

## **CORPORATE GOVERNANCE**

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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 2015**

In January, the Volvo Group completed the acquisition of 45% of the Chinese automotive manufacturer, Dongfeng Commercial Vehicles Co., Ltd. The transaction significantly strengthened the Volvo Group's position in medium-duty trucks leading to the Group becoming one of the world's largest manufacturers of both medium-duty and heavy-duty trucks.

In March and June, the Volvo Group divested its shares in the listed Indian automotive manufacturer Eicher Motors Limited (EML). The divestment had no impact on the ownership or control of the joint venture VE Commercial Vehicles in which the Volvo Group remains as owner together with EML.

The Board of Directors of AB Volvo decided in April to appoint Martin Lundstedt as the new President and Chief Executive Officer of the Volvo Group. Martin Lundstedt assumed his position in October.

In October, the Volvo Group announced its intention to divest its external IT business and to outsource IT infrastructure operations to HCL Technologies. The transaction is expected to be implemented on March 31, 2016 and will provide both cost savings and a capital gain.

A reorganization of the truck sales operation will be implemented on March 1, 2016, entailing a brand-based organization with clearer commercial accountability for the Volvo Group's various truck brands.

As a result of the new trucks sales organization and a decision to include representatives from the Volvo Group's largest Business Areas in the Executive Board, the Volvo Group Executive Board will consist of 13 executive positions including the CEO as from March 1, 2016. The recruitment of the Executive Vice President Group Trucks Purchasing is ongoing.

## Introductory remarks

Corporate governance is defined as the structures and processes by which companies are directed and controlled. Sound corporate governance is a fundamental guiding principle for the Volvo Group, and a key factor in making the Group more accountable and transparent to shareholders, employees and other stakeholders.

The Board of Directors is ultimately responsible for Volvo's overall strategic direction and the organization and management of the Group's operations, and consequently has an important role to play in sound corporate governance for the Volvo Group.

One of the Board's key tasks is to appoint the President and CEO of the Volvo Group, who is responsible for driving the daily operations of the Group. After over ten years of acquisition driven growth starting in 1999, the Volvo Group entered a phase of product renewal and cost efficiency programs in 2012, during which much efforts were also put into strengthening the Group's balance sheet. This transformation phase was largely completed during 2015, paving the way for a new phase for the Volvo Group with increased focus on customer success, organic growth and performance.

To lead the Group into this new phase, the Board decided in April 2015 to recruit Martin Lundstedt as new President and Chief Executive Officer (CEO) of the Volvo Group and he took on the position in October. Martin brings 25 years of experience from development, production and sales within the commercial vehicle industry into the Volvo Group.

As a first step on this new part of the Group's journey, Volvo is introducing as of March 1, 2016, a brand-based organization for the Group's truck brands Volvo Trucks, UD Trucks, Renault Trucks and Mack Trucks, expanding the mandate for the sales organizations to control and develop their businesses and providing a clear responsibility for their respective profitability.

The annual Board visit to a Volvo facility went to UD Trucks' site in Ageo, Japan in October. It was an important and interesting visit, providing the Board with additional valuable insights into the Japanese market and the UD Trucks operation. It confirmed the Board's view that the steps taken during the past years in order to strengthen the UD Trucks business have given positive results but that an accelerated development is necessary, which will be addressed in the new organizational set-up with UD Trucks as a separate Business Area.

Finally, the competence within the Board was also strengthened during the year through the addition of the newly appointed Board members Martina Mertz and Eckhard Cordes, contributing with valuable knowledge and experiences from the automotive industry from both the supplier and the OEM side.

## 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](http://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

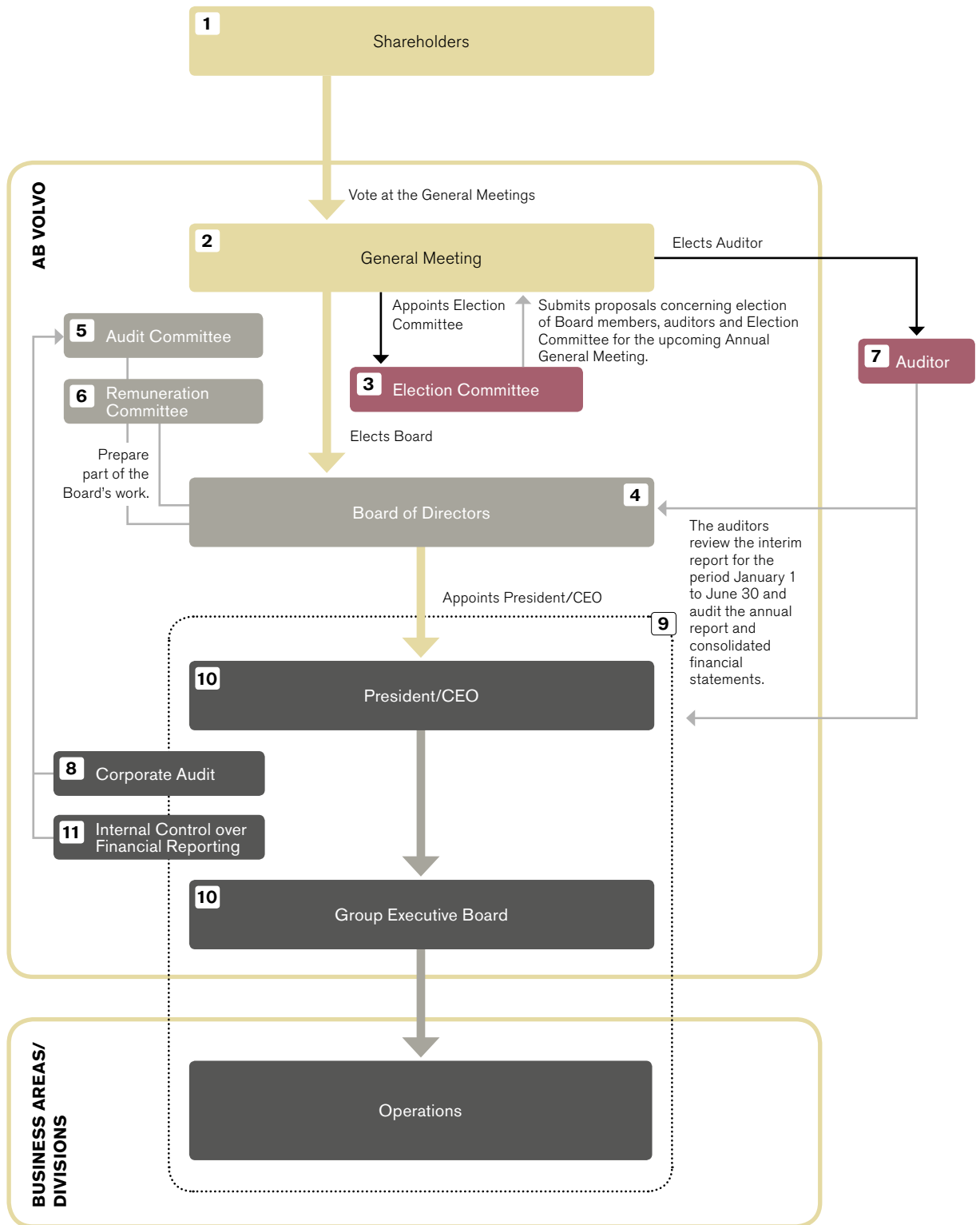
The governance and control of the Volvo Group is carried out through a number of corporate bodies. At the General Meetings of AB Volvo, which is the Parent Company in the Volvo Group, the shareholders exercise their voting rights with regard to for example the composition of the Board of Directors of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

An Election Committee, appointed by the Annual General Meeting of AB Volvo, submits proposals to the next Annual General Meeting concerning the election of Board members, Board Chairman and, when necessary, external auditors, and proposals for resolutions concerning fees to the Board and 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, 2015, Volvo had 234,989 shareholders according to the share register. The largest shareholder on that date was AB Industrivärden, with 22.3 percent of the votes based on the number of outstanding shares. Cevian Capital held 14.8 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 5.8 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 2015, the total number of shares in AB Volvo amounted to 2,128,420,220, of which series A shares accounted for 505,481,960 and series B shares accounted for 1,622,938,260. The total number of votes amounted to 667,775,786.

For more information about the Volvo share and its shareholders, refer to the Board of Director's report on pages 104–106 of the Annual Report.

## 2 General Meeting

### General

The General Meeting is Volvo's highest decision-making body. The General Meeting held within six months after the end of the fiscal year adopting the income statement and the balance sheet is called the Annual General Meeting. The Annual General Meeting of Volvo is normally held in Göteborg. In addition to resolutions concerning adoption of the income statement and balance sheet for AB Volvo and the Volvo Group, the Annual General Meeting also adopts resolutions concerning allocations of profit, the composition of Volvo's Board of Directors, directors' fees 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.

Shareholders who are recorded in the share register five working days prior to a General Meeting and who have notified Volvo of their participation in a certain order, are entitled to participate in the Meeting, in person or by proxy, and to vote for or against the proposals put forward at the Meeting, and to present questions to the Board and the President.

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](http://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 2015 was held on April 1, 2015 in Konserthuset, Göteborg.





### 3 Election Committee

#### Annual General Meeting 2015

Volvo's Annual General Meeting 2015 was held on Wednesday, April 1, 2015 in Konserthuset, Göteborg. The Meeting was attended by 1,427 shareholders, either in person or by proxy, representing 69.77 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 Clem- edtson, Volvo's Lead Audit Partner, and Johan Rippe were also present, representing the company's auditor PricewaterhouseCoopers AB.

The Annual General Meeting 2015 decided to pay a dividend of SEK 3.00 per share. The Meeting further resolved to reelect Board Members Matti Alahuhta, James W. Griffith, Kathryn V. Marinello, Hanne de Mora, Anders Nyrén, Olof Persson, Carl-Henric Svanberg (as Chairman) and Lars Westerberg, and to elect Eckhard Cordes and Martina Merz as new Board Members. Olof Persson resigned as a Board Member on April 21, 2015.

The further resolutions of the Meeting are included in the complete minutes from the Annual General Meeting 2015 which, together with other information about the Meeting, are available at [www.volvogroup.com](http://www.volvogroup.com).

#### Annual General Meeting 2016

Volvo's Annual General Meeting 2016 will be held on Wednesday, April 6, 2016 in Konserthuset, Göteborg. For further information about the Annual General Meeting 2016, please refer to the fold-out in the end of the Annual Report and Volvo's website [www.volvogroup.com](http://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, as well as proposing fees and other compensations to be paid to the Board Members.

In the years in which Volvo elects auditors, the Election Committee presents proposals to the Meeting for the election of auditors and for fees to be paid to the auditors. 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 2014, 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 2015 resolved to appoint the following individuals as members of the Election Committee:

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

The Election Committee appointed Carl-Olof By as Chairman.

During the year, Carl-Olof By's assignment for AB Industrivärden ceased and he was therefore replaced by Bengt Kjell as member and Chairman of the Election Committee representing AB Industrivärden. In addition, Håkan Sandberg resigned from the Election Committee and he was therefore replaced by Pär Boman as member of the Election Committee representing Svenska Handelsbanken, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen.

## 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, 2015 to April 1, 2015, AB Volvo's Board consisted of nine members elected by the Annual General Meeting. The Annual General Meeting 2015 held on April 1, 2015 elected ten Board members. Olof Persson stepped down from the Board on April 21, 2015 and therefore the Board consisted of nine members elected by the Annual General Meeting during the period April 22, 2015 to December 31, 2015. In addition, the Board had three members and two deputy members appointed by employee organizations during the period January 1, 2015 to December 31, 2015.

The Annual General Meeting 2015 reelected Matti Alahuhta, James W. Griffith, Kathryn V. Marinello, Hanne de Mora, Anders Nyrén, Olof Persson, Carl-Henric Svanberg and Lars Westerberg as Board members, and Carl-Henric Svanberg as Chairman of the Board. Eckhard Cordes and Martina Merz 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 February 22, 2016, 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 2015, the Election Committee presented the following assessment concerning independence of the Board members elected by the Annual General Meeting 2015.

Matti Alahuhta, James W. Griffith, Kathryn V. Marinello, Martina Merz, Hanne de Mora, 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 Olof Persson had the position as AB Volvo's President and CEO of the Volvo Group prior to the Annual General Meeting 2015, he was considered independent of the company's major shareholders but not of the company and the company management.

Eckhard Cordes and Anders Nyrén were considered independent of the company and the company management.

Since Cevian Capital Partners, prior to the Annual General Meeting 2015, 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 2015, controlled more than 10 percent of the votes in the company, Anders Nyrén, due to him at that time being the 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 2015

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 2015, there were nine regular meetings, one extraordinary meeting and one statutory meeting. The attendance of Board members at these meetings is presented in the table on page 177.

In addition to what is mentioned in the Introductory remarks on the Board's work regarding the appointment of Martin Lundstedt as new President and CEO of the Volvo Group and the introduction of a new brand-based organization for the trucks sales operation, the Board has during 2015 continued to focus on profitability efforts, and on measures to strengthen the balance sheet.

In this respect, the Board has decided on the divestment of the Volvo Group's shares in the listed Indian automotive manufacturer Eicher Motors Limited (EML) for a total purchase consideration of approximately SEK 4.7 billion. The share divestment, which was completed in two steps, had a positive impact on the Volvo Group's cash flow after net investments and net financial debt in the first and second quarter, and the sale also generated a capital gain of approximately SEK 4.5 billion. The divestment did not have any impact on VE Commercial Vehicle, the Group's longstanding Indian joint venture, which the Group owns together with EML.

Further, a review of what is core and non-core in the Volvo Group's IT operations was performed during 2015, and as a measure to reduce structural costs and improve the profitability of the Group, it was announced in October that the Group intends to divest its external IT business and to outsource IT infrastructure operations to HCL Technologies.

In addition to the above measures, the Board decided on an overall financial plan and investment frame for the Group's operations and 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 was 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 also met with the company's auditors at several occasions during 2015 and without the presence of management at one occasion.

During 2015, the Board has also focused on risk-related matters, such as enterprise risk management, updates on compliance work and on-going legal cases and investigations, and on monitoring the business environment in order to be prepared to adapt the operation to prevailing demands. The



In October 2015, the Board of Directors visited the Group's businesses in Japan, including a visit at the Experience Center in Ageo.

Board has kept itself continuously updated about the weak markets in Brazil and China. The declining market in China for particularly construction equipment has resulted in decreased profitability and weakened financial position for construction equipment customers and dealers, and as a consequence further provisions for expected credit losses has been recognized.

Finally the Board always devotes considerable time to operational reviews of the Group's various business areas, to keep itself updated about the status and development of the business operation of the Group. As part of these operational reviews, the Board usually visits a Volvo Group facility once a year and, as mentioned in the Introductory remarks earlier in this report, this year's Board visit went to the Group's facilities in Japan in October, which provided additional valuable insights into the Japanese truck market and the UD Trucks operation in Japan.

#### **Evaluation of the board's work**

During 2015 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 2015 included, for example, the Board composition, expertise and dynamics, time management and 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 and the Remuneration Committee 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 1, 2015, approved fee payments to the Board for the time until the end of the next Annual General Meeting, as follows.

Volvo's Chairman should receive a fee of SEK 3,250,000 and each of the remaining Members elected by the shareholders should receive a fee of SEK 950,000 with the exception of the President. The Chairman of the Audit Committee should receive SEK 300,000 and other members of the Audit Committee SEK 150,000 each. In addition, the Chairman of the Remuneration Committee should receive 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 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 responsible for evaluating the internal and external auditors' work, providing the Election Committee with the results of the evaluation of the external auditors and to assist in preparing proposals for the election of auditors. In addition, it is the Audit Committee's task to establish guidelines specifying what other services, beyond auditing, the company may procure from the auditors. The Audit Committee shall also evaluate the quality, relevance and efficiency of the Group's system for internal control over financial reporting, and with respect to the internal audit and risk management. Finally, the Audit Committee adopts guidelines for transactions with companies and persons closely associated with Volvo.

#### Composition and work in 2015

At the statutory Board meeting following the Annual General Meeting 2015, the following Board members were appointed members of the Audit Committee:

- Lars Westerberg,
- Anders Nyrén,
- Hanne de Mora

Lars Westerberg was appointed Chairman of the Audit Committee.

According to the Swedish Companies Act, the members of the Audit Committee may not be employees of the company and at least one member of the Audit Committee shall be independent and have accounting or auditing expertise. In addition, the Code stipulates that a majority of the members of the Audit Committee shall be independent of the company and the company management, and that at least one of the members who is independent of the company and the company management shall also be independent of the company's major shareholders. The Election Committee's assessment of independence prior to the Annual General Meeting 2015 is presented above under the "Independence requirements" section on page 174. All members of the Audit Committee are highly familiar with accounting matters and the accounting standards that apply for an international Group such as the Volvo Group.

The Audit Committee met with the external auditors without the presence of management at four occasions during 2015 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 2015. 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 President 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, not 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 2015

At the statutory Board meeting following the Annual General Meeting 2015 the following Board members were appointed members of the Remuneration Committee:

- Carl-Henric Svanberg,
- Matti Alahuhta,
- James W. Griffith,
- Anders Nyrén

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 2015 is presented under the "Independence requirements" section on page 174.

The Remuneration Committee held five meetings during 2015. 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.



During the period April 22, 2015 to December 31, 2015, AB Volvo's Board consisted of nine members elected by the Annual General Meeting, and three members and two deputy members appointed by employee organizations. Board member Eckhard Cordes is missing on the photo.

### The Board's composition and attendance at meetings January 1, 2015 - December 31, 2015

Member	Board (11 incl. statutory)	Audit Committee (8)	Remuneration Committee (5)
Carl-Henric Svanberg	11		5
Matti Alahuhta	10		2
Eckhard Cordes <sup>1</sup>	8		
Jean-Baptiste Duzan <sup>2</sup>	2	2	
James W. Griffith	11		5
Martina Merz <sup>1</sup>	9		
Kathryn V. Marinello	8		
Hanne de Mora	11	8	
Anders Nyrén	11	6	5
Olof Persson <sup>3</sup>	3		
Lars Westerberg	10	8	
Mats Henning, employee representative, ordinary member	11		
Mikael Sällström, employee representative, ordinary member	11		
Berth Tulin, employee representative, ordinary member	11		
Lars Ask, employee representative, deputy member	8		
Mari Larsson, employee representative, deputy member <sup>4</sup>	6		
Tommy Olsson, employee representative, deputy member <sup>5</sup>	1		
<b>Total number of meetings</b>	<b>11</b>	<b>8</b>	<b>5</b>

1 Joined the Board on April 1, 2015.

2 Stepped down from the Board on April 1, 2015.

3 Stepped down from the Board on April 21, 2015

4 Joined the Board as employee representative, deputy member, on May 22, 2015.

5 Stepped down from the Board as employee representative, deputy member, on May 22, 2015.

# Board of Directors

## BOARD MEMBERS ELECTED BY THE ANNUAL GENERAL MEETING








	<p><b>Carl-Henric Svanberg</b> <i>Chairman of the Board, Chairman of the Remuneration Committee</i></p>	<p><b>Matti Alahuhta</b> <i>Member of the Remuneration Committee</i></p>	<p><b>Eckhard Cordes</b></p>	<p><b>James W. Griffith</b> <i>Member of the Remuneration Committee</i></p>
<b>Education</b>	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.
<b>Born</b>	1952	1952	1950	1954
<b>Member of the Volvo Board</b>	Chairman of the Volvo Board since April 4, 2012.	Since April 2, 2014.	Since April 1, 2015.	Since April 2, 2014.
<b>Position and Board memberships</b>	Board Chairman: BP p.l.c.	Board Chairman: DevCo Partners Oy, Outotec Corporation and Confederation of Finnish Industries. 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.
<b>Principal work experience</b>	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.	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.	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.
<b>Holdings in Volvo, own and related parties</b>	700,000 Series B shares	64,100 Series B shares.	None.	20,000 Series B shares.

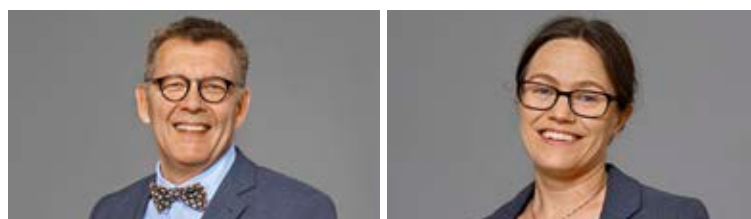
## BOARD MEMBERS APPOINTED BY THE EMPLOYEE ORGANISATIONS



	<p><b>Mats Henning</b> <i>Employee representative, ordinary member</i></p>	<p><b>Mikael Sällström</b> <i>Employee representative, ordinary member</i></p>	<p><b>Berth Tulin</b> <i>Employee representative, ordinary member</i></p>
<b>Born</b>	1961	1959	1951
<b>Member of the Volvo Board</b>	Since May 9, 2014.	Since September 7, 2009.	Deputy member 1999–2009, ordinary member since June 16, 2009.
<b>Background within Volvo</b>	With Volvo since 1982.	With Volvo 1980–1999 and since 2009.	With Volvo since 1975.
<b>Holdings in Volvo, own and related parties</b>	337 shares, including 250 Series B Shares.	87 Series A shares.	1,512 shares, including 1,425 Series B shares.

				
<b>Kathryn V. Marinello</b>	<b>Martina Merz</b>	<b>Hanne de Mora</b> <i>Member of the Audit Committee</i>	<b>Anders Nyrén</b> <i>Member of the Audit Committee and Remuneration Committee</i>	<b>Lars Westerberg</b> <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.	Graduate of the Stockholm School of Economics, MBA at UCLA, Honorary Doctor of Economics.	MSc. Engineering, Bachelor Business Administration.
1956	1963	1960	1954	1948
Since April 2, 2014.	Since April 1, 2015.	Since April 14, 2010.	Since April 1, 2009.	Since April 4, 2007.
Senior Advisor, Ares Management, LLC. Board member: General Motors Company, Nielsen and RealPage.	Board member: SAF Holland SA.	Board Chairman: a-connect (group) ag. Board member: Sandvik AB, IMD Foundation Board.	Deputy Board Chairman: Telefonaktiebolaget LM Ericsson. Board member: Stockholm School of Economics and SSE Association, Vice Preses IVA, Ernström & Co AB.	Board member: SSAB Svenskt Stål AB, Sandvik AB, Meda AB, 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.	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 Luxemburg 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 Chairman of the Board, of the global consulting firm and talent pool a-connect (group) ag since 2002.	Has worked for AB Wilhelm Becker. He has held various positions within STC – Controller, Executive Vice President and CFO, and President of STC Venture AB; President of OM International AB; Executive Vice President and CFO at Securum; Director with executive responsibility for Markets and Corporate Finance at Nordbanken; Executive Vice President and CFO at Skanska. Until 2015, President and CEO of AB Industrivärden.	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.	5,200 Series B shares.	198,000 shares including 168,000 Series B shares.

## DEPUTIES APPOINTED BY THE EMPLOYEE ORGANISATIONS



**Lars Ask**  
*Employee representative, deputy member*

**Mari Larsson**  
*Employee representative, deputy member*

1959

1978

Since June 16, 2009 (deputy member).

Since May 22, 2015 (deputy member).

With Volvo since 1982.

With Volvo since 2004.

87 Series A shares.

399 Series A shares.

## SECRETARY TO THE BOARD



**Sofia Frändberg**  
*Secretary to the Board*  
Master of Laws

1964

Secretary to the Board since April 1, 2013.

Executive Vice President Group Legal &amp; Compliance and General Counsel.

46,659 shares, including 45,127 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.

For information concerning Volvo's remuneration to the auditors, refer 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 Walenbergstiftelsen.

Born 1956.

#### Johan Palmgren

Authorized Public Accountant.

Partner.

Auditor since 2015.

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

Born 1974.

## 9 Governance principles and organizational structure

### Governance principles

The Volvo Group's mission, vision and strategic priorities serve as basis for the governance and decision-making in the Group. More detailed governance principles are however set out in 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

As from March 1, 2016, the Volvo Group will introduce a brand-based organization with clearer commercial accountability for the Group's trucks sales operations. The former single Group Trucks Sales division will be replaced by four brand specific Business Areas which will have responsibility for their respective profitability. A new Business Area called Value Trucks & JVs will also be introduced to meet the specific needs of the Group's truck customers in the value truck segments.

The Truck Division Group Trucks Technology (GTT) will continue to be responsible for product development of engines, transmissions and trucks. The Truck Division Group Trucks Operations (GTO) will still be 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.

Further a new third Truck Division for the purchasing organization, Group Trucks Purchasing (GTP) will be introduced. With the creation of GTP, the Group's purchasing activities will be moved out of GTO into a separate Truck Division.

As per March 1, 2016, the Volvo Group's business activities will therefore be organized into ten Business Areas, namely: Volvo Trucks, UD Trucks, Renault Trucks, Mack Trucks, Value Trucks & JVs, Volvo Construction Equipment, Volvo Buses, Volvo Penta, Governmental Sales and Volvo Financial Services (VFS).

With this governance model, Volvo will 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 understood throughout the entire organization. The goal of the governance model is for all of the Group's Business Areas to be 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.

## 8 Corporate audit

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

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.

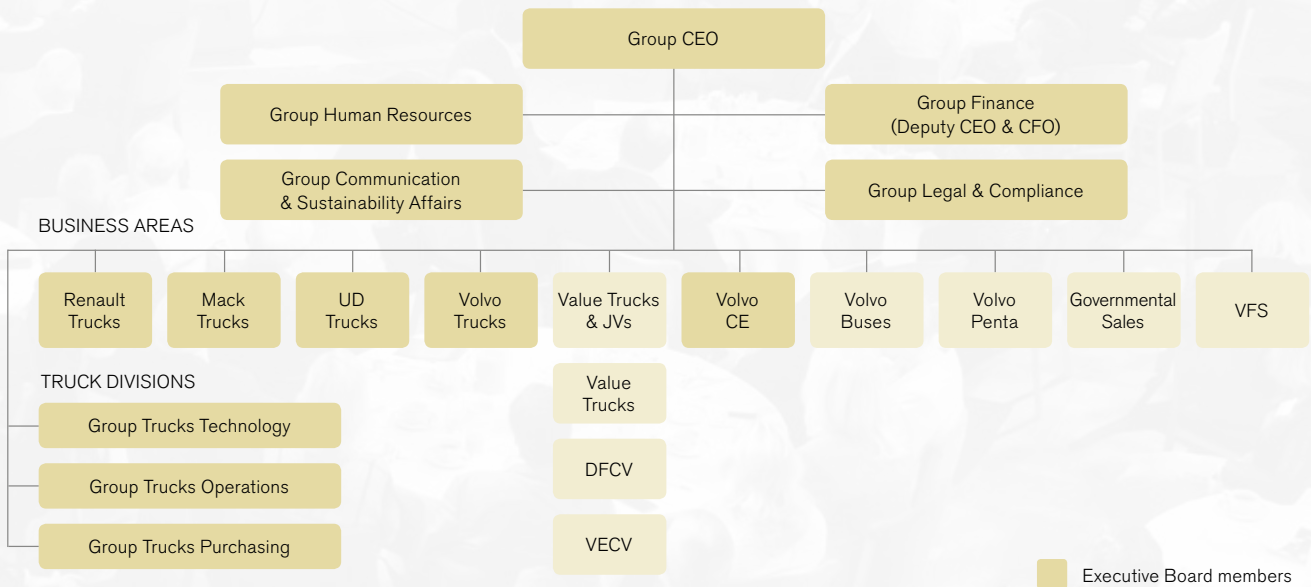
The audits cover, among others, assessments on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks and evaluation of compliance with policies and directives.

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.

**VOLVO GROUP ORGANIZATION AS FROM MARCH 1, 2016**



## 10 Group Management

As per March 1, 2016, the Group Executive Board will consist of 13 executive positions including the CEO. 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 will report directly to the CEO. The position Executive Vice President GTP will be vacant as per March 1, 2016.

The Presidents of the Business Areas Value Trucks & JVs, Volvo Buses, Volvo Penta, Governmental Sales and VFS will also report directly to the CEO, and be part of an enlarged Group Management Team together with the members of the Group Executive Board and representatives from some other key functions.

The CEO is responsible for managing the day-to-day operations of the Volvo Group and is authorized to take 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 but also through individual follow-ups with the respective Group Executive Board members and the Presidents of the Business Areas not represented in the Group Executive Board. The ten Business Areas also have separate decision forums for important matters called Business Review Meetings. The CEO is the Chairman of the Business Review Meetings for the five trucks related Business Areas, and the Deputy CEO and 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.

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. The remuneration policy adopted by the Annual General Meeting 2015 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 policy also states that the executives may receive variable salary in addition to fixed salary. The variable salary may, as regards the CEO, amount to a maximum of 75 percent of the fixed salary and, as regards the other Group Executive Board members, a maximum of 60 percent of the fixed salary. In 2015, members of the Group Executive Board were entitled to variable salary according to a program for variable remuneration to senior executives determined by the AB Volvo Board. The performance targets defined in the program for the Group Executive Board members were related to operating margin and cash flow. The purpose of the program for variable remuneration is to create an incentive for the executives to strive for the Volvo Group developing in such a manner that the defined performance targets are achieved, thereby constituting a management tool.

The Group Executive Board members have during 2015 participated in the Group's long-term, share-based incentive plan for senior executives which was adopted by the Annual General Meeting 2014. The participants have during 2015 invested in Volvo shares up to a maximum of 15 percent of the fixed gross base salary for Group Executive Board members and 10 percent of the fixed gross base salary for other participants. On the conditions that the participant remains an employee within the Volvo Group and also retains the invested Volvo shares for at least three years after the investment date (exceptions could be granted in so called good leaver situations), one matching share per invested share and a number of performance shares per invested share could be allotted. As for the matching shares, allotment for 2015 is conditional upon the Annual General Meeting to be held in April 2016 deciding that dividend shall be distributed to the shareholders. Allotment of performance shares for 2015 was conditional on the Volvo Group's ROE for 2015 reaching at least 11 percent. Maximum allotment of performance shares was set at an ROE of 26 percent for 2015. Maximum allotment of performance shares under a yearly plan amounts to seven shares per invested share for the CEO, six shares per invested share for Group Executive Board members and five shares per invested share for other participants.

The AB Volvo Board Remuneration Committee conducts an annual evaluation of the remuneration policy, Volvo's system for variable remuneration to executives and the long-term, share-based incentive program to senior executives, and the AB Volvo Board prepares a special report of this evaluation and the conclusions. The report on the evaluation for 2015 will be available on Volvo's website no later than three weeks prior to the Annual General Meeting 2016, [www.volvogroup.com](http://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 will be increased from 10 to 13 including the CEO as from March 1, 2016, through the following changes:

- The presidents of the four new brand-based truck sales Business Areas will be included in the Group Executive Board, replacing the Executive Vice President for the current Group Trucks Sales Division.
- A separate Truck Division for the purchasing organization, GTP, will be created resulting in one additional Group Executive Board member (the position will however be vacant on March 1, 2016).
- The Executive Vice President of the Business Area Volvo Construction Equipment will be included as a member of the Group Executive Board.
- In addition to the CFO's current role, the CFO will also become Deputy CEO and assume responsibility for the strategy function. Corporate Strategy & Brand Portfolio will therefore be relocated organizationally under the CFO, and the current Executive Vice President for this function will no longer be a member of the Group Executive Board.
- The current Executive Vice President Group Business Areas will assume the responsibility for strategic projects and will no longer be a member of the Group Executive Board.



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

The composition of the Group Executive Board after the organizational change is detailed above in the preamble section of this chapter. The recruitment of the Executive Vice President GTP is ongoing.






On April 21, 2015, Olof Persson stepped down from his position as Group CEO. The Group CFO, Jan Gurander, assumed the position as Acting CEO during the period April 22, 2015 to October 21, 2015. On October 22, 2015, Martin Lundstedt assumed the position as Group CEO.







In September 2015, Torbjörn Holmström announced his intention to step down from his position as Executive Vice President GTT. He will continue in his current position until such time as a successor has been appointed to lead the GTT organization. Following this, he will remain in the Volvo Group as senior advisor in research and development.

In December 2015, Mikael Bratt, Executive Vice President GTO, announced that he intends to leave the Volvo Group. He will remain in his current position for a time period of up to six months.



# Group Executive Board as of March 1, 2016

					
	<b>Martin Lundstedt</b> <i>President and CEO</i>	<b>Jan Gurander</b> <i>Deputy CEO and CFO</i>	<b>Claes Nilsson</b> <i>Executive Vice President Volvo Group &amp; President Volvo Trucks</i>	<b>Bruno Blin</b> <i>Executive Vice President Volvo Group &amp; President Renault Trucks</i>	<b>Dennis Slagle</b> <i>Executive Vice President Volvo Group and President Mack Trucks</i>
<b>Education</b>	MSc.	MSc.		MBA.	BS Accounting CPA
<b>Born</b>	1967	1961	1957	1963	1954
<b>Principal work experience</b>	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. With Volvo since 2015.	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.	Has held various positions in the Volvo Group since 1982. Senior Vice President Latin America 2015. Senior Vice President Europe North and Central, Group Trucks Sales (2013–2014). Senior Vice President Volvo Trucks (2011–2012). President Europe Division (2007–2011) and International Division (2006–2007) for Volvo Trucks. Member of the Group Executive Board since March 1 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.
<b>Board memberships</b>	Chairman of Partex Marking Systems AB, Permobil AB and ACEA Commercial Vehicle and Board member of Concentric AB. Member of the Royal Swedish Academy of Engineering Sciences and Co-chairman of the UN Secretary-General's High-Level Advisory Group on Sustainable Transport.				Board member West Virginia Wesleyan College Board of Trustees, and Volvo Group Representative for National Association of Manufacturers (NAM)
<b>Holdings in Volvo, own and related parties</b>	36,447 Series B shares.	17,687 Series B shares.	15,380 series B shares.	18,332 Series B shares.	70,824 series B shares, 8,838 non-sponsored ADR shares.

						
<b>Joachim Rosenberg</b> <i>Executive Vice President Volvo Group and Chairman of UD Trucks.</i>	<b>Martin Weissburg</b> <i>Executive Vice President Volvo Group and President Volvo Construction Equipment</i>	<b>Torbjörn Holmström</b> <i>Executive Vice President Group Trucks Technology</i>	<b>Mikael Bratt</b> <i>Executive Vice President Group Trucks Operations</i>	<b>Sofia Frändberg</b> <i>Executive Vice President Group Legal &amp; Compliance and General Counsel</i>	<b>Kerstin Renard</b> <i>Executive Vice President Group Human Resources</i>	<b>Henry Sténson</b> <i>Executive Vice President Group Communication &amp; Sustainability Affairs</i>
MSc. Industrial Engineering and Management, MSc. Financial Economics, MSc. Business and Economics.	Master of Business Management, BSc Industrial Management.	MSc. Mechanical Engineering.		Master of Laws.	BSc. Sociology.	
1970	1962	1955	1967	1964	1961	1955
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.	President Volvo CE since 2014. President & CEO Volvo Financial Services 2010–2014. President Volvo Financial Services Americas 2005–2010. Prior to Volvo, President Woodward 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 2014. President of Volvo 3P 2003–2011. Prior to that he has held various senior positions at Volvo Powertrain. Member of the Executive Board since 2012. With Volvo since 1979.	Has held various senior positions in the financial areas in the Volvo Group, most recently as Senior Vice President and CFO 2008–2011. Prior to that Vice President and Head of Corporate Finance at AB Volvo. Member of the Group Executive Board since 2008. With Volvo since 1988.	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 1989–1993. Member of the Group Executive Board since 2015. With Volvo 1989–1993 and 1995–1998 and since 2015.
		Vice Chairman Chalmers University of Technology		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.
49,034 shares, including 48,947 Series B shares.	63,588 series B shares.	80,683 shares, including 80,596 Series B shares.	132,637 shares, including 131,658 Series B shares.	46,659 shares, including 45,127 Series B shares.	37,113 shares, including 36,866 Series B shares.	17,267 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 with the primary task of independently monitoring 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 as described in The Volvo Way, an internal document concerning Volvo's business culture, and 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

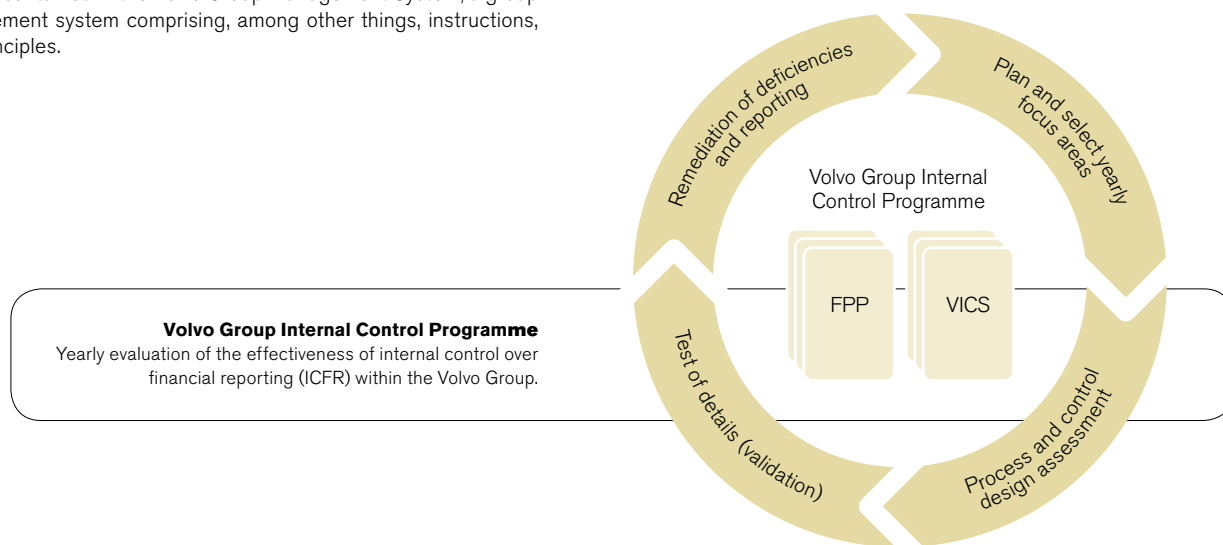
Risks relating to financial reporting are evaluated and monitored by the Board through the Audit Committee inter alia through identifying risks that could be considered as material, and through the mitigating control objectives. The risk assessment is based on a number of criteria, such as the complexity 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 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 2015, 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.

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Göteborg, February 22, 2016

AB Volvo (publ)  
The Board of Directors

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

It is the Board of Directors who is responsible for the Corporate Governance Report for the year 2015 on pages 168–187 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Report 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.

In our opinion, the Corporate Governance Report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Göteborg, 22 February 2016

PricewaterhouseCoopers AB

Peter Clemedtson  
Authorized Public Accountant  
Lead Partner

Johan Palmgren  
Authorized Public Accountant  
Partner