Vice President Automotive Communication AB 1993–1994. Vice President Communications & Public Affairs Volvo Aero 1989–1994. Member of the Group Executive Board since 2015. With Volvo 1989–1994 and 1995–1998 and since 2015.
				Secretary to the Board of AB Volvo since April 1, 2013.	Board member Teknikföretagen (Engineering companies).	Board member Vestas Wind Systems A/S, Denmark. Braathens Regional Aviation.
62,745 series B shares and 4,500 non-sponsored ADR shares.	1,210 Series B shares.	34,602 shares, including 34,163 Series B shares.	3,700 shares, including 2,100 Series B shares.	48,517 shares, including 46,827 Series B shares.	39,401 shares, including 38,996 Series B shares.	16,967 Series B shares.

11 Internal control over financial reporting

The Board is responsible for the internal controls according to the Swedish Companies Act and the Code. The purpose of this report is to provide shareholders and other interested parties with an understanding of how internal control is organized at Volvo with regard to financial reporting. The description has been designed in accordance with the Swedish Annual Accounts Act and is thus limited to internal control over financial reporting.

Introduction

Volvo has a function for internal control with the objective to provide support for management, allowing them to continuously provide solid and improved internal controls relating to financial reporting. Work that is conducted through this function is primarily based to ensure compliance with directives and policies, and to create effective conditions for specific control activities in key processes related to financial reporting. The Audit Committee is continuously informed of the results of the work performed by the Internal Control function within Volvo with regard to risks, control activities and follow-up on the financial reporting.

Volvo also has a Corporate Audit function which, among other things, independently monitors that companies in the Group follow the principles and rules that are stated in the Group's directives, policies and instructions for financial reporting. The head of the Corporate Audit function reports directly to the CEO, to the Group's General Counsel and the Board's Audit Committee.

Control environment

Fundamental to Volvo's control environment is the business culture that is established within the Group and in which managers and employees operate. Volvo works actively on communications and training regarding the company's basic values included in the Group's Code of Conduct, to ensure that good morals, ethics and integrity permeate the organization.

The foundation of the internal control process relating to the financial reporting is based on the Group's directives, policies and instructions, as well as the organization's responsibility and authority structure. The principles for internal controls and directives and policies for the financial reporting are contained in the Volvo Group Management System, a group wide management system comprising, among other things, instructions, rules and principles.

Risk assessment

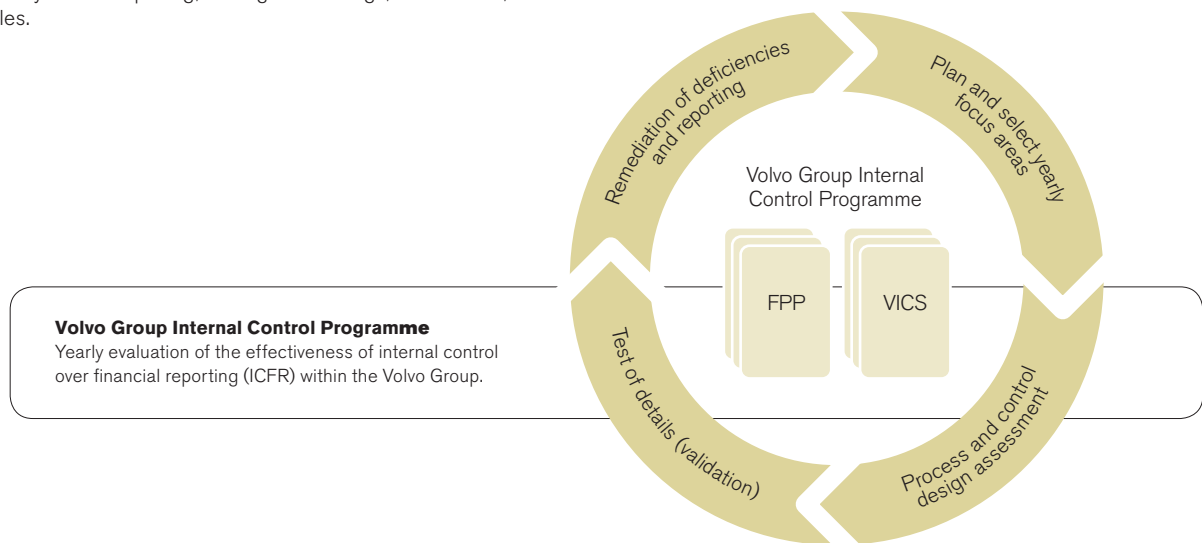
Risks relating to financial reporting are evaluated and monitored by the Board through the Audit Committee inter alia through identifying risks that could be considered as material, and through the mitigating control objectives. The risk assessment is based on a number of criteria, such as the complexity of the accounting principles, revaluation principles of assets or liabilities, complex and/or changing business circumstances, etc. The risks together with mitigating control objectives are collected in a framework for internal control over financial reporting, Volvo Internal Control Standard (VICS).

Control activities

In addition to the Board of Directors of AB Volvo and its Audit Committee, the management groups and other decision-making bodies in the Group constitute overall supervisory bodies. Business processes are designed to ensure that potential errors or deviations in the financial reporting are prevented, discovered and corrected by implementing control activities that correspond to the control objectives defined in the VICS framework. Control activities range from review of outcome results in management group meetings to specific reconciliation of accounts and analyses of the ongoing processes for financial reporting.

Information and communication

Policies and instructions relating to the financial reporting are updated and communicated on a regular basis from management to all affected employees. The Group's financial reporting function has direct operating responsibility for the daily financial reporting and works to ensure a uniform application of the Group's policies, principles and instructions for the financial reporting and to identify and communicate shortcomings and areas of improvement in the processes for financial reporting.



Auditor's report on the Corporate Governance Report

Follow-up

Ongoing responsibility for follow-up rests with the Group's financial reporting function. In addition, the Corporate Audit and the Internal Control function conduct review and follow-up activities in accordance with what is described in the introduction of this report. More specifically, the Internal Control function runs and coordinates evaluation activities through the "Volvo Group Internal Control Programme," with the purpose of systematically evaluating the quality of the internal control over financial reporting on an annual basis. An annual evaluation plan is established and presented to the Audit Committee. This evaluation program comprises three main areas:

1. Group-wide controls: Self-assessment procedure carried out by management teams at business area, Group Function and company levels. The main areas evaluated are compliance with the Group's financial directives and policies found in the Financial Policies and Procedures, The Volvo Way and the Group's Code of Conduct.
2. Process controls at transaction level: Processes related to the financial reporting are evaluated by testing procedures/controls based on the framework for internal control over financial reporting, Volvo Internal Control Standards (VICS).
3. General IT controls: Processes for maintenance, development and access management of financial applications are evaluated by testing procedures and controls.

The results of the evaluation activities are reported to Group management and the Audit Committee. During 2016, the Internal Control function reported three times to the Audit Committee regarding the annual evaluation plan, status on outstanding issues and final assessment of the control environment.

Göteborg, March 6, 2017

AB Volvo (publ)
The Board of Directors

To the annual meeting of the shareholders of AB Volvo (publ), corporate identity number 556012-5790

Engagement and responsibility

The Board of Directors is responsible for that the corporate governance statement on pages 170–187 has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Göteborg, March 6, 2017

PricewaterhouseCoopers AB

Peter Clemedtson
Authorized Public Accountant
Lead Partner

Johan Palmgren
Authorized Public Accountant
Partner