

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT 2019

The Volvo Group appreciates sound corporate governance as a fundamental base in promoting its long-term strategic objectives and in achieving a trusting relation with shareholders and other key stakeholders. High standards when it comes to transparency, reliability and ethical values are guiding principles within the Volvo Group's operations.

The Swedish Corporate Governance Code

AB Volvo's shares are admitted to trading on the stock exchange Nasdaq Stockholm's main market. As a listed company, Volvo 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 and Sustainability Report. The report has been reviewed by Volvo's auditors and includes a report from the auditors.

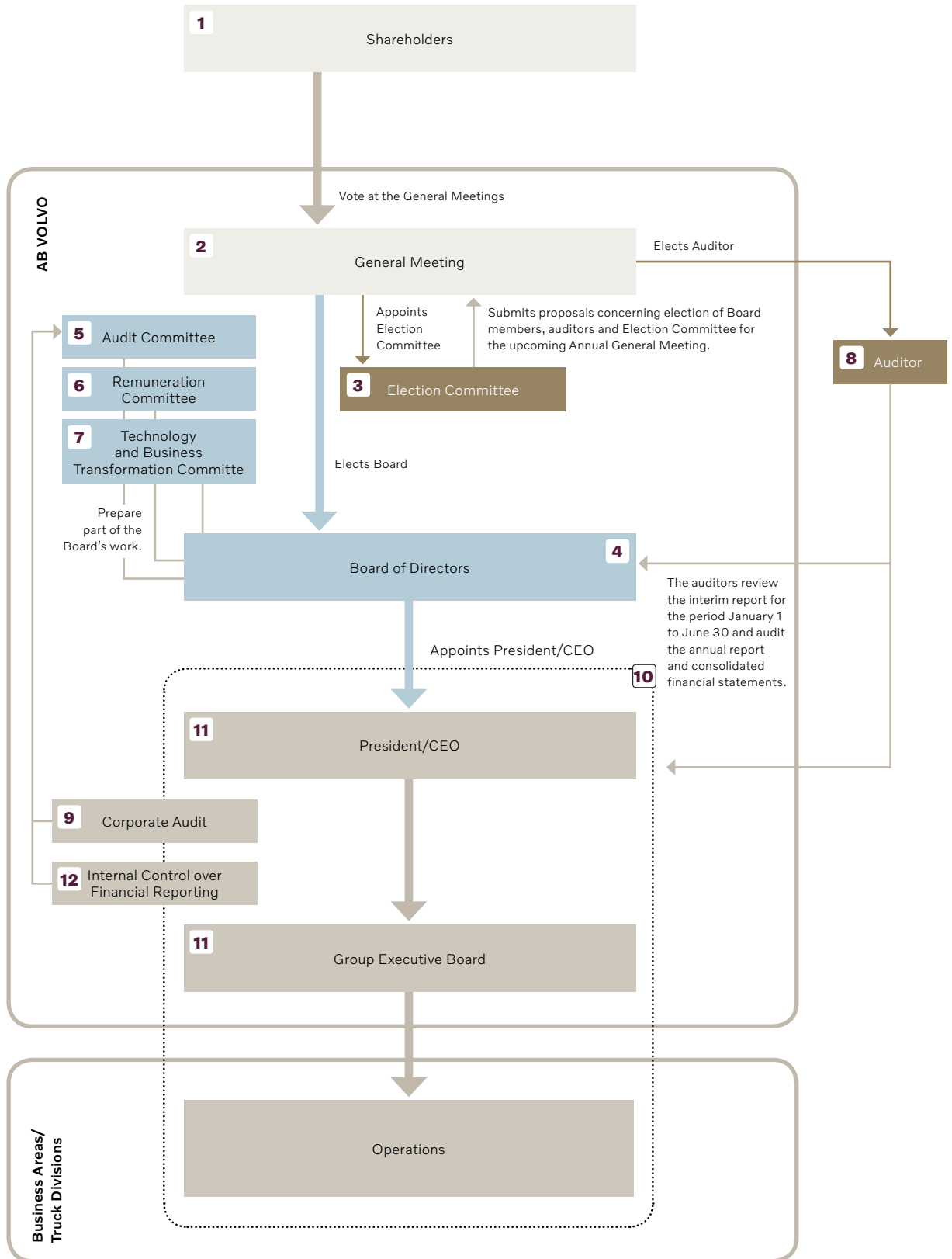
Corporate Governance Model

At the General Meetings of AB Volvo, which is the Parent Company of 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 General Meeting concerning the election of Board members and Board Chairman as well as proposals for resolutions concerning remuneration of the Board. When applicable, the Election Committee also submits proposals to the General Meeting for the election of external auditors and for resolutions concerning fees to the auditors.

The Board is ultimately responsible for Volvo's organization and the management of its operations.

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



1 SHARES AND SHAREHOLDERS

AB Volvo (publ) is a CSD company, which means that the share register is maintained by Euroclear Sweden AB. On December 31, 2019, Volvo had 250,798 shareholders according to the share register. The largest shareholder, in terms of votes on that date was AB Industrivärden, with 25.2 percent of the votes based on the number of shares outstanding. As per the same date, Geely Holding held 15.7 percent of the votes, AMF Insurance & Funds held 5.3 percent of the votes, Alecta held 5.0 percent of the votes and Norges Bank Investment Management held 4.1 percent of the votes, based on the number of shares outstanding.

Volvo has issued two classes of shares: series A and series B. 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 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 be converted to series B shares. Implementation of such conversions entail that the total number of votes in the company decreases.

For more information about the Volvo share and its shareholders, please refer to the Board of Director's Report on pages 99–101 of the Annual and Sustainability Report.

2 GENERAL MEETING

General

The General Meeting is Volvo's highest decision-making body. The Annual General Meeting is held within six months of the end of the fiscal year, normally in Gothenburg, Sweden.

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 particular 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.

Annual General Meeting 2020

Volvo's Annual General Meeting for 2020 will be held on Wednesday, April 8, 2020 in Konserthuset, Göteborg. For further information about the Annual General Meeting 2020, please refer to the fold-out at the end of the Annual and Sustainability Report and Volvo's website, www.volvogroup.com.



Chairman of the Board, Carl-Henric Svanberg at AB Volvo's Annual General Meeting 2019.

3 ELECTION COMMITTEE**Duties**

The Election Committee is elected by the General Meeting. The Election Committee shall perform the tasks that are incumbent upon the Election Committee according to its instructions from the General Meeting and the rules of the Code. The main task is to prepare and present proposals to the Annual General Meeting on behalf of the shareholders for the election of Board members, Chairman of the Board and Board remuneration and, when applicable, proposals for auditors and fees to the auditors.

In addition, the Election Committee presents proposals for members of the Election Committee for the following year, in accordance with prevailing instructions for Volvo's Election Committee.

Composition

In accordance with the instructions for Volvo's Election Committee adopted by the Annual General Meeting 2019, 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 votes who have expressed their willingness to participate in the Election Committee. In addition, one of the members shall be the Chairman of the AB Volvo Board.

Volvo's Annual General Meeting 2019 resolved to appoint the following individuals as members of the Election Committee:

- Bengt Kjell (AB Industrivärden)
- Pär Boman (Svenska Handelsbanken, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen)
- Ramsay Brufer (Alecta)
- Carine Smith Ihenacho (Norges Bank Investment Management)
- Carl-Henric Svanberg, Chairman of the Board.

The Election Committee appointed Bengt Kjell as Chairman of the Election Committee.

4 BOARD OF DIRECTORS**Duties**

The Board 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

In 2019, AB Volvo's Board consisted of ten members elected by the Annual General Meeting and 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 2019 re-elected Matti Alahuhta, Eckhard Cordes, Hanne de Mora, Eric Elzvik, James W. Griffith, Martin Lundstedt, Kathryn V. Marinello, Martina Merz, Helena Stjernholm and Carl-Henric Svanberg as Board members and the Annual General Meeting re-elected Carl-Henric Svanberg as Chairman of the Board. An account of each Board member's age, principal education, professional experience, assignments in the company, other significant assignments, their own and related parties' ownership of shares in Volvo as of February 24, 2020, independence and the year they were elected to the Volvo Board, is presented in the "Board of Directors" section on pages 196–197.

Prior to the Annual General Meeting 2019, the Election Committee announced that it had applied the provisions of rule 4.1 of the Code as board diversity policy. The aim is that the Board as a collective should possess the required mix in terms of background and knowledge, whereby an even gender distribution is taken into particular account. The result of the Election Committee's application of the diversity policy is a Board that represents a mix of both professional experience and knowledge as well as geographical and cultural backgrounds. 40 percent of the Board members elected by the Annual General Meeting are women.

Independence requirements

The Board of Directors of AB Volvo is subject to the independence requirements prescribed in the Code.

Prior to the Annual General Meeting 2019, the Nomination Committee presented the following assessment of the independence of Board members elected at the Annual General Meeting 2019.

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

Martin Lundstedt, as President of AB Volvo and CEO of the Volvo Group, was considered independent of the company's major shareholders but not of the company and company management.

Helena Stjernholm was considered independent of the company and company management. Since AB Industrivärden, prior to the Annual General Meeting 2019, 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 outline how the Board's duties should be distributed, including the specific role and duties of the Chairman, instructions for the division of duties between the Board and the President and for the reporting of financial information to the Board. The Board has also adopted specific instructions for the Board's committees, which are linked to the work procedures.

The Board's work in 2019

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 ongoing business and to ensure that the Board's decisions are executed.

In 2019, there were nine regular Board meetings, one extraordinary Board meeting and one statutory Board meeting. The attendance of Board members at these meetings is presented in the table on page 195. The Company's auditor attended one Board meeting during the year.

During 2019, business cycle management has continued to be high on the Board's agenda and there was a high focus on volume flexibility in the industrial system and tight cost control across the organization.

Another focus area for the Board has been new technologies and, throughout the year, the Board has paid particular attention to the Group's strategic focus on disruptive technology trends and initiatives within the areas of digitalization, electrification and automation. During 2019, the Group entered into a number of strategic alliances and partnerships strengthening the Group's research and development of new technologies. Another focus area has been the strategy for the Group's truck business in Asia.

The Board also decided on an overall financial plan and investment framework for the Group's operations, including increased investments in R&D for both electrification and combustion engines to reduce CO₂ emissions. In addition, the Board regularly monitors the Group's earnings and financial position and maintains continuous focus on risk related issues such as overall risk management and ongoing legal disputes and investigations. Further, throughout the year, the Board has devoted considerable time to talent review and succession planning and on the review and follow-up of the Company's quality work.

By allocating time to business reviews of the Group's various truck divisions and business areas the Board remains continuously up-to-date on the status and development of the Group's operations. In June 2019, the Board visited the Company's operations in Skövde in Sweden and, in October 2019, the Board visited the Group's operations in Brazil.

One of the Board's committees, the Business Area Committee was replaced by the Technology and Business Transformation Committee in April 2019. The Board thereby strengthened its focus on new technologies and the development of new business models.

Evaluation of the Board's work

In 2020, the Board performed its yearly evaluation of the Board's work during the previous year. The purpose of the evaluation is to further develop the Board's efficiency and working procedures and to determine the main focus of the Board's coming work. In addition, the evaluation serves as a tool for determining the competence required by the Board and for analyzing the competence that already exists in the current Board. By that, the evaluation also serves as input for the Election Committee's work with proposing Board members.

As part of the yearly evaluation, Board members were asked to complete a questionnaire and assess various areas related to the Board's work from their own perspective. The areas evaluated for 2019 included the Board's composition, the management and focus of Board meetings, Board support and how the Board addresses issues related to strategy, potential risks and succession planning. 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 were conducted of the Board as a collective, of the Chairman of the Board, the Audit Committee, the Remuneration Committee and the Technology and Business Transformation Committee. The results of the evaluations of the Board as a collective and of the Chairman were discussed by the Board. The results of the evaluations of the committees were, or will be, discussed by the relevant committee. In addition, the results of the evaluations of the Board as a collective and of the Chairman are shared with the Election Committee.

Remuneration of Board Members

The Annual General Meeting resolves on fees to be paid to the Board members elected by the Annual General Meeting. For information about Board remuneration adopted by the Annual General Meeting 2019, please refer to Note 27 in the Group's notes in the Annual and Sustainability Report.

Remuneration of Board members, 2019 (from AGM on April 3, 2019)

	SEK
Chairman of the Board	3,600,000
Board member ¹	1,060,000
Chairman of the Audit Committee	380,000
Member of the Audit Committee	175,000
Chairman of the Remuneration Committee	160,000
Member of the Remuneration Committee	115,000
Chairman of the Technology and Business Transformation Committee ²	190,000
Member of the Technology and Business Transformation Committee ²	160,000

¹ With the exception of the CEO.

² Previously named Business Area Committee.

The Board's committees

5 AUDIT COMMITTEE

Duties

The Board has an Audit Committee primarily for the purpose of supervising the accounting and financial reporting processes and the audit of the annual financial statements.

The Audit Committee's duties include preparing the Board's work to assure the quality of the Group's financial reporting by reviewing interim reports, the Annual and Sustainability Report and the consolidated accounts. 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 financial reporting. Furthermore, 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 both 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 preapprove 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 evaluates the quality, relevance and effectiveness 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 according to law or its instructions.

Composition and work in 2019

At the statutory Board meeting following the Annual General Meeting 2019, the following Board members were appointed members of the Audit Committee:

- Hanne de Mora
- Eric Elzvik
- Helena Stjernholm.

Hanne de Mora was appointed Chairperson of the Audit Committee.

The Audit Committee met with the external auditors without the presence of management on four occasions in 2019 in connection with Audit Committee meetings. The Audit Committee regularly met with the Head of Corporate Audit in connection with Audit Committee meetings.

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 2019 is presented above under the "Independence requirements" section on page 191.

The Audit Committee and the external auditors, among other tasks, discussed the external audit plan and the view of risk management. The Audit Committee held nine regular meetings and one extraordinary meeting during 2019. The attendance of Board members at the Committee meetings is presented in the table on page 195. The Audit Committee reports the outcome of its work to all members of the Board on a regular basis and the minutes of the Audit Committee meetings are distributed to Board members.



In October 2019, the Board visited the Group's operations in Brazil.

6 REMUNERATION COMMITTEE*Duties*

The Board has a Remuneration Committee for the purpose of preparing and deciding on issues relating to the remuneration of senior executives in the Group. The duties of the Committee include making recommendations to the Board on the Board's decisions regarding terms of employment and remuneration of the CEO and the deputy CEO of AB Volvo, principles for the remuneration, including pensions and severance payments, of other members of the Group Executive Board and principles for variable salary systems, share based incentive programs and for pension and severance payment structures for other senior executives in the Group.

The Remuneration Committee shall also monitor and evaluate ongoing programs and programs concluded during the year for the variable remuneration of senior executives, application of the guidelines for the remuneration of 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, present the results of the Remuneration Committee's evaluation on the company's website.

Composition and work in 2019

At the statutory Board meeting following the Annual General Meeting 2019, the following Board members were appointed members of the Remuneration Committee:

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

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 company management. The Election Committee's assessment of the independence of members of the Remuneration Committee in accordance with the requirements in the Code, prior to the Annual General Meeting 2019, is presented under "Independence requirements" on page 191.

The Remuneration Committee held four meetings in 2019. The attendance of Board members at Committee meetings is presented in the table on page 195. The Remuneration Committee reports the outcome of its work to all members of the Board on a regular basis.

7 TECHNOLOGY AND BUSINESS TRANSFORMATION COMMITTEE*Duties*

The Board's committee Business Area Committee was, in April 2019, replaced by the Technology and Business Transformation Committee, with focus on new technologies and the development of new business models.

Composition and work in 2019

At the statutory Board meeting following the Annual General Meeting 2019, the following Board members and deputy member were appointed members of the Technology and Business Transformation Committee:

- Carl-Henric Svanberg
- Matti Alahuhta
- Lars Ask
- Mari Larsson
- Kathryn V. Marinello
- Martina Merz
- Helena Stjernholm.

Carl-Henric Svanberg was appointed Chairman of the Technology and Business Transformation Committee.

The Technology and Business Transformation Committee held three meetings in 2019. The attendance of Board members at Committee meetings is presented in the table on page 195. The Technology and Business Transformation Committee reports the outcome of its work to all members of the Board on a regular basis.



The Board's composition and attendance at meetings January 1, 2019 – December 31, 2019

Member	Board (11 incl. statutory)	Audit Committee (10)	Remuneration Committee (4)	Technology and Business Transformation Committee (3)
Carl-Henric Svanberg	11		4	3
Martin Lundstedt	11			
Matti Alahuhta	11		4	3
Eckhard Cordes	11			
Hanne de Mora	11	10		
Eric Elzvik	11	10		
James Griffith	11		4	
Kathryn Marinello	11			3
Martina Merz	11*			2
Helena Stjernholm	11	10		3
Lars Ask, employee representative	8			2
Mats Henning, employee representative	11			
Camilla Johansson, employee representative	11			
Mari Larsson, employee representative	11			3
Mikael Sällström, employee representative	11		4	
Total number of meetings	11	10	4	3

*December 2019 two-day Board meeting: present one day.

BOARD OF DIRECTORS

BOARD MEMBERS ELECTED BY THE ANNUAL GENERAL MEETING



Carl-Henric Svanberg
Chairman of the Board,
Chairman of the Remuneration
Committee, Chairman of the
Technology and Business
Transformation Committee

Matti Alahuhta
Member of the Remuneration
Committee, Member of the
Technology and Business
Transformation Committee

Eckhard Cordes

Hanne de Mora
Chairman of the Audit
Committee

Eric Elzvik
Member of the Audit
Committee

Education	MSc in Applied Physics, Linköping Institute of Technology, BSc Business Administration, University of Uppsala.	MSc, Dr Sc. Doctor of Science, Helsinki University of Technology.	MBA and PhD, University of Hamburg.	BA in Economics from HEC in Lausanne, MBA from IESE in Barcelona.	MSc Business Administration, Stockholm School of Economics.
Born	1952	1952	1950	1960	1960
Member of the Volvo Board	Chairman of the Volvo Board since April 4, 2012.	Since April 2, 2014.	Since April 1, 2015.	Since April 14, 2010.	Since April 5, 2018.
Position and Board memberships	Chairman of the Academy: The Royal Swedish Academy of Engineering Sciences (IVA) and Chairman of the European Round Table of Industrialists.	Board Chairman: DevCo Partners Oy and Outotec Corporation. Board member: Kone Corporation and ABB Ltd.	Partner in Cevian Capital and EMERAM Capital Partners. Board Chairman: Bilfinger SE. Member of the Executive Committee of Eastern European Economic Relations of German Industry.	Board Chairperson: a-connect (group) ag. Board Member: IMD Supervisory Board and Outotec Oy.	Board Chairman: IP-Only/GlobalConnect Group. Board member: Telefonaktiebolaget LM Ericsson, Landis+Gyr Group AG, Fenix Marine Services and VFS Global.
Principal work experience	Has held various positions at Asea Brown Boveri (ABB) and Securitas AB, President and CEO of Assa Abloy AB, President and CEO of Telefonaktiebolaget LM Ericsson, member of the External Advisory Board of the Earth Institute at Columbia University, the Advisory Board of Harvard Kennedy School and Board Chairman of BP plc.	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 CEO.	Started within Daimler Benz AG in 1976, 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.	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 Board Chairperson of the global consulting firm and talent pool a-connect (group) ag since 2002.	Joined ABB in 1984 and has held several management positions in the Finance function at ABB in Sweden, Singapore and Switzerland – most recently as Group CFO between 2013 and 2017 and previously as CFO for the Divisions Discrete Automation & Motion and Automation Products and a position as Head of Mergers & Acquisitions and New Ventures and also as Head of Corporate Development. Industrial advisor to private equity.
Holdings in Volvo, own and related parties	2,000,000 Series B shares.	146,100 Series B shares.	None.	6,000 Series B shares.	7,475 Series B shares.

BOARD MEMBERS APPOINTED BY THE EMPLOYEE ORGANISATIONS








Lars Ask
Employee representative, ordinary member
Member of the Technology and Business
Transformation Committee



Mats Henning
Employee representative, ordinary member

Mikael Sällström
Employee representative, ordinary member
Member of the Remuneration Committee


Born	1959	1961	1959
Member of the Volvo Board	Ordinary member since April 6, 2016. Deputy member from June 16, 2009–2016.	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	None.	293 Series A shares, 500 Series B shares.	293 Series A shares.

				
James W. Griffith <i>Member of the Remuneration Committee</i>	Martin Lundstedt <i>President and CEO</i>	Kathryn V. Marinello <i>Member of the Technology and Business Transformation Committee</i>	Martina Merz <i>Member of the Technology and Business Transformation Committee</i>	Helena Stjernholm <i>Member of the Audit Committee, Member of the Technology and Business Transformation Committee</i>
BSc Industrial Engineering, MBA from Stanford University.	MSc, Chalmers University of Technology.	BA from State University of New York at Albany, MBA from Hofstra University.	BS from University of Cooperative Education, Stuttgart.	MSc Business Administration, Stockholm School of Economics.
1954	1967	1956	1963	1970
Since April 2, 2014.	Since April 6, 2016.	Since April 2, 2014.	Since April 1, 2015.	Since April 6, 2016.
Board member: Illinois Tool Works Inc.	President and CEO of AB Volvo. Board Chairman: Permobil AB. Board Member: ACEA Commercial Vehicle and Concentric AB. Member of the Royal Swedish Academy of Engineering Sciences (IVA). Advisory Member of the Swedish National Innovation Council.	President and CEO of Hertz Global Holdings.	President and CEO of Thyssenkrupp AG. Board Member: Deutsche Lufthansa AG (supervisory board), SAF Holland SA and Imerys SA.	President and CEO of AB Industrivärden. Board Member: AB Industrivärden, Sandvik AB and Telefonaktiebolaget LM Ericsson.
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 CEO 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.	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 CEO of Ceridian Corporation and subsequently also Chairman, Board Chairman, President and CEO of Stream Global Services, Inc. Senior Advisor, Ares Management, LLC. Board Member of Nielsen, RealPage, General Motors Co. and MasterCard US.	Until January 2015, CEO 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 CEO of the subsidiary Bosch Closure Systems, also member of the Board of Management of Brose Fahrzeugteile GmbH & Co.	Between 1998–2015, employed by the private equity firm IK Investment Partners (former Industri Kapital) where she held various positions. She was a Partner with responsibility for the Stockholm office. She was also a member of IK's Executive Committee. Prior to that she worked as a consultant for Bain & Company.
40,000 Series B shares.	191,884 Series B shares.	None.	4,500 Series B shares.	8,000 Series B shares.

DEPUTIES APPOINTED BY THE EMPLOYEE ORGANISATIONS

	
Camilla Johansson <i>Employee representative, deputy member</i>	Mari Larsson <i>Employee representative, deputy member Member of the Technology and Business Transformation Committee</i>
1966	1978
Deputy member since April 6, 2016.	Deputy member since May 22, 2015.
With Volvo since 1997.	With Volvo since 2004.
643 Series A shares.	605 Series A shares.

SECRETARY TO THE BOARD


Sofia Frändberg <i>Secretary to the Board Master of Laws</i>
1964
Secretary to the Board since April 1, 2013.
Executive Vice President Group Legal & Compliance and General Counsel.
1,738 Series A shares, 67,624 Series B shares.

8 EXTERNAL AUDITING

Volvo's auditors are elected by the Annual General Meeting. The auditors review the interim report for the period January 1 to June 30 and audit the annual financial statements and consolidated accounts. The auditors also review the Corporate Governance Report and confirms whether the Group has presented a Sustainability Report. The auditors report the results of their audit in the Audit Report and in an opinion on the Corporate Governance Report, and provides an opinion on whether the guidelines for remuneration to senior executives have been complied with, which they present to the Annual General Meeting.

The current auditor Deloitte AB, was elected at the Annual General Meeting 2018 for a period of four years. Jan Nilsson is responsible for the audit of Volvo and Auditor-in-Charge.

For information about Volvo's remuneration of the auditors, please refer to Note 28 "Fees to the auditors" in the Group's notes in the Annual and Sustainability Report.

9 CORPORATE AUDIT

Volvo's internal audit function, Corporate Audit, supports Volvo in enhancing and protecting organizational value by providing risk-based, independent and objective assurance, advice and insight. Corporate Audit helps the organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and to improve the effectiveness of risk management, control and governance processes.

Corporate Audit performs internal audits in selected focus areas, identified through an independent risk assessment process and approved by the Audit Committee. In addition, special assignments requested by management and the Audit Committee are performed. 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 breaches of the Code of Conduct and 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 204–205.

10 GOVERNANCE PRINCIPLES AND ORGANIZATIONAL STRUCTURE

Volvo's strategy

The Volvo Group's mission is to "Drive prosperity through transport solutions". The Group's products and services are continuously 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.

The Volvo Group's aspirations are to have leading customer satisfaction for all of its brands in each segment; to be the most admired employer in the industry and to have industry leading profitability. The Group's values – Customer Success, Trust, Passion, Change and Performance – are the cornerstone of the Group's company culture. The Volvo Group Code of Conduct clearly defines expectations on the way the Group runs its business – not just in a few places, but wherever the Group operates. The Code of Conduct summarizes what the Volvo Group stands for and what Volvo expects from its employees. Seven strategic priorities set the direction for the 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.

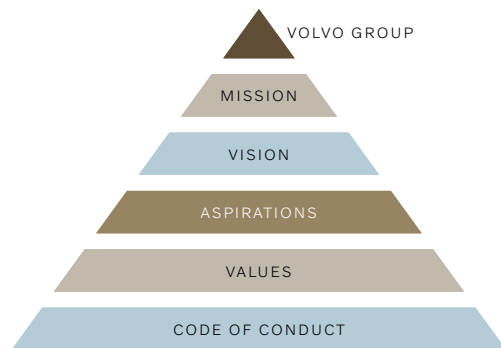
Based on the Group's strategic priorities, each Business Area defines its own operational plans. The long-term plans, such as the Group's industrial and product plans, are also crucial parts of the Group's strategic direction.

Governance documents

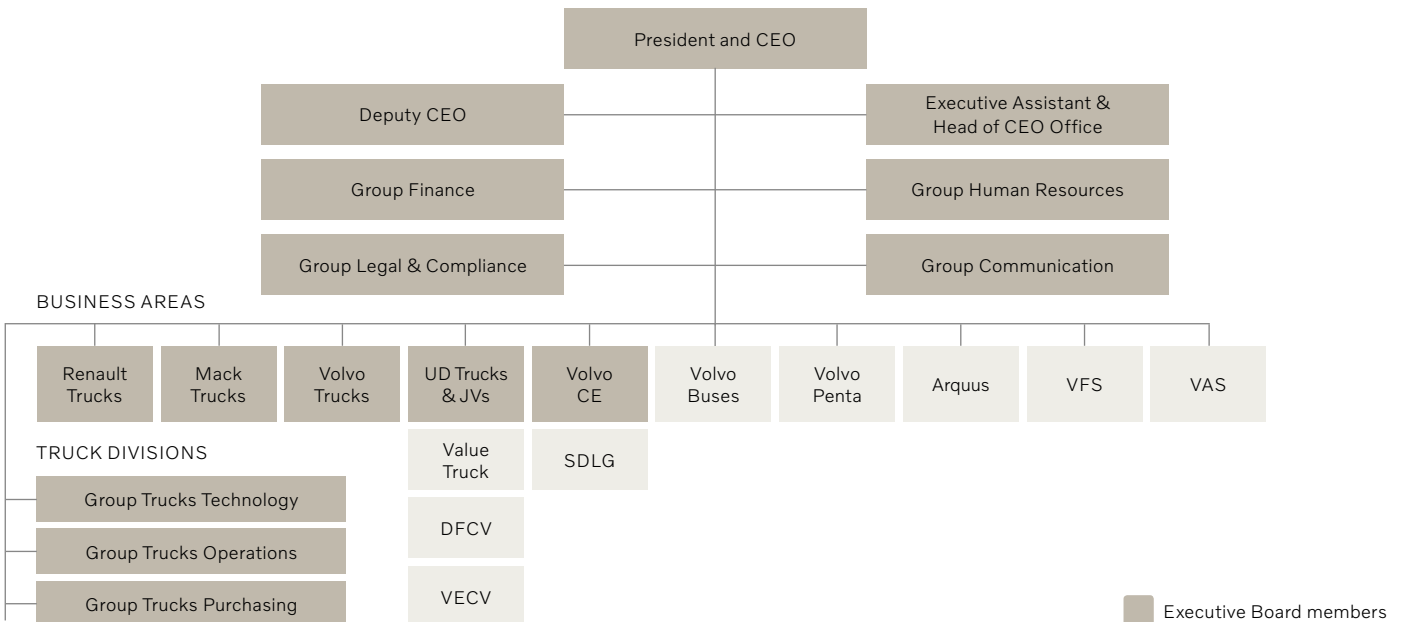
Another key component of the Group's governance is its policies and directives, such as the Code of Conduct and policies pertaining to investments, financial risks, accounting, financial control and internal audit, which contain Group-wide operating and financial rules for the operations, as well as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

Organizational structure

The business of the Volvo Group was organized into nine Business Areas during 2019. Of these, four represent brand-specific Business Areas for trucks: Volvo Trucks, Mack Trucks, Renault Trucks and UD Trucks and JVs, each with profit and loss responsibility for their respective business. The other Business Areas are Volvo Construction Equipment, Volvo Buses, Volvo Penta, Volvo Financial Services (VFS) and Arquus.



Volvo Group organization



» Governance principles and organizational structure (cont.)

From 1 January 2020 Volvo Autonomous Solution (VAS) was established as a new business area, focusing on the development, commercialization and sales of autonomous transport solutions, and since then the Volvo Group is organized in ten Business Areas.

The Trucks Business is further organized into three divisions: Group Trucks Technology (GTT), Group Trucks Operations (GTO) and Group Trucks Purchasing (GTP).

GTT is responsible for product development of engines, transmissions and trucks. GTO is responsible for the production of trucks and the Group's engines and transmissions, as well as for the Group's spare parts supply and logistics operation. GTP has 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.

In addition, there are four Group Functions: Group Human Resources, Group Finance, Group Communication and Group Legal & Compliance, tasked with supporting the CEO and the Group Executive Board with expertise within each Group Function area and with developing standards for the entire organization through policies, directives and guidelines. In addition, there are other functions that provide services and/or products for the entire Group, such as 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 maintaining clear leadership and responsibility for each truck brand to make sure that customer needs are met. The aim of the governance model is that all Business Areas are driven according to the same distinct business principles, whereby each Business Area can follow and optimize its own earnings performance in the long and short term.

11 GROUP EXECUTIVE BOARD AND GROUP MANAGEMENT

The Group Executive Board comprises 15 members.

In addition to the CEO and the deputy 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 Volvo Trucks, Mack Trucks, Renault Trucks, UD Trucks and JVs and Volvo Construction Equipment, and the Executive Vice Presidents of the four Group Functions. The members of the Group Executive Board report directly to the CEO. On 1 January, 2020 Scott Raffin assumed the position as Executive Vice President and Chief Digital Officer and joined the Group Executive Board.

The Presidents of the Business Areas Volvo Buses, Volvo Penta, Arquus, VFS and Volvo Autonomous Solutions also report directly to the CEO and are part of an extended Group Management Team together with the members of the Group Executive Board. In addition, the President of the new Business Area, Volvo Autonomous Solutions, joined the Group Management Team from 1 January 2020.

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 extended Group Management Team.

Key decisions related to the Group's offering and technology portfolio are made by the Product Board.

Quality-related matters are addressed in the Quality Board in order to support fast decision-making and customer focus in this area.

At special meetings for Sales & Operations Planning (S&OP), decisions are made regarding a production plan aimed at optimizing the Volvo Group's overall profitability. The purpose of the meetings is to balance demand with supply chain capabilities, drive capacity management and provide directions for the Group's sales and operations activities.

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

Remuneration of the Group Executive Board

Annually, AB Volvo's Annual General Meeting resolves on a policy for remuneration of the Group Executive Board, based on a proposal from the Board. For information about the remuneration policy adopted by the Annual General Meeting 2019, please refer to Note 27 "Personnel" in the Group's notes in the Annual and Sustainability Report.



Changes to the Group Executive Board









On January 1, 2019 Diana Niu assumed the position as Executive Vice President Group Human Resources for the Volvo Group, replacing Kerstin Renard, and joined the Group Executive Board. In addition, on January 1, 2019 Roger Alm assumed the position as President Volvo Trucks and joined the Group Executive Board. On 1 January, 2020 Scott Rafkin assumed the position as Executive Vice President and Chief Digital Officer and joined the Group Executive Board.



Martin Lundstedt, President and CEO, at the Annual General Meeting 2019.

GROUP EXECUTIVE BOARD

								
	Martin Lundstedt <i>President and CEO</i>	Jan Gurander <i>Deputy CEO</i>	Roger Alm <i>Executive Vice President Volvo Group and President Volvo Trucks</i>	Bruno Blin <i>Executive Vice President Volvo Group and President Renault Trucks</i>	Sofia Frändberg <i>Executive Vice President Group Legal & Compliance and General Counsel</i>	Andrea Fuder <i>Executive Vice President Volvo Group Trucks Purchasing and Chief Purchasing Officer for Volvo Group</i>	Melker Jernberg <i>Executive Vice President Volvo Group and President Volvo Construction Equipment</i>	
Education	MSc.	MSc.		MBA.	Master of Laws.	MSc and MBA.	MSc Mechanical Engineering.	
Born	1967	1961	1962	1963	1964	1967	1968	
Principal work experience	President and CEO of AB Volvo and member of the Group Executive Board since October 2015. 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.	Deputy CEO & CFO 2016–2018. CFO & Executive Vice President Volvo Group 2014–2016. CFO & 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.	Senior Vice President Volvo Trucks Europe 2016–2018. Senior Vice President Volvo Group Trucks Northern Europe 2015–2016. President Volvo Group Trucks Latin America 2012–2014. President Volvo Trucks Latin America 2010–2011. Managing Director Volvo Trucks, Region East 2004–2009. With Volvo since 1989. Member of the Group Executive Board since January 2019.	After having worked for several companies in the manufacturing, quality and purchasing areas, he joined Renault Trucks Purchasing in 1999. Has held several senior positions over the years until being appointed Senior Vice President of Volvo Group Purchasing. Has also served as Senior Vice President, Group Truck Sales South Europe January 2013–2016. Member of the Group Executive Board since March 2016. With Volvo since 1999.	Responsible for Group Legal & Compliance and General Counsel of the Volvo Group since April 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 2013. With Volvo since 1994.	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. Member of the Group Executive Board since 2017. With Volvo since 2017.	CEO and President at Höganäs AB 2014–2017. Executive Vice President, Business Area EMEA at SSAB 2011–2014. Has held various positions at Scania AB since 1989, most recently as Senior Vice President Buses and Coaches at Scania AB 2007–2011. Member of the Group Executive Board since 2018.	
Board memberships	Chairman of Permobil AB. Board Member of ACEA Commercial Vehicle and Concentric AB. Member of the Royal Swedish Academy of Engineering Sciences (IVA) and Advisory member of the Swedish National Innovation Council.	Board Member of Teknikföretagen and Skanska AB.			Secretary to the AB Volvo Board since April 2013.			
Holdings in Volvo, own and related parties	191,884 Series B shares.	73,825 Series B shares.	398 Series A shares, 14,918 Series B shares.	25,165 Series B shares.	1,738 Series A shares, 54,212 Series B shares.	1,600 Series A shares, 36,348 Series B shares.	17,277 Series B shares.	

							
Diana Niu <i>Executive Vice President Group Human Resources</i>	Jan Ohlsson <i>Executive Vice President Group Trucks Operations</i>	Scott Rafkin <i>Executive Vice President and Chief Digital Officer for Volvo Group</i>	Joachim Rosenberg <i>Executive Vice President Volvo Group and Chair- man of UD Trucks</i>	Lars Stenqvist <i>Executive Vice President Group Trucks Technology</i>	Martin Weissburg <i>Executive Vice President Volvo Group and Presi- dent Mack Trucks</i>	Kina Wileke <i>Executive Vice President Group Communication</i>	Jan Ytterberg <i>Executive Vice President Group Finance and CFO</i>
MBA and BA in Economics.	MSc.	BBA (Bachelors in Business Administration), University of Massachusetts at Amherst.	MSc Industrial Engineering and Management, MSc Financial Economics, MSc Business and Economics.	MSc Industrial Engineering.	Master of Business Management, BSc Industrial Management.	MA in journalism.	MSc in Business Administration and Economics.
1966	1953	1969	1970	1967	1962	1974	1961
Joined Volvo Group in February 2005, with SVP HR jobs in two Business Areas, Trucks Asia Pacific and Volvo Construction Equipment. Worked for Ericsson from July 1993 to January 2005 in a number of leadership positions. Member of the Group Executive Board since January 2019.	Senior Vice President Powertrain Production Group Trucks Operations 2012–2016. 2001–2012 General Manager European Manufacturing Volvo Trucks. Member of the Group Executive Board since April 2016. With Volvo since 1979.	Executive Vice President and Chief Digital Officer Volvo Group since 2020. President Volvo Financial Services 2014–2019. Chief Financial Officer Volvo Financial Services 2010–2014. Senior Vice President Global Operations Volvo Financial Services 2003–2009. Senior Vice President Risk Volvo Financial Services 2001–2002. Prior to 2001, held several senior positions with Volvo Car Finance North America. Prior to Volvo, Business Assurance and Capital Markets Manager Coopers & Lybrand LLC (predecessor firm to PriceWaterhouseCoopers).	Executive Vice President Volvo Group and Chairman UD Trucks 2016–. Executive Vice President Group Trucks Sales 2015–2016. Executive Vice President APAC 2012–2014. President Volvo Group Asia Truck Operations 2007–2011. Vice President Volvo Group Alliance Office 2007. Vice President Volvo Powertrain 2005–2007. Consultant with McKinsey & Company 1996–2004. Member of the Group Executive Board since 2012. With Volvo since 2005.	Executive Vice President Group Trucks Technology and Volvo Group Chief Technology Officer since October 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 10 October 2016. With Volvo Group since October 2016.	President Mack Trucks since 2018. President Volvo Construction Equipment 2014–2017. 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 and Senior Vice President ORIX. Member of the Group Executive Team 2010–2014. Member of the Group Executive Board since March 2016.	Responsible for Group Communications since 2018. With the Volvo Group since 2008, most recently as Senior Vice President Brand, Communication & Marketing Volvo Penta 2016–2017, Senior Vice President External Corporate Communication Volvo Group 2012–2016 and CEO Communication Volvo Group 2008–2012. Has held a number of positions in TV4 Group 1998–2008. Member of the Group Executive Board since 2018.	CFO of Husqvarna Group 2015–2018. Executive Vice President and CFO of Scania Group 2006–2015. Various positions in accounting and finance, Scania Group 1987–2006. Member of the Group Executive Board since November 2018.
			Volvo Group representative for Japan Automobile Manufacturers Association (JAMA).			Board Member of Handelsbanken Regionbanken Västra Sverige and International Chamber of Commerce (ICC), Sweden.	Board Member of Madrague.
46,022 Series B shares.	45,568 Series B shares.	45, 120 Series B shares.	87 Series A shares, 190,143 Series B shares.	23,789 Series B shares.	111,863 Series B shares.	344 Series A shares, 14,840 Series B shares.	2,031 Series B shares.

12 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 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 regularly 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 an internal audit function, Corporate Audit, 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 communication and training regarding the company's basic values included in the Group's Code of Conduct, to ensure that the business conducted by the organization is characterized by good ethics, integrity and is in compliance with the law.

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 Volvo's 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

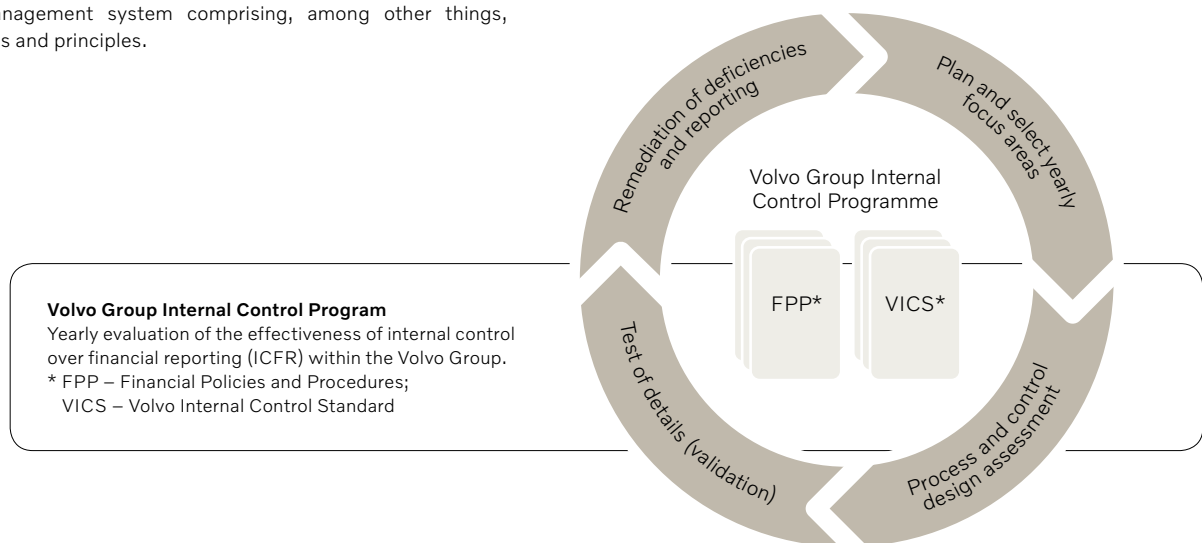
Risks relating to financial reporting are evaluated and monitored by the Board through the Audit Committee inter alia through identifying risks that could be considered as material, and through the mitigating control objectives. The risk assessment is based on a number of criteria, such as the complexity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

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 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 2019, the Internal Control function reported four times to the Audit Committee regarding the annual evaluation plan, status on outstanding issues and final assessment of the control environment.

Göteborg, February 24, 2020

AB Volvo (publ)
The Board of Directors

To the Annual General Meeting of the shareholders of AB Volvo, corporate identity number 556012-5790

Engagement and responsibility

The Board of Directors is responsible for that the corporate governance statement on pages 188–205 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.

Opinion

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, February 24, 2020

Deloitte AB

Jan Nilsson
Authorized Public Accountant