

V O L V O

V O L V O G R O U P
G R E E N F I N A N C E F R A M E W O R K

Focus on
clean transportation



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Introduction

The Volvo Group drives prosperity through transport and infrastructure solutions, offering trucks, buses, construction equipment, power solutions for marine and industrial applications, financing and services that increase our customers' uptime and productivity.

Driving prosperity socially, environmentally and financially means that we strive towards our vision of transport and infrastructure solutions that are safer, cleaner and more productive.



Towards decarbonization

The transportation industry has an important role to play in the decarbonization of society. We in the Volvo Group apply a three-pronged approach to the decarbonization of the product offer and customers' fleets of vehicles and machines:

- Battery-electric
- Fuel cell-electric
- Internal combustion engines running on lower carbon fuels such as green hydrogen, biogas and HVO.

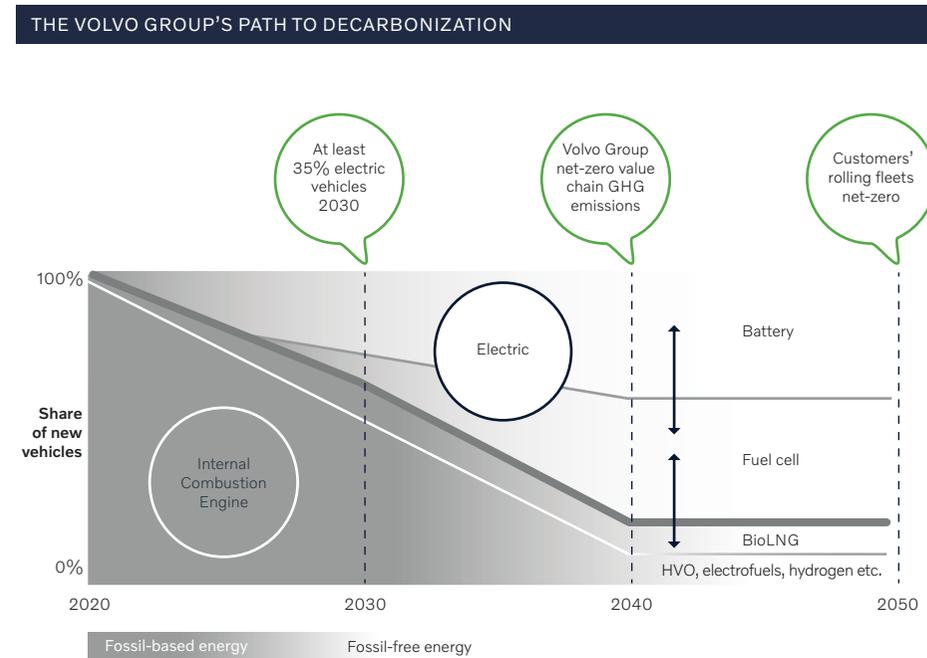
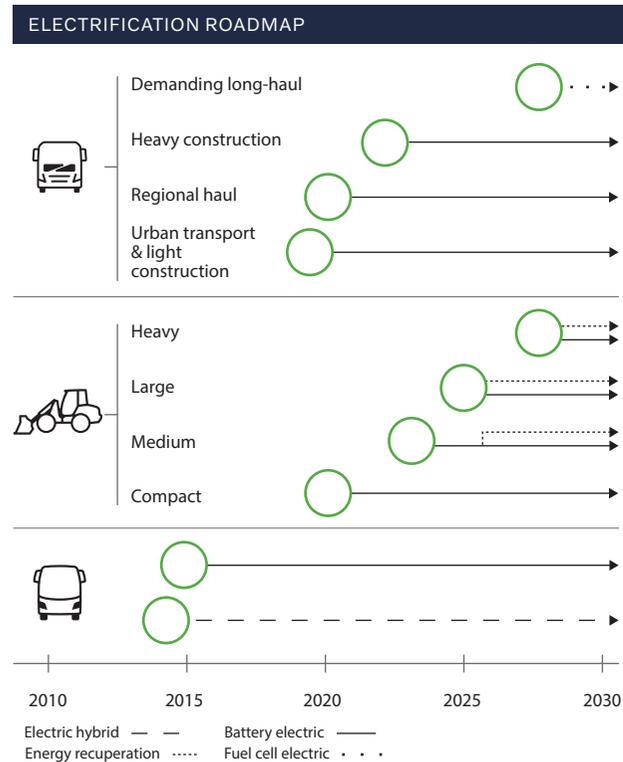
Just as the Volvo Group has set ambitious targets on greenhouse gas emission reductions in line with the Paris Agreement approved

by the Science Based Targets initiative (SBTi), many of our customers and their customers are also committing to their own sustainability goals.

Already today, zero tailpipe trucks and construction machines are viable options from a total cost of ownership perspective in certain segments in some markets. This transformation is expected to continue to develop segment by segment and region by region, although the pace of development may vary. For the Volvo Group, the transition to a fossil-free society brings a deeper, broader, and more long-term engagement in our customers' business, as well as an opportunity for growth.

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

Green financing is a complement to the Volvo Group traditional funding sources, and can as such enable the Volvo Group to further connect to its sustainable transport product and solutions strategy in its funding strategy.



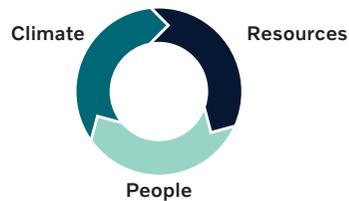
Our strategy highlights three main areas to drive sustainability performance

As a signatory of the UN Global Compact since 2001, the Volvo Group's work to support sustainable development takes a broad approach. Throughout our business, the Volvo Group has implemented our Code of Conduct, the guiding principles of which are based on international conventions and standards such as the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights and the International Labour Organization's (ILO) Fundamental Principles and Rights at Work. The Volvo Group participated in the WWF Climate Savers program 2010-2020.

The Volvo Group committed to the Science-Based Targets initiative (SBTi) "Business Ambition for 1.5 °C" in 2020 and validated its set targets in June 2021.

THREE KEY AREAS

We focus on three key areas where our products, services and operations are particularly important for sustainable development:



- Climate – focusing on reducing greenhouse gas emissions from our business and operation, striving for 100% fossil free.
- Resources – using natural resources in the most efficient way and contributing to 100% productivity improvement of our customers' logistics operations.
- People – focusing on health, empowerment, business ethics and human rights, striving for 100% safe products and operations.



Climate

The Volvo Group has committed to the Science-Based Targets initiative (SBTi) call for action campaign Business Ambition for 1.5°C. The campaign requires greenhouse gas emissions to be net-zero across the Group's value chain by 2050 at the very latest, but our target is to reach this already by 2040 in order to help our customers to reach net-zero by 2050. The Group's targets were validated by the SBTi in June 2021.

In our work we focus on three main technologies:

- Introduction of battery electric technology to enable zero tailpipe emissions. The bus segment has been at the forefront of this rollout, medium-duty and heavy-duty trucks are in series production and followed by Construction Equipment and Volvo Penta. The main volumes of fully electric vehicles and its associated GHG emissions reduction of the rolling fleets are expected to be seen at the second half of this decade.

- Development of fuel cell technology for heavy transports. This will enable zero tailpipe emissions for transport segments where battery electric solutions are not suitable. The ambition is to offer fuel cell-electric vehicles in the latter part of this decade.
- More efficient combustion technology in combination with lower carbon fuels.

The Group's own operations (Scope 1 and 2) make up less than 1% of total our total greenhouse gas emission inventory. The use-phase (Scope 3.11) makes up over 95% of lifecycle emissions and this is our focus of decarbonization. Consequently, we have established targets per operating segment. For Trucks and Buses, the targets are set in emission per vehicle-kilometer. For Construction Equipment, Volvo Penta and our own operations, the targets are set as total absolute reductions.

SBTi APPROVED CLIMATE TARGETS, from baseline 2019



For the latest update on science-based targets and total emissions, go to volvo.com/climate.

Resources

Our environmental policy builds the foundation for how we work with environmental conservation and resource efficiency. It revolves around the main principles:

- We strive to reduce lifecycle environmental impacts as an enabler for increased sustainability and customer success.
- We seek to demonstrate responsible care for the environment wherever we operate and build trust by adhering to our Code of Conduct.
- We work to minimize resource use, emissions and waste and utilize means within our sphere of influence to create change towards a circular economy and further improve our competitiveness.

The term circularity includes numerous perspectives, and we can support the transition to a circular economy in many ways. Our efforts include optimizing product lifecycles including better product utilization, phasing out substances of concern, repurposing of used vehicles, remanufacturing of parts and components, offering equipment as service, as well as minimizing waste from our operations.

Read more about our environmental performance on volvo.com/resources.

Clean transports and transport efficiency are levers to progress both the climate transition and moving towards a more circular economy. Our vehicles and machines with zero tailpipe emissions can help customers reach their ambitious environmental targets – but to get to net-zero, increased transport efficiency is crucial. In our scenarios we see that transport and infrastructure projects will increase significantly during this decade. This puts even higher demands on environmental performance for the entire transport system.

People

In the Volvo Group, we focus on health, empowerment, business ethics and respect for human rights, striving for 100% safe products and operations. Social sustainability is a foundation of our business and covers a broad range of topics across the value chain.

Traffic safety has been at the heart of what we do since Volvo was founded almost a century ago, and it remains so. Safety plays a vital role in driving continued prosperity. As a global supplier of transport and infrastructure solutions we use our innovation for both a safer traffic environment for people around vehicles and machines, and for a safer work environment for the drivers and operators, who use our products.

[As a signatory of the United Nations (UN) Global Compact and supporter of the UN 2030 Agenda for Sustainable Development, we consider global trends and challenges, international norms of responsible business behavior, and stakeholder expectations through our sustainability strategy when developing our work. Realizing that we cannot do everything on our own, we strive to use partnerships and other forms of collaborations to drive change broadly in our industry.]

Regarding safety, our focus is on own operations and employees' work situation but also a significant part of supplier requirements. In our own operations, the ambition is to continuously improve safety and reduce accident rates by 50% 2019-2030.

We work in close partnership with our supply chain partners, distributors and customers. At the same time, it is important for us to identify and mitigate sustainability risks with a focus on due diligence, building awareness and collaborations. Our human rights due diligence work includes specific actions in our own operations, with suppliers and business partners.

We believe in treating others with respect and in fair competition. Because in transparent markets without corruption, the best solutions win and companies dare to invest for the future. This includes compliance with laws and regulations, as well as the standards and ambitions that we set for our work.

We also believe that a vivid speak-up culture is a crucial element for the company's success, that can help uncover misconduct and prevent violations of the law. Our Whistle-blower reporting line is open to our stakeholders to report a concern or to ask a question about our Code of Conduct.

For more details on social sustainability, go to volvogroup.com/people.

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



Rationale for green financing

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



Volvo Group Green Finance Framework

The structure of this Green Finance Framework (as set forth herein and as may be amended or updated from time to time, the 'Framework') is in line with the four key pillars of the ICMA Green Bond Principles (GBP) 2021 and LMA and APLMA Green Loan Principles (GLP) 2023, which are as follows:

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

The Framework also includes an external review component, as recommended under the above principles.

The Volvo Group intends to follow market practice in relation to green bonds and will work to reflect best practice developments in this space, including those that may arise from the EU Taxonomy and the EU Green Bond Standard. Our Green Finance Framework may be amended or updated from time to time to reflect any such changes in market practice. This is the second version of the Framework. No green financial instruments were issued under the first version.

The EU taxonomy in its current version is a complex matter and Volvo Group is still aligning its activities with the Taxonomy. The EU Green Bond Standard has, at the time of the framework update, not been implemented. We have therefore decided to not align this Green Finance Framework with the voluntary EU Green Bond Standard.



1 Use of proceeds

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

Eligible categories and asset descriptions

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

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

Investments in clean transportation fall into three categories:

- GBP & GLP Category
- Eligible Assets
- Main connection to the Sustainable Development Goals

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



2 Process for project selection and evaluation

The Volvo Group has established a Green Finance Committee (“GFC”) to evaluate and select Eligible Assets and to allocate Green Financing to such assets and to make sure they align with the EU Taxonomy. The Green Finance Committee is responsible for the ongoing monitoring of the Green Asset Portfolio (consisting of Eligible Assets financed through Green Financing), for replacing investments that no longer meet the eligibility criteria, for the reporting of environmental outcomes and for updating the Green Finance Framework. As part of the process, the Green Finance Committee will also evaluate potential environmental and societal risk as identified in Volvo Groups sustainability policy. The GFC will meet when required and as a minimum on an annual basis and the Green Asset Portfolio will be reviewed and updated on a quarterly basis (in each case if and when Green Financing is outstanding).

The Green Finance Committee consists of senior representatives from:

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

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

In selecting Eligible Assets and allocating Green Financing, the GFC will select assets that meet the criteria and are in line with the Group’s sustainability commitments and ambitions.

3 Management of Proceeds

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

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

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



4 Reporting

The Volvo Group will provide and make available an investor report on its Green Asset Portfolio annually (a Green Finance Investor Report), once the Framework has been utilized and then for as long as any Green Financing is outstanding. The Green Finance Investor Report will cover allocation and impact reporting, as detailed below.

Allocation reporting

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

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

Impact reporting

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

The Green Finance Investor Report will be available on the Volvo Group's website, www.volvogroup.com.



5 Verification

Second party opinion (pre-issuance)

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

Third-Party Review (post-issuance)

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





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