



VOLVO CAR CORPORATION GRI REPORT 2010

Volvo Car Corporation (Volvo Cars) has been reporting on environmental, health and safety aspects of its products and production since the year 2000. In 2003, we produced our first Sustainability Report in line with the international reporting guidelines from the Global Reporting Initiative (GRI). By applying and living up to GRI's international guidelines for sustainability reporting, we aim to ensure transparent reporting based on content which is relevant to our stakeholders. While this results in a somewhat lengthy GRI Report, supplementing the printed Corporate Report with Sustainability, we believe this level of detail allows our stakeholders to more fully understand and evaluate our sustainability goals and progress.



GRI APPLICATION LEVEL

For 2010, we have decided to report to GRI's B level (self-declared). External assurance has not been conducted on this report, instead we use a format of inviting key external stakeholders to read and assess the completeness and materiality of the report.

		2002	C	C+	B	B+	A	A+
		In Accordance						
Mandatory	Self Declared							
	Third Party Checked							
	GRI Declared							

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SUSTAINABILITY FACTS

	2010	2009	2008	2007	Trend ¹⁾	Comment
CREATING VALUE						
Customer satisfaction, rankings						A
Fulfillment of customer satisfaction targets (%)	33	—	—	—	n/a	
Percentage of independent surveys in which Volvo Cars was ranked among the top five carmakers (%)	12	33	29	22	(-)	
Employee satisfaction (%)	84	82	n/a	80	(+)	B
Total sales (retail deliveries)	373,525	334,808	374,297	458,323	(+)	C
Revenue – excl. special items (SEK million)	113,100	95,700	95,120	121,620	(+)	
Earnings before interest and taxes – excl. special items (SEK million)	2,340	-5,185	-9,493	-1,117	(+)	
ASSUMING SOCIAL RESPONSIBILITY						
Product responsibility						D
Safety test results						
Share of independent tests where Volvo Cars received the highest rank (%)	88	80	70	69	(+)	
Occupational health and safety						E
Health						
Sick leave per hours worked (%)	4.5	4.7	5.0	5.5	(+)	
Occupational injuries						
Number of injuries resulting in at least one day of sick leave per 200,000 working hours	0.6	0.5	0.9	1.5	(-)	
Diversity and equal opportunity						F
Gender balance						
Share of women in leading positions (%)	19.6	18.7	18.5	18.0	(+)	
Equal opportunity						
Ratio of basic salary of women to men (blue collar; average for grade levels SG2-SG6)	0.790	0.994	0.947	n/a	(-)	
Ratio of basic salary of women to men (white collar; average for grade levels SG4-LL3)	1.010	1.034	1.027	n/a	(+)	
Employment						G
Workforce						
Total workforce	19,494	19,650	22,732	24,384	(-)	
Turnover						
Rate of employee turnover	3.3 ²⁾	12.8	9.2	9.1	n/a	
Supply chain and human rights						H
Number of significant suppliers and contractors that have undergone screening on human rights	n/a ³⁾	615	476	—	n/a	
PROMOTING ECOLOGICAL SUSTAINABILITY						
Emissions from product						I
Fuel efficiency						
Fleet average CO ₂ emissions in EU (g/km)	157	173	182	190	(+)	
Harmful emissions						J
Share of Volvo cars sold complying with Euro 5/ULEV standards (%) ⁴⁾	54	—	—	—	n/a	
Alternative fuels						
Number of alternative fuels cars sold	9,098	11,260	25,771	10,899	(-)	
Energy use in car production						K
Total energy consumption in car production (MWh)	861,121	713,079	816,581	916,669	(-)	
(MWh/car)	1.61	1.71	1.59	1.42	(+)	
Emissions from production						
Total carbon dioxide emissions (tonnes)	67,585	58,980	68,367	126,735	(-)	
(kg/car)	190	158	151	311	(-)	
NO _x emissions (tonnes)	85	71	90	101	(-)	
SO _x emissions (tonnes)	<1	<1	<1	1	(=)	
VOC emissions (tonnes)	738	527	712	740	(-)	
(kg/car)	1.98	1.80	2.01	1.66	(-)	
Hazardous waste (tonnes)	9,087	5,594	9,320	11,395	(-)	
Supply chain and environment						L
Share of the 500 largest suppliers, based on number of purchased articles, that are certified according to ISO 14001 (%) ⁵⁾	99.6	—	—	—	n/a	

1) Trend indicates our progress in terms of Volvo Cars' goals and vision.

A plus sign (+) indicates that the company is moving in the right direction toward our goals, while a minus sign (-) indicates that more needs to be done to develop in our desired direction.

2) 2010 only Sweden, formerly Sweden and Belgium.

3) Volvo Cars was previously covered by Ford's programme for the supplier reviews.

4) New metric replacing Euro4/ULEV.

5) New metric replacing the share of employees at ISO 14001 certified units.

VOLVO CARS KEY PERFORMANCE INDICATORS

A. Customer satisfaction

It is the customer that ultimately judges our performance and we measure customer satisfaction based on a broad market perspective, covering 44 different independent studies within 11 of Volvo Cars' most important markets: China, Germany, Netherlands, Belgium, Spain, Italy, France, Sweden, Russia, United Kingdom and USA. During 2010, the company received notifications of decreased percentage of independent surveys in which Volvo Cars were ranked top five. Volvo Cars therefore started to analyse four different metrics of the "Fulfilment of customer satisfaction targets": 1) Sales (customer satisfaction with dealer performance when buying a car), 2) Service (customer satisfaction with dealer performance with regards to service and/or car repairs), 3) Product, short time in service (customer satisfaction with product after 3 months of ownership) and 4) Product, short time in service (number of customer problems experienced with the vehicle after 3 months of ownership). Volvo Cars' long term goal is to be among the top five brands when ranked in independent market research studies, and we have developed these targets to help us reach this level. **See also: PR5.**

B. Employee satisfaction

Every year an extensive survey is conducted by Volvo Cars among all employees to determine their attitudes and opinions concerning issues such as communication, individual development and work environment. The result of the employee survey performed in 2010 was an 84 percent employee satisfaction. The number has been relatively stable with more than 80 percent satisfaction in recent years.

C. Sales

After a couple of challenging years, Volvo Cars turned the negative trend around in 2010 and increased its sales by 11.2 percent as compared to 2009. The brand new models Volvo S60 and V60 received a warm welcome, with good reviews in the media and several international awards. This contributed to Volvo Cars reporting a profit for the first quarter of 2010. The positive trend continued throughout the rest of the year. In total, Volvo Cars sold 373,525 vehicles during the year. In China, sales increased by 36.2 percent and in Northern Europe by 29 percent. In the important U.S. market the downward trend continued and Volvo Cars sold 7 474 cars less than in 2009, which represents a decrease of 12.2 percent. The markets where the company is most successful are Russia, where sales increased by 54.5 percent compared with 2009, Belgium, where sales increased by 35.9 percent and Norway, where sales increased by 38.9 percent in 2010.

D. Product safety

Volvo Cars' vision is a completely accident-free traffic environment and the target for 2020 is that no one should be killed or injured in a new Volvo car. To achieve this vision, Volvo Cars continues its long tradition of research and its efforts to enhance security in and around the cars to achieve a safer driving environment and a collision-free future. For example, Volvo Cars introduced the new security system "Pedestrian detection" with full autobrake in the new Volvo S60 and V60, and the system was also made available in the Volvo XC60. The unique system that prevents collisions with pedestrians and reduces the consequences of an accident at higher speeds received a number of prestigious awards during the year. Each year a large number of independent safety testing is conducted and Volvo Cars is committed to be among the best in the class. In 2010, Volvo Cars received the highest rating in 59 of 67 tests carried out, which is equivalent to about 88 percent of the tests. This is an improvement of 8 percentage points compared with 2009 (when 56 tests were conducted). **See also: PR1.**

E. Employee health and safety

The work environment policy is described in the Volvo Cars work environment directive. One of the Volvo Cars' aims is to attain world class standards when it comes to the health and safety of its employees. Sick leave among Volvo Cars' employees in Sweden and Belgium has been falling slowly but steadily over the past few years. In 2010, Volvo Cars recorded the all-time low figure of 4.5 percent sick leave. Volvo Cars also continues to monitor work-related accidents carefully and to follow up all injuries, working to achieve improvement and avoid future occurrences. In 2010, the company reached a result of 0.6 LTICR (the number of injuries resulting in at least one day of sick leave per 200,000 hours worked) which is very close to the figure in 2009, and lower than previous years. **See also: LA7, LA8**

F. Diversity

Diversity issues have a high priority at Volvo Cars. There is a trend towards a better gender balance in leading positions, with the proportion of women in leadership positions increasing from 12 percent in 2002 to 19.6 percent by the end of 2010.

The company's new diversity plans were implemented in 2010 and include a series of activities to accelerate the progress towards increased diversity and to utilize the diversity within the company. **See also: LA13**

G. Employment

Employment and the number of employees decreased slightly during the year, by less than 1 percent. This can be seen as an effect of the financial crisis, when Volvo Cars was forced to reduce its workforce significantly. Looking ahead, the future is positive when it comes to Volvo Cars potential for recruitment and the need to expand the workforce. The company has communicated an estimated need for recruiting up to 1,200 new employees within all functions of the company. **See also: LA1, LA2**

H. Supply chain and human rights

During the period from 2003 to 2010 Volvo Cars participated in the Ford Motor Company's worldwide programme on training and screening of suppliers of direct materials. The current numbers that we report apply only to the audits conducted by Ford Motor Company. Since the transfer of ownership of Volvo Cars in the middle of year 2010, Volvo Cars has begun to develop new processes for the supply chain. Among other things, we began developing a new code of conduct which also covers our suppliers and we have initiated a project to develop a supplier portal. The company has also carried out in-house training focusing on accountability and sustainability issues, especially targeted at employees of the purchasing department. During 2010, we also appointed a new Corporate Social Responsibility Manager focused on driving the responsibility issues within the Volvo Cars supply chain.

See also: Management Approach Human rights, HR2.

I. Fuel efficiency and alternative fuel

Volvo Cars' environmental work and focus on the development of the power train to reduce carbon dioxide emissions has started to pay off. The average emission rate of the company's car models in Europe have fallen from 173 to 157 grams of CO₂ per kilometre and will continue to decline in the coming years through continued improvement of our products. One goal, which Volvo Cars continually works towards, is to adjust the carbon emissions of the entire vehicle fleet to the EU goal of maximum 95 grams per kilometre by 2020. Examples of work to achieve this objective are the present and future DRIVe models and the development of technologies for fuel efficiency. Looking ahead the focus will be on the company's ambitious electrification strategy, which includes a test fleet of C30 Electric, and the introduction of plug-in hybrids in 2012. **See also: EN26**

J. Environmental classification of products

In 2008 and 2009 Volvo Cars reported on the number of sold cars that met the requirements for Euro 4. For 2010, Volvo Cars is instead accounting for the proportion of cars sold that meet the higher demands stated within Euro 5, and is hence only reporting for year 2010. The percentage of Volvo cars sold that comply with Euro 5/ULEV in 2010 was 54 percent. ULEV stands for Ultra-Low Emission Vehicle, and is an environmental classification in force in California and has set even higher demands for lower emissions than Euro 5.

K. Environment in production

Volvo Cars has an overall target to continuously reduce its total energy consumption and the aim of becoming climate neutral. All purchased electricity used by Volvo Cars in Europe is from certified hydropower. Heating comes mostly from waste heat and biofuel, via district heating. In 2010, the total energy consumption from direct and indirect energy use increased. This is mainly due to an unusually cold winter in northern Europe, drastically increasing the company's demand for district heating. Energy purchased for the company's own consumption increased mainly due to a more intensive vehicle production and the increase in produced and sold vehicles. While our total energy consumption increased, the energy consumption per vehicle decreased to 1.61 MWh/vehicle in 2010, compared to 1.71 MWh/vehicle in 2009.

See also: EN3, EN4, EN16

L. Supply chain and environmental work

The environmental work of Volvo Cars' suppliers is a quality issue and Volvo Cars' aim is that this work is conducted as orderly as possible among our suppliers. For 2010, the company has chosen to measure this by the proportion of our 500 largest suppliers (based on the number of purchased items) who are certified according to ISO14001. The result is 99.6 percent for 2010.

GRI INDEX

Key
● = indicator completely covered (according to definitions given in the GRI guidelines)
◐ = indicator partially covered (according to definitions given in the GRI guidelines)

PROFILE

1. Strategy and analysis

Indicator	Description	Coverage
1.1	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and its strategy.	●
1.2	Description of key impacts, risks, and opportunities.	●

2. Organisational profile

Indicator	Description	Coverage
2.1	Name of the organisation.	●
2.2	Primary brands, products and/or services.	●
2.3	Operational structure of the organisation.	●
2.4	Location of organisation's headquarters.	●
2.5	Number of countries where the organisation operates.	●
2.6	Nature of ownership and legal form.	●
2.7	Markets served.	●
2.8	Scale of the reporting organisation.	●
2.9	Significant changes during the reporting period regarding size, structure, or ownership	●
2.10	Awards received in the reporting period.	●

3. Report parameters

Indicator	Description	Coverage
3.1	Reporting period.	●
3.2	Date of most recent previous report.	●
3.3	Reporting cycle.	●
3.4	Contact for questions regarding the report or its contents.	●
3.5	Process for defining report content.	●
3.6	Boundary of the report.	●
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities	◐
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.	●
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	●
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●
3.13	Policy and current practice with regard to seeking external assurance for the report.	●

4. Governance, commitments, and engagement

Indicator	Description	Coverage
4.1	Governance structure of the organisation.	●
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	●
4.3	For organisations with a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	●
4.4	Mechanisms by which shareholders and employees may make recommendations or suggest direction to the highest governance body.	●
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organisation's performance.	●



4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics.	●
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	●
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	●
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	●
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	●
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	●
4.13	Memberships in associations.	●
4.14	List of stakeholder groups engaged by the organisation.	●
4.15	Basis for identification and selection of stakeholders with whom to engage.	●
4.16	Approaches to stakeholder engagement.	●
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to these, including through its reporting.	●

MANAGEMENT APPROACH















Category	Description	Coverage
Economic	Management approach with reference to economic performance; market presence; and indirect economic impacts.	○
Environmental	Management approach with reference to materials; energy; water; biodiversity; emissions, effluents, and waste; products and services; and compliance.	●
Labour practices and decent work	Management approach with reference to employment; labor/management relations; occupational health and safety; training and education; and diversity and equal opportunity.	●
Human rights	Management approach with reference to investment and procurement practices; non-discrimination; freedom of association and collective bargaining; abolition of child labor; prevention of forced and compulsory labor; complaints and grievance practices; security practices; and indigenous rights.	●
Society	Management approach with reference to community; corruption; public policy; anti-competitive behaviour; and compliance.	○
Product responsibility	Management approach with reference to customer health and safety; product and service labeling; marketing communications; customer privacy; and compliance.	○

PERFORMANCE INDICATORS







Economic

Category	Indicator	Description	Coverage
Economic performance	EC1	Direct economic value generated and distributed.	
	EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	




Environment

Category	Indicator	Description	Coverage
Materials	EN1	Materials used by weight or volume.	
	EN2	Percentage of materials used that are recycled input materials.	
Energy	EN3	Direct energy consumption by primary energy source.	
	EN4	Indirect energy consumption by primary source.	
Biodiversity	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	
Emissions, effluents, and waste	EN16	Total direct and indirect greenhouse gas emissions by weight.	
	EN19	Emissions of ozone-depleting substances by weight	
	EN20	NO _x , SO _x , and other significant air emissions by type and weight.	
	EN22	Total weight of waste by type and disposal method.	
	EN23	Total number and volume of significant spills.	
Products and services	EN26	Initiatives to mitigate environmental impact of products and services.	
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	
Monetary Fines	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	






Labour practices and decent work

Category	Indicator	Description	Coverage
Employment	LA1	Total workforce by employment type, employment contract, and region.	
	LA2	Total number and rate of employee turnover by age group, gender, and region.	
Occupational health and safety	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region.	
	LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	
Training	LA10	Average hours of training per year per employee by employee category.	
Diversity and equal opportunity	LA13	Composition of governance bodies and breakdown of employees per category according to gender and age group.	
	LA14	Ratio of basic salary of men to women by employee category.	





Human rights

Category	Indicator	Description	Coverage
Human rights	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights.	
	HR4	Total number of incidents of discrimination and actions taken.	

Society

Category	Indicator	Description	Coverage
Anti-corruption	SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures.	
	SO4	Actions taken in response to incidents of corruption.	
	SO5	Public policy positions and participation in public policy development and lobbying.	
	SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	
	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	

Product responsibility

Category	Indicator	Description	Coverage
Customer health and safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement.	
Product and service labeling	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	
	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	

COMPANY PROFILE

1. STRATEGY AND ANALYSIS

1.1 Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and its strategy

Sustainable mobility through electrification

2010 was a historic year for Volvo Car Corporation. After 11 years as a subsidiary of Ford Motor Company, Volvo Cars became an independent company under the ownership of Zhejiang Geely Holding. The sale was completed on August 2 and a new board was appointed.

As the new CEO it is encouraging to be able to show positive results and increased volumes during a year that has brought immense changes to the automobile industry in general and to Volvo Cars in particular.

March 2010 saw the launch of our new sedan model, the Volvo S60, at the Geneva motor show. Its sibling model, the Volvo V60 Sportswagon, was launched in Paris in October. Both cars have attracted significant attention for their design and world-leading safety technology; Pedestrian Detection with full auto brake.

Recovery and restructure for the automobile market

The global car industry is gradually recovering from the crisis years of 2008–2009. Volumes are increasing but weak labour and housing markets – primarily in the USA and southern Europe – continue to have a negative impact on private consumption.

The vehicle industry is undergoing a restructure, with focus increasingly shifting towards Asia. With expected annual new-car sales of 17 to 18 million units in 2011 and 2012, China will remain the most important growth market. The developing markets are also rapidly expanding their role.

Sustainable mobility continues to be a key issue

Irrespective of whether the centre of economic gravity is in the west or east, climate change and sustainable mobility are vital issues facing society and industry. The environment is in focus at Volvo Cars, along with safety and quality – values that have been the cornerstones ever since Volvo was founded back in 1927.

The developments in the field of electrification are clear for all to see, not least at the international car shows. In 2010, we launched the Volvo C30 Electric, an electric car which offers exactly the same levels of safety, comfort and interior space as the standard version. The difference is that it is powered by electricity – so it emits no exhaust emissions into the local environment.

Volvo Cars has carried out a number of tests in our advanced crash test laboratory to verify the car's safety. Our excellent results would have given five stars had this been a EuroNCAP test – and this clearly demonstrates our leadership within car safety.

In early January we shipped our crash-tested C30 Electric to the Detroit Auto Show to publicise our results after a collision at 40 miles per hour. Both the battery and the electric cables remained intact after the collision. And, what was most important, the signals from the crash dummies translated into minor injury risks.

Environmental focus on a wide front

Electric cars are one of several tracks that make up our environmental and electrification strategy. At the Geneva Motor Show in early March we revealed our next move – the Volvo V60 Plug-in Hybrid. This car packs the best features of three different car types into one – an attractive sports wagon with all the added appeal of leading-edge hybrid technologies. Through a partnership with energy company Vattenfall, we will be the first car-maker to have this new-generation hybrid on the market already next year.

In the Volvo V60 Plug-in Hybrid, the electric engine is supplemented by an economical diesel with carbon dioxide emissions averaging just 49 grams per kilometre. This corresponds to fuel consumption of 1.9 litres per 100 km.

In 2010, we launched a pioneering project in Sweden, together with partners, to find out if it is possible to reduce carbon dioxide emissions from seven tonnes to one tonne per person and year – the level considered as sustainable for our planet. Hence the project's name: "One tonne life". As of January 2011, a family has the

opportunity to test a future climate-smart lifestyle and housing alternative just outside Stockholm. The technically advanced villa in which they live generates its own energy from the sun, and even recharges the family's car – a Volvo C30 Electric.

Responsibility throughout the chain

As a car maker our responsibility stretches throughout the value chain. From initial order at the supplier, through the production process and the car's entire lifetime, to final material recycling. We aim to run a responsible operation and the demands we impose on our own production units also apply to those of our suppliers. That is why the company's values on issues such as human rights and good working conditions are emphasised as clear-cut demands on our suppliers.

The fact that Volvo Cars is now under new ownership does not alter this basic requirement. Neither is there any compromise on the company's view of and support for the Global Compact's ten principles, which encompass human rights, working conditions, the environment and anti-corruption.

As before, this year's corporate report has been integrated with our sustainability report. We have adopted this approach in order to demonstrate that sustainability issues are part and parcel of our everyday work here at Volvo Cars. A complete GRI report can be read on our website. Do please submit any ideas you have about how we can further develop our sustainability commitment at Volvo Cars.

Stefan Jacoby

President and CEO, Volvo Car Corporation

1.2 Description of key impacts, risks, and opportunities

Economic

For Volvo Cars, 2010 was a year of change. The negotiations between Ford Motor Company and Zhejiang Geely Holding Group continued and on March 28 a stock purchase agreement for the Volvo Car Corporation was signed. On August 2, Zhejiang Geely Holding Group completed the acquisition of 100 percent of Volvo Cars from Ford Motor Company. The acquisition strengthens the Volvo Car brand in existing European and North American markets and expands its presence in China and other emerging markets.

Economic risks to our business include fluctuations in raw material prices, fuel prices and currency exchange rates. As an example, raw material prices directly affect our production while fuel prices impact the sales of cars. As fossil fuel prices increase, the demand for our car models with alternative fuels also increase. With our production primarily in Sweden and Belgium, and the US being our biggest market, Volvo Cars is impacted by the stability of currencies to a high degree.

Following the challenges of the financial crisis 2010 witnessed a turn-around of the car market. Volvo Cars ended 2010 with global sales up by 11.2 percent over 2009 figures, as a consequence of general increases in demand. However, demand and sales volumes are still far from 2007 levels. This continues to affect the income and profits, while the transition to environmentally adapted technologies demands a higher investment level than ever. Simultaneously, technological innovation and development, combined with projected sustained growth in emerging markets, represent great opportunities for our business by offering new sourcing options as well as new and expanding sales markets.

Sustainable mobility

Mobility is essential to economic development, and it also enhances the quality of a person's life. Motor vehicles and other forms of transport, however, have a significant impact on the environment, particularly due to the role of carbon dioxide emissions in climate change. Sustainable mobility can be defined as the ability to meet the needs of society to move freely, gain access, communicate, trade and establish relationships without sacrificing other essential human or ecological values today or in the future.

At Volvo Cars, we take the view that mobility should not be achieved at the expense of the environment or other social values. We include safety in our definition of sustainable mobility and our overriding objective is to develop cars that are

both safe and environmentally sound. Solutions are also required for improving air quality, primarily in cities through a reduction in unhealthy emissions and by helping to reduce traffic congestion that is the result of increased car usage. We have a long tradition of developing systems and functions for our cars that have benefited society in general. The Lambda sensor (a three-way catalytic converter) and the three-point seat belt are Volvo Cars' inventions that have become standard in cars worldwide.

Climate change

Climate change is one of the greatest threats to our planet and humanity. It is clear that greenhouse gas emissions must be radically reduced and the transport sector is an important actor for accomplishing this. Currently, some 24 percent of global greenhouse gas emissions originating from fossil fuel combustion come from the transport sector. According to IEA and OECD, about half of these are from road transport. This fact is approached by Volvo Cars as being both a threat and an opportunity. Given that 98 percent of motor vehicles sold worldwide use fossil fuel, climate change represents a major challenge for the automotive industry because of the indefinite reserves of fossil fuel and our need to ensure access to fuel that customers can afford. At the same time, the current situation also expands the market for alternatively fueled cars and more efficient technology.

During the year, Volvo Cars has had several news presented along with our aim DRIVE Towards Zero: our vision for developing cars entirely free from harmful exhaust emissions and environment-impacting carbon dioxide. The all-new Volvo S60 with the newly developed five-cylinder two-litre diesel engine is an example of optimising fuel consumption down to 5.3 l/100 km. The five-cylinder two-litre diesel engine became available in the entire Volvo Cars' model range during 2010 (excluding the models C70 and XC90). Another example of taking opportunities in a changing market is the confirmed plans for the launch of the Volvo Cars' plug-in hybrid in 2012. The V60 plug-in hybrid will have carbon dioxide emissions of only as low as 49 g/km. The car will be equipped with a battery that can be recharged in 4 to 6 hours and provide up to 50 kilometres in pure electric range.

Limiting carbon dioxide emissions and curbing climate change also encompass the environmental effects of our production facilities and logistics flows. Limiting climate change and making the best possible use of the Earth's resources will require innovative cooperation between all stakeholders – nationally and internationally.

Safety

Road accidents are a serious problem; as many as 50 million people are injured in road accidents annually and approximately 1.3 million die as a result of these. For this reason, safety is our most important core value, forming the very essence of Volvo Cars' brand. Developing vehicle and traffic safety is a top priority whether it is about development of the belt (for increased safety and usage) and solutions that make safety belt usage more natural and convenient or if it is about introducing our new autobrake system.

The aim is to offer cars that are safe for all people in all imaginable traffic situations. The key to success in this respect is to design safety systems that are smart and that interact with one another. We base our research on a variety of parameters, including data obtained from actual road accidents, with the future aim of building cars that do not crash. In the shorter perspective the aim is that by 2020 no one should be killed or injured in a new Volvo car. Achieving this will be challenging and part of the solution will be successful communication between car technology and infrastructure.

During 2010 Volvo Cars, together with several partners, participated in the ongoing road train project SARTRE – Safety Road Trains for the Environment. At the end of 2010 the first development tests of a single lead and following vehicle was carried out successfully. Another important step in 2010 was the introduction of the new safety system 'Pedestrian Detection' with full autobrake, now included in the all-new Volvo S60 and V60 and also became available in Volvo XC60. The unique system that prevents collisions with pedestrians or, at higher speeds, reduces the consequences of an accident, has received a number of prestigious awards.

In-car environment

Other important issues that Volvo Cars emphasizes are the reduction of nickel, allergens in passenger cabin and usage of chromium-free leathers. Nickel allergy is one of the most common causes of allergic contact dermatitis in the industrialised world. Volvo Cars has a strict requirement that parts supplied for our car interiors fulfil our nickel standard. This means that for all interior components with metallic appearance in Volvo cars, such as interior door handles, gear levers, keys, Volvo badges in the steering wheel and climate control buttons, nickel leakage has been minimised.

This Volvo standard applies to our entire car range. The parts containing nickel have been covered with nickel-free plating, and they have all been tested to ensure that any nickel release is below the strict Volvo level.

There are no societal standards for in-car air, so Volvo Cars has created its own in-car air quality requirements that are used when developing new Volvo models. We have worked for a long time with our suppliers to reduce allergens, and to ensure that all textiles and leather are certified to Oeko-Tex Standard 100. Four models with nine different cabin interiors have interior air that is recommended by the Swedish Asthma and Allergy Association. All leather used in Volvo car interiors has been tanned with a chromium-free process, using either natural or synthetic tanning materials. In addition to benefiting those with a chrome allergy, it also reduces the environmental impact of the tanning process.

Human and labour rights

Violations of human and labour rights entail a risk factor in Volvo Cars' supply chain. We believe the best way to generate long lasting improvement and thereby reduce potential risk, is by combining a clear Code of Conduct with training and audits. During 2010, we started to update our Code of Conduct and initiated mechanisms to ensure that it will be adhered to.

For more information on how we govern our performance in relation to these risks and opportunities, please see the Management approach section.

2. ORGANISATIONAL PROFILE

2.1 Name of the organisation

This report covers Volvo Car Corporation ("Volvo Cars") and all of its wholly-owned subsidiaries. Volvo Cars was owned by the Ford Motor Company until August 2010, and since then Volvo Cars is a wholly-owned subsidiary of the Zhejiang Geely Group Holding Co. Ltd.

2.2 Primary brands, products and/or services

Volvo Cars produces premium-segment cars in four versions: Sedan (S40, S60 S80), Versatile estates (V50, V60, V70), Cross Country (XC60, XC70, XC90) and Coupes and convertible (C30, C70).

2.3 Operational structure of the organisation

Volvo Cars was a wholly-owned subsidiary of the Ford Motor Company until August 2010. The 'Volvo' name is owned by Volvo Trademark Holding AB, which is jointly owned by Volvo Cars and AB Volvo. Our cars are marketed and sold by regional market companies and national sales companies through approximately 2,400 local dealers in about 100 countries. Most of the dealerships are independent companies.

Volvo Cars' head office, product development, marketing and administration functions are located in Gothenburg, Sweden. The two main production plants are in Gothenburg, Sweden and Ghent, Belgium. Volvo cars are also being produced in Uddevalla, Sweden and Chongqing, China.

Certain components are manufactured at our Swedish plants in Skövde, Floby and Olofström. The company also owns and operates small assembly plant in Malaysia. Pininfarina Sverige in Uddevalla is owned jointly by Pininfarina S.p.A of Italy (60%) and Volvo Cars (40%). Changan Ford Mazda Automobile Corporation, Ltd. in Chongqing is a Ford Motor Company's passenger car joint venture. Volvo Cars also has operations in an assembly plant in Thailand that is not owned by Volvo Cars.

2.4 Location of organisation's headquarters

Volvo Cars' head office, product development, marketing and administration functions are located in Gothenburg, Sweden.

2.5 Number of countries where the organisation operates

Volvo Cars manufactures in four countries in total. The production plants are located in Sweden, Belgium and China. We also own a small assembly line in Malaysia, and use an assembly plant in Thailand that is not owned by Volvo Cars.

2.6 Nature of ownership and legal form

Volvo Cars was wholly-owned by Ford Motor Company until August 2010. As from August 2010 Volvo Cars is a wholly-owned subsidiary to Zhejiang Geely Holding. The Volvo brand is owned jointly by Volvo Cars and AB Volvo through Volvo Trade-mark Holding AB.

2.7 Markets served

Our cars are sold in more than 100 countries. In 2010, the US was Volvo Cars' largest market, accounting for 14.4 percent of total retail deliveries, Sweden was second (14.1 percent), followed by the UK (10.2 percent), China (8.2 percent) and Germany (6.7 percent).

About 50 percent of our customers worldwide are businesses. In the US, the gender distribution among our customers is 46 percent women and 54 percent men, while in the EU5 (UK, Germany, France, Italy and Spain) the rates are 19 percent women and 81 percent men.

2.8 Scale of the reporting organisation

Volvo Cars employed a total of 19,494 people as of 31 December 2010. The company sold a total of 373,525 cars in 2010.

2.9 Significant changes during the reporting period regarding size, structure, or ownership

For Volvo Cars 2010 was a year of change. The negotiations between Ford Motor Company and Zhejiang Geely Holding Group continued and on March 28 a stock purchase agreement for Volvo Cars was signed. On August 2, Zhejiang Geely Holding Group completed the acquisition of 100 percent of Volvo Cars from Ford Motor Company.

Li Shufu became Chairman of the Board on July 15, and a few weeks later Stefan Jacoby was appointed President and CEO of Volvo Cars and a new Board of Directors was presented.

In 2010, Volvo Cars needed to recruit about 500 people to the plants in Torslanda, Sweden, and Ghent, Belgium, due to increased production. Some people on temporary contracts were offered permanent positions and some staff were appointed on temporary basis.

2.10 Awards received in the reporting period

Safety

France – Volvo City Safety received the Euro NCAP Advance – an assessment rating for new and exceptional safety technology. This is the first time a prize has been awarded (The European New Car Assessment Programme).

Eastern Europe – Volvo Cars Corporation was awarded the Safest Car Manufacturer 2010 by the Eastern European Automotive Organisation, Autobest.

Engines

US – Volvo Cars' T6 engine won the prestigious Ward's 10 best engines award (Ward's AutoWorld).

Communication

UK – Volvo Cars wins 'Best Use of Broadcast media' at CorpComms Awards for coverage of the Geneva Motor Show (CorpComm). UK – Volvo Cars wins "Best Use of Facebook" at the inaugural DigiAwards (CorpComm).

Models

Volvo C70

US – In the Initial Quality Study (IQS) released on June 17, J.D Power and Associates named the Volvo C70 the top compact premium sporty car and ranked the Volvo nameplate as number 10 among automakers (J.D Power and Associates).

Volvo S60

Germany – Volvo Cars received a Plus X Award for the new Volvo S60. The price is awarded for the innovative pedestrian detection with full autobrake (The Plus X Award).

Norway – The Volvo S60/V60 was selected Car of the Year in Norway (Dagbladet and Vi Menn).

Europe – The Volvo S60 was among the seven finalists in the Car of the Year 2011 competition in Europe (Car of the Year).

Volvo V60

Europe – The Volvo V60 was among the seven finalists in the Car of the Year 2011 competition in Europe (Car of the Year).

Volvo V70

Germany – German motorists' organisation ADAC has awarded the Volvo V70 1.6 DRiVE five stars in its annual ecotest (ADAC).

Volvo S80

UK – The Volvo S80 and the Volvo XC60 ranked as 'Safest car' in the ABC News Survey (ABC News).

US – J.D Power and Associates named the Volvo S80 as among top three in its class in the 2010 Initial Quality Study (J.D Power and Associates).

Volvo XC60

UK – The Volvo XC60 and the Volvo S80 was ranked by ABC News Survey as the 'Safest car' (ABC News).

UK – The Volvo XC60 is, according to Britain's Fleet World Honours List, the best fleet car in the SUV category (Britain's Fleet World Honours List)

US – J.D Power and Associates named the Volvo XC60 as among top three in its class in the 2010 Initial Quality Study (J.D Power and Associates).

Volvo XC70

US – J.D Power and Associates named the Volvo XC70 as among top three in its class in the 2010 Initial Quality Study (J.D Power and Associates).

3. REPORT PARAMETERS

3.1 Reporting period

The report covers the period 1 January to 31 December 2010.

3.2 Date of most recent previous report

The 2009 report was issued in April 2010 and is available on Volvo Cars' website.

3.3 Reporting cycle

Volvo Cars reports on an annual basis.

3.4 Contact for questions regarding the report or its contents

Linn Fortgens, Director Sustainability and Financial Communication by e-mail citizen@volvocars.com or by telephone +46-(0)31-59 00 00.

3.5 Process for defining report content

A cross-section of stakeholders regularly assists us in identifying priority areas. Accordingly, these are examined in greater depth in this report. The most recent materiality analysis, consulting key internal and external stakeholders, was carried out in 2009 alongside a review of the Corporate Report 2008. Those invited to comment are representatives from academia, NGOs, government agencies, interest group networks, trade unions, fleet customers and suppliers. Our respondents are prominent opinion leaders in their own fields, people with great expertise in the areas of sustainability and the automotive industry.

Participants were asked to identify issues and rank 33 aspects of sustainability in terms of how important they thought these were for Volvo Car's success as a company. Once processed, the opinions of these external respondents were set out alongside Volvo Cars' internal priorities. Climate change, safety, fuel efficiency, alternative fuels, corporate governance, exhaust emissions and product development were given the highest priority, internally and externally. Sales, as well as working conditions and supplier-related issues, and stakeholder engagement also received very high rankings. The materiality analysis also revealed that our stakeholders do not consider any aspect of sustainability unimportant. Consequently, the overall conclusion is that sustainability as a whole matters greatly to Volvo Cars' stakeholders.

3.6 Boundary of the report

This GRI report deals with the Volvo Cars and all operations wholly-owned throughout 2010. We report only direct environmental impacts, except in the case of carbon dioxide from energy generation for which we also report indirect emissions from electrical generation and district heating. Financial issues are addressed only briefly since we are a wholly-owned subsidiary of Zhejiang Geely Holding.

3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities

The report deals with wholly-owned operations of the Volvo Cars. These comprise research and development in Sweden, manufacturing in Sweden, Belgium, and Malaysia, as well as sales companies worldwide.

3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report

Definitions are provided for all key performance indicators reported.

3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement

The information provided for the reporting year of 2009, was solely based on Volvo Cars under the ownership of Ford Motor Company. The content in this GRI report, covering the reporting year of 2010, is subject to the shift in ownership from the Ford Motor Company to Zhejiang Geely Holding, which took place in August 2010.

3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report

No significant changes.

3.13 Policy and current practice with regard to seeking external assurance for the report

The Volvo Cars Corporate Report and the GRI report 2010 have not been verified by a third party. Although we regard third-party verification as an important step towards transparency, we continue to seek an approach that suits Volvo Cars. For us, it is important that third-party verification should reinforce our legitimacy and preserve our owner's integrity, while reflecting the values represented by our brand. We are working to achieve progress in this vital area of transparency.

4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENTS

4.1 Governance structure of the organisation

Needs and expectations regarding corporate behaviour vary with time. Thus, we need to take an operational approach to sustainability. A coordinator is responsible for sustainability strategies and communication and sustainability issues are integrated into our business plan. At the operational level, the appropriate officer or function (e.g. the Health and Safety Director or the Diversity Manager, etc.) is responsible for ensuring that relevant issues are discussed at the level at which decisions on strategies, goals and actions can be taken.

4.2 Indicate whether the Chair of the highest governance body is also an executive officer

The chair of our highest governance body, the Board of Directors, is not an executive officer within Volvo Cars.

4.3 For organisations with a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members

Volvo Cars is, since August 2010, a wholly-owned subsidiary of Zhejiang Geely Holding and is managed by a subsidiary Board of Directors comprised of independent Board members, representatives of Zhejiang Geely Holding, Volvo Cars and the employee organisations. Up until completion of the purchase of Volvo Cars by Zhejiang Geely Holding from Ford Motor Company in August 2010, the Board consisted of independent Board members, representatives from Ford Motor Company, Volvo Cars and the employee organisations. Meetings are held four times annually and the Board's main task is to provide a forum for the company's strategies, business orientation, product plan, major investment plans and budget.

Board of Volvo Cars, as per December 2009:

John Fleming, Chairman of the Board
Stephen Odell, Director and CEO
Stuart Rowley, Director
Bryan Myers, Director
Anders Narvinger, Independent*
Bernt Magnusson, Independent*

Employee representatives:

Thomas Iivonen, Swedish Union of Clerical and Technical Employees in Industry (UNIONEN)
Glenn Bergström, Swedish Metalworkers' Union
Marko Peltonen, Swedish Metalworkers' Union
Deputy employee representatives:
Björn Olsson, Swedish Metalworkers' Union
Magnus Sundemo, The Swedish Association of Graduate Engineers

Board of Volvo Cars, as per August 2, 2010:

Li Shufu, Director and Chairman of the Board
Hans-Olov Olsson, Director and Vice Chairman of the Board
Herbert Demel, Director – Independent*
Winnie Fok, Director – Independent*
Håkan Samuelsson, Director – Independent*
Lone Fønss Schrøder, Director – Independent*
Freeman Shen, Director

Employee representatives:

Thomas Iivonen, Swedish Union of Clerical and Technical Employees in Industry (UNIONEN)
Glenn Bergström, Swedish Metalworkers' Union
Marko Peltonen, Swedish Metalworkers' Union
Deputy employee representatives:
Björn Olsson, Swedish Metalworkers' Union
Magnus Sundemo, The Swedish Association of Graduate Engineers

Board of Volvo Cars, as per December 2010:

Li Shufu, Director and Chairman of the Board
Hans-Olov Olsson, Director and Vice Chairman of the Board
Stefan Jacoby, Director and CEO
Herbert Demel, Director – Independent*
Winnie Fok, Director – Independent*
Lone Fønss Schrøder, Director – Independent*
Håkan Samuelsson, Director – Independent*
Peter Zhang, Director – Independent*

Employee representatives:

Thomas Iivonen, Swedish Union of Clerical and Technical Employees in Industry (UNIONEN)
Glenn Bergström, Swedish Metalworkers' Union
Marko Peltonen, Swedish Metalworkers' Union
Deputy employee representatives:
Björn Olsson, Swedish Metalworkers' Union
Magnus Sundemo, The Swedish Association of Graduate Engineers

* Independent means that the relevant Board member is not part of or a representative of the owner organisation (Ford Motor Company/Zhejiang Geely Holding), nor a member of the executive/senior management team of Volvo Cars (EMT) nor an employee representative.

4.4 Mechanisms by which shareholders and employees may make recommendations or suggest direction to the highest governance body

The relevant trade unions are represented on the Board of the Volvo Cars. This is one way in which we ensure that employee interests are communicated to the highest governance body.

4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organisation's performance

Executive compensation at Volvo Cars has four components: fixed salary, bonus, company car and other benefits (e.g. healthcare insurance and pension benefits).

Under the ownership of the Ford Motor Company, global bonus and stock options programs were applied. These were based on the Ford Motor Company's financial performance and individual performance. The evaluation took into account how well managers met corporate governance and sustainability criteria. During the second half of 2010, after the shift in ownership in August 2010 to Zhejiang Geely Holding, bonus programs have been applied based on the same criteria as under the ownership of the Ford Motor Company.

4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided

Volvo Cars' Policy Letter No. 3, established under the ownership of the Ford Motor Company, regulates the handling of conflicts of interest. This also stipulates that incidents must be reported to the Legal Department. All employees are required to sign this letter, thereby agreeing to follow these procedures. Since August 2010, Volvo Cars has continued to act in accordance with the principles laid down under the ownership of Ford Motor Company, but is gradually reviewing and adjusting the guiding documents, including our policy letters.

4.7 Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics

Together, the 13 members of the Board of Volvo Cars form a global board with vast experience from the car industry and business development:

Li Shufu is the Chairman of the board of Volvo Cars and is the founder of Zhejiang Geely Holding.

Hans-Olov Olsson is the Vice Chairman of the Board of Volvo Cars and started his career at Volvo in 1966. During 2000–2005 Olsson was the Managing Director for Volvo Cars and was responsible for the Ford Motor Company's global marketing between 2005 and 2006.

Stefan Jacoby is the Managing Director of Volvo Cars, and was just until recently the Managing Director at Volkswagen in the US.

Dr. Herbert Demel is a member of the Volvo Cars' Board of Directors and started his career with Bosch in 1984. He has experience from working with companies such as Audi, Volkswagen and Fiat. Since 2010 Demel has been the Managing Director for Magna in China, South East Asia, India, Africa and South America.

Lone Fønss Schrøder is a member of the Board of Directors of Volvo Cars and is employed at the shipping company Möller-Maersk. Schroeder has also been the

Managing Director for Wallenius Lines from 2005–2010. She is currently also a Board member of Vattenfall and Handelsbanken.

Winnie Kin Wah Fok is a member of the Volvo Cars' Board of Directors and has extensive experience of the financial market. Fok is at present working as advisor to Investor and is also a Board member of SKF and G4S.

Håkan Samuelsson is a member of the Board and has a background as Managing Director for the truck producer MAN. He has also executive experience from Scania and is also a Board member of Siemens.

Dr. Peter Zhang is a member of Volvo Cars' Board of Directors, and comes most recently from Geely Automotive Holdings, Ltd., where he has been the Vice President from 2007–2010. Zhang has a diverse background and over the past 10 plus years has worked for major multinational companies, such as the BP Group and Shell.

Glenn Bergström is a union representative of Volvo Cars' Board (IF Metall), and has been working with Volvo since 1974.

Sören Carlsson is a union representative of Volvo Cars' Board (Unionen). He has worked with Volvo since 1985.

Marko Peltonen is a union representative of Volvo Cars' Board (IF Metall). He has been with Volvo since 1984.

Magnus Sundemo is an alternate union representative of the Board (Akademikerna).

Björn Olsson is an alternate union representative of the Board (IF Metall). Read more about Volvo Cars' Board in the Corporate Report with Sustainability.

4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation

For information on our internally developed codes of conduct and principles, please visit the Management Approach section.

4.9 Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles

As environment and safety are part of our company's philosophy and core values, these aspects of our products form part of our strategic direction and are discussed as such. Working conditions, health and safety, and diversity issues are addressed at our daily operational meetings and considered on a case-by-case basis.

Processes for reviewing working conditions, and environmental, product safety, legal compliance issues are part of our business management system.

4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance

There is no stated process for evaluating the highest governance body's work with respect to environmental and social performance. However, managers are evaluated according to criteria including corporate governance and corporate citizenship.

4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organisation

Having signed the UN Global Compact, Volvo Cars supports the precautionary principle. Our decisions are made on the basis of the information available at each particular occasion. Nonetheless, deficient or unreliable information is often a strong indication that caution is advisable, both from a business perspective as well as in a broader, societal context.

Internally and in cooperation with stakeholders, we are pursuing a wide range of actions that help us understand and manage the way our products interact with the environment. Our 'Clean Compartment' work is an example of efforts in line with the precautionary principle. This reduces health risks for passengers with asthma or allergies by replacing interior trim with materials exceeding the requirements of current legislation. As another example, our paint shops allow far lower solvent emissions than permitted by law.

4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses

In 1999, Volvo Cars was one of the first companies to heed UN Secretary General Kofi Annan's appeal to become a signatory to the principles of the UN Global Compact. Volvo Cars also contributed to the formulation of the Global Compact's tenth principle (on corruption) and was represented in New York by its CEO when the principle was formally adopted.

Our Code of Conduct stands as a general endorsement of the following human rights frameworks and charters:

- The eight core conventions of the UN-agency International Labour Organisation: Child Labour (138 and 182), Forced Labour and Compulsory Labour (29 and 105), Equal Remuneration and Discrimination (100 and 111), Freedom of Association and Collective Bargaining (87 and 98)
- The ten principles of Global Compact
- The Universal Declaration of Human Rights
- UN Convention on the Rights of the Child
- OECDs guidelines for multinational companies

For several years, Volvo Cars' Sustainability Reports and Volvo Cars' Corporate Report with Sustainability have been inspired by the GRI Sustainability Reporting Guidelines.

Volvo Cars has been contributing to the new ISO standard on social responsibility by working with the Swedish ISO Committee's industry group and by actively disseminating information on the standard. In this way, we have contributed to social responsibility by helping develop guidelines for many players. The new ISO 26000 standard was launched at the end of 2010.

4.13 Memberships in associations

This refers primarily to memberships maintained at the organisational level. Volvo Cars is a member of the Confederation of Swedish Enterprise and the European Automobile Manufacturers Association (ACEA). Volvo Cars is also a member of the Association of Swedish Engineering Industries and BIL Sweden.

4.14 List of stakeholder groups engaged by the organisation

Our most important stakeholders are our customers, employees, suppliers and dealers, our owner (Zhejiang Geely Holding), and the communities in which we operate. Public agencies, non governmental organisations (NGOs) and other interests that influence market structures are also important in this context. Volvo Cars maintains relationships with various stakeholders that influence or are influenced by our operations – from customers and employees to business partners and the communities in which we operate. Each of these groups presents a special responsibility and our aim is to be, and to be perceived as, a responsible player in all of our relationships.

4.15 Basis for identification and selection of stakeholders with whom to engage

Volvo Cars believes in openness and transparency. Consequently, we deliberately choose not to engage with certain groups. However, certain stakeholder groups are prioritised based on the extent to which the company and its products influence them or vice versa.

In addition to employees, customers, owners and suppliers, Volvo Cars has well-developed relations with trade unions, universities and research institutions, the media, non-profit organisations and authorities in other segments of the public sphere.

4.16 Approaches to stakeholder engagement

Knowing what our most important stakeholders think and expect of their relationships with Volvo Cars is the key to our progress as a company. Our aim is to establish open channels and regular meetings with all of our major stakeholders. We believe in good relations and mutual understanding between all stakeholders. For this reason, we participate in various networks, seminars and conferences to hear the views of others and to inform them about our work. We also encourage interested parties to contact us, for example through our website or at citizen@volvocars.com

We believe our stakeholder dialogues provide us with:

- A better understanding of how stakeholders in a given region see sustainability issues evolving over the next 15 years and how this may affect the automotive sector and Volvo Cars.
- Opportunities to build new relationships between Volvo Cars and leading opinion makers. The dialogue provides a comprehensive view of stakeholder perspectives on sustainability issues.

Customers

What our customers think of their cars and their dealers is the subject of about 40 independent surveys conducted in key markets. Every year, we conduct several clinics all over the world to ascertain what our customers think of our products and services. These can be likened to laboratory tests in which we ask selected customers from different categories to express their opinions regarding our products and services. Findings are used as a basis for decisions concerning product development and marketing. In 2010, Volvo Cars was ranked among the top five manufacturers in 12 percent of the independent studies in 11 different countries. Our aim is to be ranked top five in 100 percent of these surveys.

Employees

Good relations between managers and subordinates are fundamental to good relations between the workforce and the company. Regular development meetings between employees and their immediate superiors should be used to develop personal development plans, which can then be monitored and evaluated. Every year an extensive survey among all employees is conducted by Volvo Cars to determine their attitudes and opinions concerning issues as communication, individual development and work environment. The survey is conducted among the workforce as a whole and is anonymous. The results are compiled and reported at different levels. The results from a working group are discussed with the employees' immediate superior, who is also responsible for developing action plans in areas requiring improvement.

The overall result is expressed in terms of an Employee Satisfaction Index, which is recorded as a key performance indicator on the scorecard. The result of the employee survey performed in 2010 was 84 percent employee satisfaction and the number has been relatively stable with approximately 80 percent employee satisfaction in recent years.

To ensure good relations between the company and its employees, we hold regular discussions with organisations representing the workforce. These discussions are conducted at both the local and central level. The Board includes three employee representatives whose role is to ensure that their members' interests and experiences are represented at the highest level. Engineering and economics undergraduates from Swedish universities are surveyed annually to measure their perception of Volvo Cars as a potential future employer.

Dealers

The national sales companies (NSCs) represent the main interface between the dealer network and Volvo Cars. Dealers and sales companies exchange views and information on an ongoing basis, providing us with valuable information on the dealers' situation and the specific conditions of the local market. In many markets, the dealer network is also represented by a dealer/NSC forum where dealers may present their views to the NSC on key issues, such as dealer agreements and standards. Most issues are dealt with by the NSC, with headquarters being brought in if necessary. Headquarter functions are also indirectly involved in many issues, such as standards. We participate in a syndicated study known as the Dealer Satisfaction Survey, which reports independent information on dealers' opinions regarding manufacturers and the support they provide. The results of this study may not be disseminated outside the participating companies.

Suppliers

We have some 450 major suppliers of direct materials. All of these are important to us and we are anxious to maintain good relations with them. At present, much of our product development is carried out in cooperation with suppliers in joint projects. Daily liaison is essential if we are to understand our suppliers' expectations of us and vice versa. The negotiations preceding each new agreement with a supplier are also a major opportunity to exchange information and feedback. Another important interface involves our supplier open days, at which all suppliers can exchange information and establish contacts. Volvo Cars was founded in 1927 and some companies have been suppliers throughout our history. We value long-standing relationships and prefer to have one main supplier for each component area.

Owners

As sole owner of Volvo Cars up until August 2010, the Ford Motor Company was a major influence on the company. Since August 2010 Zhejiang Geely Holding is the sole owner of Volvo Cars. Many interfaces exist between the parties in terms of overall strategic issues and joint projects. The Ford Motor Company, as well as Zhejiang Geely Holding, evaluate Volvo Cars' performance in both financial and non-financial terms through the Board of Volvo Cars. The Ford Motor Company's corporate governance rules applied to Volvo Cars until August 2010. Since the shift in ownership, Volvo Cars acts as an independent company with separate corporate governance rules.

Local community

In communities where we are major employers, we hold regular meetings with local representatives. We inform them of our plans and learn how the community seeks to develop. We also assess opportunities for cooperation.

Non-profit organisations and authorities

Volvo Cars is represented in a large number of groups and organisations pursuing or monitoring various issues at local, regional and national levels. For Volvo Cars, sustainability reporting is a way of demonstrating transparency and engaging in dialogue with stakeholders. The reporting process provides an annual opportunity for discussion, evaluation and reflection, supporting our efforts to develop our business sustainably.

Volvo Cars maintains an ongoing dialogue with authorities on various issues that might impact operations, such as the environment and safety, and has, for example, initiated long-term cooperation with the Swedish National Road Administration.

4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to these, including through its reporting

Our latest materiality analysis was performed in 2009, involving both internal and external stakeholders. Internally and externally the highest priority was given to climate change related issues such as fuel efficiency, alternative fuels and product development. Besides climate change, other highly important issues were safety and corporate governance. Consequently, these areas are given high priority in our sustainability work and communication. The materiality analysis also revealed that our stakeholders do not consider any aspect of sustainability unimportant. The overall conclusion is that sustainability as a whole matters greatly to Volvo Cars' stakeholders. www.volvocars.com/intl/top/about/corporate/volvo-sustainability/pages/shareholder-assessment.aspx

Other important issues according to our most important stakeholders are listed below (ranking in order of priority):

- Exhaust emissions
- Economic performance
- Working conditions – suppliers
- Stakeholder engagement
- Quality
- Materials use and waste
- Emissions from production
- Supply chain management
- Public affairs and lobbying
- Corruption and bribery
- Occupational health and safety
- Emerging markets development
- Labour/management relations
- Sales
- Workforce training and benefits

MANAGEMENT APPROACH

GENERAL SUSTAINABILITY AND ECONOMIC

For Volvo Cars, sustainable development means seeking to establish a balance between the needs of the company, its customers and future generations. Though Volvo Cars is a relatively small company, our brand is global and so is our influence. Consequently, our business objectives and sustainability commitments should feed into each other.

Volvo Cars was a wholly-owned subsidiary of the Ford Motor Company until August 2010. Since August 2010 Volvo Cars is a wholly-owned company of Zhejiang Geely Holding. The Volvo brand name is the property of Volvo Trademark Holding AB, which is jointly owned by Volvo Cars and AB Volvo (the Volvo Group).

Our behaviour in society has an influence on how our company and brand are perceived and, by extension, on demand for our cars. People have high expectations of Volvo Cars in terms of environmentally and socially responsible behaviour. Competition is tough, not only for customers, but also for skills. We know that a good reputation makes it easier to recruit and retain personnel.

We also know that an understanding of the long-term challenges facing society is a force for innovation and generates business opportunities. Our decision to commit actively to sustainability is based on the conviction that this will reinforce our competitiveness in both the short and long term. Ultimately, we realise that our stakeholders determine how well we live up to our responsibility. They determine our success by buying our products, working productively and doing business with us.

Goals and performance

The Volvo Cars' Scorecard, which presents our performance relating to our key performance indicators, is presented in the very beginning of our GRI Report as well as at www.volvocars.com/sustainability

Our responsibility

Our responsibility may be described in terms of our three most important roles – those of car-maker, global company and local player. In each of these, we seek to apply our company philosophy and core values of safety and environmental care. These values define our brand and living up to them defines us as a company.

Responsibility as a Car-maker

As a car manufacturer, we provide personal transport solutions that benefit individual freedom and wellbeing, as well as contributing to socio-economic development. However, Volvo Cars also contributes to negative mobility issues, such as congestion, noise and air pollution. It is our responsibility to do our best to minimise the negative impact of our products through sustainable business strategies.

We have a long tradition of developing systems and functions for our cars that have benefited society in general. An important step in 2010 was the introduction of the new safety system 'Pedestrian Detection' with full autobrake, now included in the all-new Volvo S60 and V60 and also became available in Volvo XC60. The unique system prevents collisions with pedestrians or, at higher speeds, reduces the consequences of an accident. The Lambda sensor (a three-way catalytic converter) and the three-point seat belt are Volvo Cars inventions that have become standard in cars worldwide.

Responsibility as a global company

The reputation of the Volvo Cars brand is one of our greatest assets. It helps us attract expertise from around the world and source the best components to build the highest quality cars. Our supply chain and dealer network provide us with global coverage. As a result, our global responsibility extends to everything that we buy and sell. Through systematic efforts, we seek to ensure that both we and our partners live up to high standards – regardless of geographical location.

Volvo Cars' commitment to these issues can be seen in the stringent policies in our supplier agreements with regard to environmental controls, the treatment of staff and human rights. Volvo Cars was also one of the first companies to join the

United Nation's Global Compact, an international initiative on corporate standards for human rights, labour conditions, environmental protection and anti-corruption measures.

Responsibility as a local player

Our employees, the communities in which we operate and local authorities are our most important local stakeholders. As an employer, we have a responsibility to offer a safe and healthy work environment. We achieve this through systematic efforts on Health and Safety, by sharing knowledge and by carefully considering the social and environmental impact of purchasing, production and distribution.

Local environmental impact is an issue that Volvo Cars takes very seriously. All of our production facilities are certified according to the ISO 14001 environmental management system. Examples of environmental measures at our production plants include on-going work to enhance energy efficiency and switching to electricity from renewable resources.

Examples of ways in which we identify key issues in our role as a local player include our employee attitude survey, dialogues with the local community, and cooperation with local authorities.

Our philosophy

As the responsibility of every manager and employee, sustainability is based on our company philosophy and on company-wide guidelines. Above all, it is a mindset whereby we as individuals consider the social and environmental consequences of our day-to-day decisions.

Our company philosophy requires us to act in an environmentally and socially responsible manner. Among other things, this means we must:

- be a reliable employer and business partner;
- take environmental and social issues into account in purchasing, production and distribution;
- create employment;
- contribute knowledge;
- be honest, transparent and active within the communities in which we operate.

Our organisation

Needs and expectations regarding corporate behaviour vary with time. Thus, we need to take an operational approach to sustainability. In operational terms, business planning forms the base on which we manage our activities. Issues of environment, personnel, safety, purchasing, diversity, etc. are planned and monitored according to the structures, policies and guidelines in our Business Management System. This means that results are communicated to the employees concerned in the course of their ordinary work. The workforce as a whole is kept up-to-date on the company's programmes through articles in our in-house magazine Agenda, the CEO's newsletters, direct email communication towards managers as well as the managers' responsibility to communicate with their teams. The overall situation is described annually in this report as well as the Corporate Report with Sustainability.

Volvo Cars' executive management team consists of 13 members representing all sections of the value chain and certain support functions. A number of councils have been established at the overall company level to monitor and pursue issues related to sustainability.

At the operational level, the appropriate officer or function (e.g. the Health and Safety Director or the Diversity Vice President, etc.) is responsible for ensuring that relevant issues are discussed at the level at which decisions on strategies, goals and actions can be taken.

Our policies

Our decisions in the area of sustainability are supported by a number of company policies. Central among these are the policies on environmental care, discrimination and harassment in the workplace, the working environment, and bribery and corruption.

The quality, safety and environment policies were all updated in 2006, and Volvo Cars has, after being sold to Zhejiang Geely Holding, started to develop a new Code

of Conduct, which will be implemented in 2011. The Ford Motor Company Code of Basic Working Conditions applies to Volvo Cars until the new document has been finalised and approved.

In 2005, we implemented the Ford Standard of Corporate Conduct, which includes the Ford Motor Company Policy Letter No. 3, which details the rules governing what gifts an employee may accept, as well as rules on insider information. Volvo Cars has, since the transition of ownership from Ford Motor Company to Zhejiang Geely Holding, continued to apply these rules. Volvo Cars' Code of Conduct, which will be implemented in 2011, will also be covering these areas and topics.

As a wholly-owned subsidiary of the Ford Motor Company, until August 2010, Volvo Cars was subject to, and acted in accordance with, the Ford Motor Company's Business Principles. Since August 2010, Volvo Cars has continued to act in accordance with the principles laid down under the ownership of Ford, but is gradually reviewing and adjusting the guiding documents, such as the Code of Conduct and similar.

Business partners

Based on the principles of the UN Global Compact and the Ford Motor Company Code of Basic Working Conditions, our vision is that good working conditions shall prevail and that human rights shall be respected throughout our value chain. Volvo Cars' approach to suppliers on business and social issues was governed by the Ford Motor Company until August 2010, and continues to be until Volvo Cars' own Code of Conduct is finalised and implemented. Our suppliers' compliance with guidelines and principles represents part of our ongoing collaboration. Individual reviews and inspections are used to follow up compliance. To ensure that our business partners act in accordance with international human rights principles and our own purchasing policy concerning deliveries and social responsibility, we have developed instruments for communicating goals, for review and for corrective action.

MANAGEMENT APPROACH ENVIRONMENT

Goals and performance

The Volvo Cars' Scorecard, which presents our performance relating to our key performance indicators, is presented in the very beginning of our GRI Report as well as at www.volvocars.com/sustainability

Strategy, policies and focus areas

During 2010, Volvo Cars developed a new Environmental Strategy including both Operations and Product. The strategic areas in the Environmental Strategy are to be seen as Volvo Cars' Environmental aspects. There is an annual review process to keep the Environmental Strategy an updated and living document. In addition to the Environmental Strategy, Volvo Cars also has an environmental policy in place.

Focus areas for Operations are:

- Zero environmental accidents
- Water conservation and water emission performance (water footprint)
- Climate neutral operations and energy efficiency
- Emissions to air
- Waste management
- Sustainable transports

Example of actions within strategy areas during 2010:

Zero environmental accidents

- Risk analyses performed at all sites

Water conservation and water emission performance (Water footprint)

- Research on water footprint for car industries (Masters thesis)

Waste management

- Thorough investigation and development of a new waste management system at all sites.

Energy and resource efficiency

We shall strive to cut emissions of carbon dioxide and use of resources by:

- increasing our use of recycled and renewable materials;
- improving energy efficiency and minimizing the production of waste in all of our operations.

Focus areas relating to our products are:

Energy and resource efficiency:

- Continually improving fuel efficiency,
- developing alternative power trains and alternative fuel vehicles;

Health-related technologies

Health and environmental risks associated with personal mobility shall be reduced by:

- developing emission control systems to reduce the impact of Volvo Cars' vehicles on air quality;
- minimising the use of materials harmful to human health or the environment;
- avoiding asthma-inducing and allergenic substances in our car interiors;
- minimising, as far as practically possible, emissions to air, water and soil from our manufacturing units.

Operational responsibilities

The CEO is the most senior position with environmental responsibility from both product and operation perspective.

Senior Vice President, SVP Manufacturing is appointed the Management representative for Environmental issues within our operations.

Product-related issues are governed by the Product Board. Headed by Senior Vice President Research and Development and the Senior Vice President Product Strategy and Vehicle Line Management.

Training and awareness

Volvo Cars strives to make environmental issues a natural part of all relevant training and educational initiatives within the company. For example, there is a specific part of the competence development program relating to environmental issues, that all employees who are training to become production team leaders participate in. Another example is the handbook for sorting waste (Källsorteringshandboken) that has been produced by Volvo Cars and made available at the production plants to support the employees in handling and sorting waste correctly. The expert competence within specific environmental issues is continuously kept up to date.

Monitoring and follow-up

Environmental objectives and action plans

The strategic areas in the Environmental Strategy are to be seen as Volvo Cars' Environmental aspects. There is an annual review process to keep this an updated and living document.

Our environmental objectives stem from a business planning process that briefly entails the following:

- An analysis of global trends and a review of input from key stakeholders, helping to identify focus areas.
- An annual review of the environmental strategy.
- Coordination with other core values and Volvo Cars' business agenda, indicating key business issues.

Environmental objectives and action plans are followed up in the line organisation and are regularly reported to the management environmental representatives for product and operation. Every step in the above business planning process affecting the environment must be agreed on by the management environmental representatives for product and operation.

Compliance

The Director of Environmental Protection monitors compliance by Volvo Cars' plants worldwide with applicable environmental legislation.

Procedures related to monitoring and corrective and preventive actions Volvo Cars has developed a risk analysis process in order to prevent the occurrence of environmental risks. According to this process regular risk analyses are performed at all areas where environmentally hazardous activities are carried out (according to the definition in the Swedish Environmental Code).

Volvo Cars has a program for internal audits concerning the environment, the operational management system and legal compliance as well as dangerous goods, to monitor our operations and thus find scopes for improvement.

Environmental management, ISO 14001 and environmental audits

Volvo Cars has been ISO 14001 certified since the early 1990s. Volvo Cars requires all suppliers to be certified according to ISO 14001. As required in the ISO 14001 standard Volvo Cars has a Business Management System (BMS) where a description of how Volvo Cars manages and runs the business is documented. Every year an external auditor performs audits on the entire Volvo Cars organisation to ensure that the standards are met.

External Audits are conducted to achieve the following:

- Verify that the organisation understands and complies with the BMS.
- Verify that the work methods and the documents constituting BMS fulfil the requirements of our customers, owners, employees, suppliers, authorities and other stakeholders.
- Ensure the efficiency of the internal audit process and the management review.
- Identify improvement opportunities.

Internal audits are conducted to achieve the following:

- Verify conformance with the BMS.
- Identify improvement opportunities.

Environmental management among suppliers

All production-related suppliers must possess environmental certification under ISO 14001, verified by a third party. The few suppliers who have not commenced the certification process are subject to severe restrictions in terms of contract renewal and new orders. Volvo Cars also requires all suppliers to report materials and production material weights. Reporting in accordance with the International Material Data System (IMDS) enables both Volvo and its suppliers to comply with the conditions of the End-of-Life Vehicle Directive. Components manufactured by independent suppliers account for around 70–75 percent of the value of our cars. Since these components are used to make Volvo Cars' products, a supplier's ability to manage environmental issues is an important consideration.

Risks and opportunities

Climate change is a considerable threat to our planet. At Volvo Cars, we are committed to being part of the solution by lowering emissions from our products and production processes. Climate change and its consequences have a great impact on policy, regulations and consumer demand. Increased awareness and concern among consumers about the climate change, combined with volatile fuel prices, have led to greater consumer interest in more fuel-efficient vehicles. Consequently, sales of small vehicles and those using alternative fuels have risen. This trend entails obvious risks for Volvo Cars, which operates in the premium segment. However, it is our ambition to offer the most fuel-efficient option within this segment. We are working actively to develop new and innovative models to satisfy changing demands and preferences.

Regulations are also growing stricter. Proposed EU regulations would limit emissions by all new cars to no more than 130g CO₂ per kilometre from 2015, with phase-in requirements from 2012. This is a tough challenge for Volvo Cars. However, the new regulatory landscape will enhance motivation to develop groundbreaking technology.

Another risk in the context of climate change is the potential loss of investment capital due to socially responsible investors shifting away from CO₂-intensive industries. Other possible scenarios involve physical damage to sites and production interruptions caused by more extreme weather conditions.

On the whole, changing conditions pose several risks for Volvo Cars. These will inspire us to develop innovative solutions and products, opening up new opportunities for both our company and for our customers.

MANAGEMENT APPROACH LABOUR PRACTICES AND DECENT WORKING CONDITIONS

Goals and performance

The Volvo Cars' Scorecard, which presents our performance relating to our key performance indicators, is presented in the very beginning of our GRI Report as well as at www.volvocars.com/sustainability

Policies

Volvo Cars' policies on labour practices and decent working conditions concern discrimination and bullying in the workplace and the working environment, see below.

Work Environment Directive (policy)

1. Summary

The Work Environment Directive describes the valid work environment policy within the company.

2. Purpose

Volvo Cars is a company which, with the active support of its management, focuses on environmental issues with the aim of improving the work environment and health and safety. The aim is that any work the company does should be characterized by respect for human beings and by employee empowerment with the opportunity for constant development. Employee empowerment is an active relationship in every situation. It involves taking responsibility for oneself and for the good of every member of staff. In order to do this, the employees need to be aware of the operating conditions, feel involved in their work and have clearly-defined areas of responsibility and authority. This results in greater commitment, while helping to enhance quality, productivity and profitability and guarantee the company's survival and job opportunities. Volvo Cars' products are renowned for their quality, safety and environmental concern and in these areas, we aim to be world class. It is also the company's aim to attain world class when it comes to the health and safety of its employees.

3. Concerned

The document applies to all employees within Volvo Cars, (including subsidiaries globally).

4. Directive

4.1 Responsibility

The responsibility of managers and other members of staff must be defined, approved and known. Any delegation by managers to staff members must be documented. Every member of staff must assume personal responsibility for matters relating to health, the work environment and safety. Everyone is obliged to follow all instructions and routines and to be on the alert for possible safety risks and ensure that they are eliminated.

4.2 Quality assurance – internal control

There must be effective systems for handling work environment issues in an active, satisfactory manner in line operations. In matters relating to the work environment, the company must be at the forefront when it comes to complying with the authorities' internal control requirements. Every employee must take into account international guidelines and standards for the work environment and external environment in his/her work.

4.3 Work environment programmes

Plans of action and objectives for the work environment must be approved by the work environment/industrial safety committees organised in the line organisation. Processes, products and working methods which reduce the load on the individual and the environment are to be given precedence over other alternatives. Special attention is to be paid to the work climate, management issues, group interaction and psychosocial questions so that problems can be dealt with at an early stage. The focus should be on prevention so that suitable action can be taken at the earliest opportunity.

4.4 Job adaptation and rehabilitation

The company will work to counteract the exclusion of people from the labour market and to prevent employees being sick-listed on a long-term basis. Adopting a holistic approach to the way staff are recruited, introduced and trained to create a good work environment, produces workplaces which are characterized by care and involvement. This means that managers, employees and trade union representatives feel that they are responsible for helping to adapt jobs and implement rehabilitation programmes at an early stage. Every unit is to have guidelines and support routines in the form of handbooks and documentation. The line organisation is to draw up objectives and plans of action and managers are to follow up the rehabilitation of every individual. The training of key persons in this area takes place continuously.

4.5 Company health care

Company health care is an important resource with unique expertise which must be utilised. Company health care must focus on adapting the work to human abilities and needs and work at company, group and individual level using a holistic approach with the emphasis on prevention and providing support when it comes to rehabilitation. Company health care and fitness programmes should include activities to stimulate good health and make employees aware of the value of influencing their physical and mental health through their own strength and training.

4.6 Future work environment

The company is to work towards long-term plans, follow developments in its spheres of operation and utilise new research and development findings when it comes to the work environment. The company is to follow, and whenever necessary assist in, the work that is done by the authorities on different types of laws and standards, and be prepared to participate in general studies and analyses. When it comes to technological development, the automobile manufacturers are well in the forefront but Volvo Cars' strength and competitive edge is the knowledge that quality cars are built by people with a real commitment, working in a good environment. Focusing on the employees' environment and development as well as the relationship with the external environment, will make it possible to create real harmony and a secure future at Volvo Cars.

Harassment at work directive

1. Summary

This document describes the directive 'Harassment at work'.

2. Purpose

The purpose of this document is to ensure that all employees know that Volvo Cars will not tolerate any instance of harassment at work. The document also describes the responsibility of managers and employees in this context and what to do if harassment at work has occurred.

3. Concerned

The document applies to all employees within Volvo Cars, (including subsidiaries globally).

4. Directive

4.1 General

Volvo Cars will not tolerate any instance of abusive discrimination against anyone within the company. According to the company work environment directive its goal is "that all work within the company is to be characterised by respect for all humans and by cooperation with opportunities for continuous development."

All "medarbetare", which is a Swedish expression for active and constructive employees, must abide by the company philosophy, which states that abusive discrimination is not acceptable. Showing respect for our fellow humans and staying informed about relevant laws provides us with a framework for good ethics and proper moral standards for dealing with others. It is also important that all "medarbetare" discuss abusive discrimination and its consequences to the individual, to the team and to the organisation. This directive must be considered a governing document.

4.2 Responsibility

"The employer must plan and organise work in a manner which, as far as possible, prevents the occurrence of abusive discrimination." It is also the responsibility of every employee to actively oppose all abusive discrimination at the work place.

4.3 Definitions

According to the law, abusive discrimination is "recurring deplorable or negatively charged actions aimed at individual employees in an abusive manner, which may result in these individuals becoming ostracised from the work place community." These acts may have been carried out by employees or by employers themselves, or any of their representatives.

The following are some examples of abusive discrimination:

- slander or defamation of an employee or his or her family,
- deliberately withholding work-related information or providing misleading information related to work,
- deliberate sabotage or making work more difficult,
- obviously insulting, ostracising, boycotting or disregarding the employee,
- persecution of various kinds, including threats and the instilling of fear, degradation, sexual harassment,
- deliberate insults, exaggerated criticism, or negative treatment or attitudes (ridicule, anti-social behaviour, etc.),
- monitoring the employee without his or her knowledge and with malicious intent,
- degrading "administrative punitive sanctions" which are suddenly directed against an individual employee without any basis in fact, explanation or attempt at jointly solving a possible fundamental problem. The sanctions may, for instance, take the form of groundless withdrawal of use of office space or duties, unexplained transfers or overtime demands, and obvious obstructions in the processing of applications for job training or leave of absence.

4.4 Quality assurance – internal audit

The company must have established procedures within the organisation/unit, which will provide early warning of unsatisfactory working conditions and remedy these. In addition, there should be procedures for identifying problems in work organisation or an unsatisfactory state of affairs in working together, which may give cause to abusive discrimination.

If there are signs of abusive discrimination corrective actions must be taken immediately with subsequent follow-up. In connection with this, an investigation must be made into whether the way the work is organised may have contributed to the problem. Any employee who has been subjected to abusive discrimination must be given immediate help and support. The employer must have special guidelines for this situation.

Abusive discrimination must always be investigated. Responsibility for this rests with the manager or supervisor. The results of the investigation may lead to disciplinary actions. In development chats and in daily work, special attention will be paid to the work climate, management issues, group coordination and psychosocial questions. This policy will take into consideration and reflect EU guidelines and standards regarding abusive discrimination.

4.5 If abusive discrimination has occurred

To obtain help and support contact:

- the immediate supervisor/manager
- the human resources department
- a trade union organisation
- the company health service
- a person one particularly trusts
- a public health doctor or nurse, psychologist or similar professional.

All the above are ethically and morally sworn to secrecy. The company health services must be operated in accordance with scientific and well-tested experience. Their personnel are subject to the same secrecy requirements as the corresponding staff in the public health services.

4.6 Volvo Cars an attractive place to work!

Volvo Cars is a company that views the different skills, experience, ages, gender, and nationalities of their people as an asset. By utilising these differences we can cope with the constant changes within and without the company. Volvo Cars represents reliability, safety, respect for the individual, and the world in which we live. With a secure work environment we can live up to these standards.

Organisational responsibility

The most senior position responsible for labour practices and decent working conditions is the Senior Vice President Human Resources. In Sweden the basic rule is

that every citizen (and resident) is aware of, and follows, the laws, ordinances and regulations that affect his/her own organisation. In a legal case, not being aware of an applicable regulation is not considered as an extenuating circumstance. The employer bears the ultimate responsibility that the work environment will not pose a risk of ill health or accidents to employees, and that the working environment is generally good. This means protecting employees' health by preventing the risk of accidents, work-related ill health, etc.

The employer must carry out suitable, structured working environment jointly with employees; including work adaptation and rehabilitation efforts. Safety officers function as representatives of the employees and must work to promote a satisfactory work environment.

Employees participate in work environment matters by, for example, reporting risks, ill health, accidents and potential accidents. This can lead to remedial actions and provides feedback on measures. It is important that employers reach agreement with employees as to how joint action can be achieved on working environment measures. This could entail workplace meetings and joint assessment of the working environment.

The safety officer, a union representative, is involved in the planning and implementation of measures. This involves studying working conditions, planning remedial actions and conducting an annual follow-up. The safety officer is a vital project resource and an agent of change, and must take part in the initial stages of such measures.

Corporate health and safety comprises a professional resource within Volvo Cars to secure prerequisites for legal compliance and Volvo Cars' ambition within the area, primarily preventive measures. These may include investigations, risk assessments, proposals for remedial measures and personnel training. Each division within Volvo Cars is required to employ a health and safety specialist to coordinate and manage its health and safety efforts including those of the Work Environment Committee. In addition, the company contracts an external health service company with medical and technical professionals who assist with surveys, assessments and advice.

Organisation

The Work Environment Committee has 12 members and meets at least four times per year. It includes representatives of the company and employee organisations. The committee's mission is to develop the company's working environment policy and to ensure compliance. The council shall also encourage the line organisation to develop goals and action plans in the area. It shall also work to enhance cooperation within the company and the industry.

The Safety Review Board (SRB) has full management authority to review and take decisions on all aspects of health and safety within its purview. The intention is to standardise this forum as a management safety tool throughout Volvo Cars. As such, it complements the Work Environment Committee. The Safety Review Board meets once a month. The standing items on the agenda are:

- review of serious incidents,
- review of safety Key Performance Indicators (KPI),
- identification and sharing of best practice.

Safety Review Board meetings are held at two levels, the unit/shop level and site/plant level. Unit/shop meetings provide a preparatory forum for site/plant Safety Review Board meetings.

The Global Diversity Council

To better integrate diversity work into the company's operations, a Diversity Champion has been appointed for each business area in the company. The Global Diversity Council consists of eleven Diversity Champions and meets bi-monthly. Chaired by the Diversity manager, the role of the council is to pursue diversity issues within the company and support the Volvo Cars' diversity efforts, focusing on concrete actions. The steering group consists of the Diversity manager and representatives from the management team, who meet four times a year with the aim of securing continuous improvement of diversity work.

Training and awareness

To complete a task successfully, anyone undertaking that task must have the necessary knowledge and experience. In addition to skill, a sufficient knowledge of working environment issues is also required. The employer shall ensure that those assigned these tasks have sufficient knowledge about the regulations that apply to

the working environment and the physical, psychological and social circumstances that may entail a risk of unhealthy consequences and accidents. They should also be knowledgeable on measures for the prevention of unhealthy situations and accidents and should work to promote a satisfactory work environment.

Within Volvo Cars' basic work environment, training and supplementary training is offered to safety representatives and first line managers. Middle managers are offered two days of working environment training and top managers a half-day introduction.

During 2010, Volvo Cars has carried out a number of trainings for our employees. Approximately 75 people participated in a training program for new managers, which included courses on diversity, discrimination law and psychosocial work environment. All managers within Volvo Cars Manufacturing, Torslanda have also attended courses on anti-harassment during the year. During 2010, Volvo Cars launched a diversity training course for all managers, project leaders and communicators. The full diversity training concept will be rolled out in 2011.

Monitoring and follow up

Management system

Volvo Cars has a management system for systematic work with, and follow up of, working environment issues (OHSAS 18001).

The green cross

The tool, the Green Cross (GC), provides a visual means for following up workplace injuries. This is based on the instructions detailed in our "Work Environment Incident Reporting Investigation" document. The tool consists of a cross, divided into 31 squares corresponding to the days in a month, and a map of the work area. Work injuries per day are marked on the cross. Locations of work injuries and near misses are marked on the map.

The intention is to show at a glance the number of accidents and near misses at a unit. The tool can be used at all levels and departments within the unit. The overall purpose is to ensure that the risk of workplace injuries is minimised through investigations, preventive actions and reporting. The tool can be used by all units within Volvo Cars.

Unit managers decide where the tool is to be implemented within their units and are responsible for implementation and ensuring that the tool is used in accordance with the instructions. Managers at this level who have decided to use the Green Cross are responsible for keeping the tool updated and for following up measures and results. The status of incident reports (number of incidents, number of open and closed investigations) is tracked at daily or weekly Green Cross meetings and/or once a month as a Key Performance indicator.

All open incident investigations must be kept available close to the map of the work area. Investigations shall not be removed and filed until they have been closed. Closed workplace injury/ near miss investigations shall be managed in accordance with the instructions.

Volvo Attitude Survey measures

Diversity and harassments are followed up in accordance with Volvo Attitude Survey (VAS) measures, a regular employee survey. The most recent VAS was conducted in 2010. A new part of the VAS is a diversity and inclusion index, which measures each manager/team on manager inclusion, team inclusion, team gender balance, team age balance and balance of origin.

Additional contextual information

Key successes and shortcomings

Sick leave among Volvo Cars' employees in Sweden and Belgium has been falling slowly but steadily over the past few years. In 2010 we recorded the all-time low figure of 4.5 percent sickness absenteeism.

We will also continue to monitor work-related accidents carefully and to follow up all injuries, working to achieve improvement and avoid future occurrences. In 2010, we reached a result of 0.6 LTCR (the number of injuries resulting in at least one day of sick leave per 200 000 hours worked).

Diversity issues have a high priority at Volvo Cars. There is a trend towards better gender balance in leading positions, with the proportion of women in leadership positions increasing from 12 percent in 2002 to 19.6 percent by the end of 2010. The new diversity plans were implemented in 2010 (valid for 2010–2012) and included a series of activities to accelerate the progress towards increased diversity and to utilize the diversity within the company. For example, an extensive training

programme for managers started in 2010 and will continue during 2011 and early 2012. The diversity and inclusion index was implemented in the attitude survey 2010 and will give measures on both diversity and inclusion.

Risks and opportunities

The car industry is highly competitive and mature. This necessitates a high level of efficiency which, in turn, exerts pressure on employees. Effective efforts to ensure the health and well-being of employees are therefore crucial.

MANAGEMENT APPROACH HUMAN RIGHTS

Goals and performance

The Volvo Cars' Scorecard, which presents our performance relating to our key performance indicators, is presented in the very beginning of our GRI Report as well as at www.volvocars.com/sustainability

Volvo Cars is aware of its social responsibility and strives towards always combining business advantages with social and environmental responsibility. Respecting and honouring human rights are an important part of Volvo Cars and its operations. The provisions and guidelines on human rights that guide the operations of Volvo Cars are also expected to be followed by Volvo Cars' suppliers and dealers, as well as all other representatives that conduct business on behalf of the company.

Since the change of ownership of Volvo Cars in August 2010, Volvo Cars started the process of developing a Code of Conduct for employees, suppliers, dealers and representatives that conduct business on behalf of the company. The Code of Conduct was approved by the Board February 22, 2011, and up until that date the code and procedures that Volvo Cars had under the ownership of Ford Motor Company was still in place. The new Volvo Code of Conduct summarises the philosophy and guidelines that apply generally to our global operations. The Code of Conduct rests on international conventions for Human Rights and Labour rights as well as international guidelines for multinational companies. More specifically the Code of Conduct is set out to follow the content of following conventions, laws and guidelines:

- The eight core conventions of the UN agency International Labour Organisation: Child Labour (138 and 182), Forced Labour and Compulsory Labour (29 and 105), Equal Remuneration and Discrimination (100 and 111), Freedom of Association and Collective Bargaining (87 and 98)
- The ten principles of Global Compact
- The Universal Declaration of Human Rights
- UN Convention on the Rights of the Child
- OECDs guidelines for multinational companies

Diversity and equal opportunity

Volvo Cars recognizes diversity and inclusion as a value for its business and is committed to equal opportunity in employment. Our hiring policies and practices require that there be no discrimination based on gender, ethnicity, religion or other belief, political opinion, disability, sexual orientation, age or other characteristics protected by applicable law. All employees of Volvo Cars, as well as those who do, or seek to do business with the Company are expected to honour the Company's non-discrimination values. One important principle in our commitment to having a diverse and inclusive work place is the Company's zero tolerance towards harassment. All employees shall treat each other with dignity, respect and courtesy, regardless of any of the above stated characteristics.

Freedom of association and collective bargaining

Volvo Cars recognizes the right of all employees to form or join associations of their own choosing, and to bargain collectively. Volvo Cars does not accept disciplinary or discriminatory actions from the employer against employees who choose to peacefully and lawfully organise or join an association. The Company shall respect voluntary organisation by, for example, allowing the collection of union dues on Company premises, posting of trade union notices, distribution of union documents, and provision of office space.

Child labour

Child labour is not accepted in any of Volvo Cars' businesses. Volvo Cars does not accept the use of child labour by any supplier, dealer or subcontractor. In no event will the Company employ any person below the age of 15 unless this is part of a governmental-authorized job training or apprenticeship program that would be clearly beneficial to the persons participating.

Forced labour

Forced labour is not accepted in any of Volvo Cars' businesses. Volvo Cars does not accept the use of forced labour by any supplier, dealer or subcontractor. Volvo Cars shall not engage in or support the use of forced labour, nor shall any employee be required to deposit identity papers when commencing employment with the Company. Volvo Cars shall guarantee that all working conditions comply with all statutory requirements.

Compensation

Wages and benefits shall always be fully comparable with legal or industry standards. Information on wages and benefits shall be available to employees in accordance with applicable law.

Health and safety

Volvo Cars and its business partners shall provide and maintain a safe and healthy work environment that meets or exceeds applicable standards and legal requirements. Safety should always be one of the most important factors in any decision.

Working hours

Volvo Cars shall comply with national legislation on working hours.

Indigenous population

Volvo Cars shall consider concerned indigenous people among our stakeholders in our business operations. We will openly and honestly engage with all recognized members of our stakeholder community who have an interest in our activities.

Supply chain

Volvo Cars' suppliers and their performance play an important part for the company and its ability to deliver to customers and to meet targets. Approximately 70 percent (by value) of each car is procured from external sources. We have approximately 450 business partners producing components for our cars, and a further 3000 delivering other products and services. For efficiency and consistency, Volvo Cars coordinated its purchasing with Ford Motor Company, up until Zhejiang Geely Group Holding acquired Volvo Cars in August 2010. In 2003, Ford Motor Company started a global training and screening program which also included Volvo Cars' direct material suppliers. Up until 2009, a total number of 615 significant suppliers and contractors in 20 countries have undergone screening on human rights and approximately 1,500 suppliers and contractors have been trained within the program carried out by Ford Motor Company. No one of Volvo Cars' suppliers or contractors have been excluded or subjected to performance conditions or other sanctions as a result of a human rights screening.

The vision of Volvo Cars is that good working conditions prevail and that human rights are respected. Since the change of ownership of Volvo Cars' in August 2010, the company has worked out a strategy for the continued work with the company's supply chain and human rights. In the spring of 2011, Volvo Cars will launch a new supplier portal; a website that streamlines communication between Volvo Cars and its suppliers. The portal will among others provide the suppliers with information on Volvo Cars' requirements and expectations in the areas of environmental and social responsibility. A news tool on the portal makes it possible to quickly communicate news and important information to suppliers.

Volvo Cars reserves the right to conduct an audit upon advance written notice to all units producing goods or services for Volvo Cars, at any time. We also reserve the right to appoint an independent third party of our choice to conduct audits in order to evaluate compliance with our Code of Conduct.

Complaints and grievances practices

The Ford Motor Company and Volvo Cars has an established whistle-blower protocol to ensure that incidents are reported without fear of reprisal. All employees of Volvo Cars have a responsibility and are expected to report any non-compliance to the Code of Conduct to the appropriate representative within the Company, i.e. Human

Resources, Internal Control, Legal Department or Security Department. On Volvo Cars' website there is an Incident Reporting Tool available for reporting of unusual events and non-compliance. Volvo Cars has a policy of non-retaliation, which implies that retaliation is forbidden towards any employee who raises an issue honestly, or who cooperates in a Company investigation of an issue. All employees have the right to report any non-compliance anonymously.

Responsibility and implementation

Volvo Cars communicated and followed up the Code of Basic Working Conditions to all employees during 2010. The company will communicate and implement the new Code of Conduct and the company's requirement and expectations to its supply chain, employees, dealers and business partners during 2011. Volvo Cars is also a part of a collaboration with other automakers to seek a common approach to working conditions and human rights in the automotive supply chain.

All personnel must know and comply with all Company directives and legal requirements related to their work. However, governing law, labour contracts, and the application of special directives can vary around the world. For that reason separate regulations may apply that are specific for a country or region. If local law or labour contracts conflict with Company directives, then local law and labour contracts take priority. When necessary and appropriate, Volvo Cars establishes and complies with standards of our own, which may go beyond legal requirements. If national or international law, industry standards and this code address the same subject, the stricter regulation shall apply.

Organisational responsibility

The Senior Vice President Purchasing is responsible to support and manage social responsibility and environmental issues related to the supply chain. The Senior Vice President Human Resources is responsible for human rights issues concerning employees.

Training and awareness and monitoring and follow-up

At the end of 2010 Volvo Cars started an internal CSR Awareness Training for Purchasing employees that consisted of an introduction and background to sustainability and social responsibility, including a brief introduction to UN Global Compact. During the coming year Volvo Cars will also support its suppliers with training and capability building through a Global Training Program conducted in conjunction with other automakers. Starting in 2011, Volvo Cars will also begin evaluating its suppliers' adherence to the company's requirements and expectations by assessments and audits according to developed procedures.

MANAGEMENT APPROACH SOCIETY

In 2005, under the ownership of the Ford Motor Company, we implemented the Ford Standard of Corporate Conduct including the guiding principles within it. Since August 2010, Volvo Cars has continued to act in accordance with the principles laid down under the ownership of the Ford Motor Company, but is gradually reviewing and adjusting the guiding documents, such as the Code of Conduct and similar.

Goals and performance

The Volvo Cars' Scorecard, which presents our performance relating to our key performance indicators, is presented in the very beginning of our GRI Report as well as at www.volvocars.com/sustainability

Policies

Bribery and corruption

In 2005, we implemented the Ford Standard of Corporate Conduct which includes the Ford Motor Company Policy Letter No. 3 detailing the rules governing what gifts an employee may accept. The policy, which also deals with the treatment of insider information, is available online to all employees. The company's ethical code is captured in one sentence, "integrity is never compromised". Policy Letter No. 3 focuses on integrity, especially with regard to governmental sales, business relationships and

the use of company information. Policy Letter No. 3 provides the framework for our interactions with others, including suppliers, dealers and customers.

Public policy

The purpose of the directive below is, on the one hand, to outline how and to what extent Volvo Cars may look to its own self-interest in national political or social engagement and, on the other, how employees' political or social engagement shall be encouraged and supported. The directive is in accordance with Ford Motor Company's Policy Letter No. 13 further below. This directive concerns Volvo Cars. Due to the fact that the main part of the enterprise is located in Sweden, it includes how Policy Letter No. 13 more specifically applies to Swedish circumstances. The national specification may also serve as an example of how Policy Letter No. 13 applies to different markets.

Policy Letter No. 13 encourages all employees to be politically active citizens. Management is expected to stay informed on political issues related to the company and to represent the company in the handling of these issues. As a general principle, the company does not give financial support to political candidates or political organisations. All employees are however encouraged to engage in social activities as individual citizens. As a part of their responsibilities, managers are also encouraged to take active part in social organisations and activities.

Directive regarding governmental relations and civic affairs for Volvo Cars

Although Volvo Cars is subject to Policy Letter No. 13, there are certain difficulties in applying the letter to the company's circumstances. Each market must ensure that the intentions of the policy letter are met in accordance with national legislation.

Stakeholder dialogues

We believe in dialogue with others and therefore participate in various networks, seminars and conferences to hear the views of others and to inform them about our work. We also encourage interested parties to contact us through, for example our website at www.volvocars.com/sustainability or by e-mail to citizen@volvocars.com.

The main objectives of our stakeholder dialogues are to:

- obtain a better understanding of how stakeholders in a given region see sustainability issues evolving over the next 15 years and how this may affect the automotive sector and Volvo Cars,
- obtain external views on the future of different sustainability issues,
- build new relationships between Volvo Cars and leading opinion-makers.

Volvo Cars is represented in a large number of groups and organisations pursuing or monitoring various issues at local, regional and national levels. We also monitor developments within the EU through our presence in Brussels. For Volvo Cars, sustainability reporting is a way of demonstrating transparency and engaging in dialogue with stakeholders. The reporting process provides an annual opportunity for discussion, evaluation and reflection, supporting our efforts to develop our business sustainably.

Organisational responsibility

The most senior position responsible for issues related to corruption, public policy, anti-competitive behaviour and compliance is the General Council and the Senior Vice President Public Affairs.

Training and awareness

At least once a year, employees undergo training on issues of corruption, public policy, anti-competitive behaviour and compliance, through web courses or similar.

Monitoring and follow-up

The company implements internal policies on bribery and corruption, and public policy. At least once a year, all employees undergo training on issues of corruption, public policy, anti-competitive behaviour and compliance. These courses also cover to whom policy infractions should be reported. Managers are trained in how to handle and follow up any incidents in these areas. In addition, Volvo Cars has an established whistle-blower tool to ensure that incidents are reported without fear of reprisal.

MANAGEMENT APPROACH

PRODUCT RESPONSIBILITY

Goals and performance

The Volvo Cars' Scorecard, which presents our performance relating to our key performance indicators, is presented in the very beginning of our GRI Report as well as at www.volvocars.com/sustainability

Product responsibility is shared operationally between Research and Development and Quality. Company policies stipulate the company's responsibility to ensure adherence to procedures. Volvo Cars' goal relating to product safety is that in 2020, no one will be killed or injured in new Volvo.

Policies

Quality policy

In February 2010, Volvo Cars committed to our new Quality Policy. Adherence to this policy will assure that we continuously provide our customers with premium products and services of the highest quality, ensuring sustainable success. All Volvo Cars employees are responsible for establishing objectives and implementing actions based on this policy.

Volvo Cars' Quality Vision

In this policy, it is stated that quality is one of the core values of Volvo Cars which arises from the fact that our customers are why we exist and their satisfaction is essential for our success. The VCC Quality Vision is that "We consistently offer premium cars and services of the highest quality."

In the Quality Policy, we state our promise: "We design cars for a better life." If we are to be truly successful in the premium market, we need a sharp focus. In order to even gain the interest of the premium segment customer, we must get our basics right and deliver what our very demanding customers expect: premium quality, an unmatched customer experience, enjoyable driving dynamics.

Excellence in execution

In order to meet the tough challenges of the future, we cannot go on doing what we always have done.

- Our first action is to make sure the fundamentals are right. This means that 'good' is not good enough; everything we do must be excellent and be done with speed, accuracy and be fit for purpose.
- We base our decisions on facts and get things right first time. We have a customer and quality mindset and take a holistic view in everything we do.
- Process discipline helps us consistently deliver the premium quality our customers require. We deliver on our promises with personal accountability, knowing full well that each action is important to our internal and external customers. How we are standing by our word is crucial to our credibility as a company, as a brand and as a team.
- We are a learning organisation and accept good ideas that are 'not invented here'. Change is all around us. We need to change faster than the competition if we are to outclass them. Learning is also essential to continuous improvement, enabling us to identify and eliminate waste and free up precious resources to use them to further create value for the good of our customers and Volvo Cars.

Safety policy

Safety is one of Volvo Cars' core values. We work hard to stay at the forefront of the industry by taking an overall approach to safety, which has proven effective in real traffic situations. We consider numerous aspects of safety and continually develop them. We created intelligent and innovative solutions aimed at preventing accidents and minimising the consequences when they nonetheless occur.

This general approach has resulted in an extensive range of safe premium-class cars. All cars, accessories and relevant services must not only meet, but exceed, our customers' expectations when it comes to safety. Our broad in-depth knowledge is the foundation of our development efforts and derives from real traffic situations. We gain our knowledge from both internal and external sources, and apply it to develop advanced and intelligent systems. The objective is to warn drivers of potential

accidents and to take action when drivers are not able. Our know-how also allows us to effectively develop robust and protective designs.

Organisational responsibility

The Senior Vice President Marketing Sales and Service is the most senior position responsible for product and service labelling, marketing sales and service and for marketing communications. The most senior position responsible for customer privacy and compliance is the General Counsel.

Additional contextual information

Three dimensions of safety

We view car safety as an interplay between the car, the driver and the traffic environment. Consequently, we define safety in three dimensions:

- Preventive safety includes everything that minimises the risk of being involved in an accident. This includes supporting drivers by providing information, as well as systems that can take action in critical situations.
- Protective safety includes everything that minimises the consequences of an accident once it has occurred.
- Personal safety relates to the safety of both people and property.

Volvo Cars' heritage and guiding principle

Our safety work still fully echoes the intentions voiced by the company's founders – "Cars are driven by people". The guiding principle behind everything we make at Volvo therefore is, and must remain, safety. This is both our heritage and our guiding principle for the future.

PERFORMANCE INDICATORS

ECONOMIC PERFORMANCE

EC1 Direct economic value generated and distributed

After a couple of challenging years, Volvo Cars turned the negative trend in 2010 and increased sales by 11.2 percent as compared to 2009. In total, Volvo Cars sold 373,525 vehicles during the year. In China, sales increased by 36.2 percent and in Northern Europe by 29 percent. In the important U.S. market the downward trend continued and Volvo Cars sold 7,474 fewer cars than in 2009, which represents a decrease of 12.2 percent. The markets where the company is most successful are Russia, where sales increased by 54.5 percent compared with 2009, Belgium, where sales increased by 35.9 percent and Norway, where sales increased by 38.9 percent in 2010.

Increased sales contributed to Volvo Cars reporting a profit for the first quarter of 2010, and the positive trend continued throughout the rest of the year.

EC1 Total sales, revenues and profit before tax

	2010	2009	2008	2007	2006
Total sales (retail deliveries)	373,525	334,808	374,297	458,323	427,747
Revenue – excl. special items (SEK million)	113,100	95,700	95,120	121,620	122,076
Earnings before interest and taxes – excl. special items (SEK million)	2,340	-5,185	-9,493	-1,117	-296

EC2 Financial implications and other risks and opportunities for the organisation's activities due to climate change

Climate change is one of the greatest threats to our planet. It has an impact on society and the natural environment. It is clear that greenhouse gas emissions must be radically reduced. At the same time, society must adapt to the effects already caused. Currently, some 24 percent of global greenhouse gas emissions come from transport. About half of these are from road transport (according to IEA and OECD). To be environmentally sustainable, the vehicles of the future will have to be very economical and capable of running on renewable fuels.

Responding to the challenges of climate change is fundamental to Volvo Cars. The question is given highest priority and is addressed at the senior governance level. Reducing energy consumption and the dependence on fossil fuels is critical to Volvo Cars' survival.

For Volvo Cars, there is a number of different dimensions to the issue. Increased awareness and concern among consumers about the changing climate, combined with rising fuel prices, has led to greater consumer interest in more fuel-efficient vehicles. The vast scale of the climate change issue means that estimating its future effects and total financial impact on Volvo Cars is truly complicated. Potential economic risks to our business, affecting profitability, include increased raw material prices, rising oil prices and currency exchange fluctuations.

Limiting carbon dioxide emissions and curbing climate change is a tough challenge, not least for the automotive industry and a company like Volvo Cars. However, we are determined to meet this challenge and also expect other key players to contribute. Although our environmental improvements and efforts to reduce climate

impact focus mainly on vehicle development, they also encompass the environmental effects of our production facilities and logistics flows. Limiting climate change and making the best possible use of the Earth's resources will require innovative cooperation between all stakeholders – nationally and internationally. Climate change therefore poses a major challenge but also a great opportunity for technical development. We have a long tradition of developing systems and functions for our cars that have benefited society in general. The Lambda sensor (a three-way catalytic converter) and the three-point seat belt are Volvo Cars inventions that have become standard in cars worldwide.

Sustainable mobility can be defined as the ability to meet the needs of society to move freely, gain access, communicate, trade and establish relationships without sacrificing other essential human or ecological values today or in the future. At Volvo Cars we take the view that mobility should not be achieved at the expense of the environment or other social values. We include safety in our definition of sustainable mobility and our overriding objective is to develop cars that are both safe and environmentally sound.

ENVIRONMENTAL PERFORMANCE

EN1 Materials used by weight or volume

Our material usage is determined by the design requirements for each and every part in our cars. We use the global Restricted Substance Management Standard (RSMS) to prohibit substances toxic to human health or the environment. In addition to supplier reporting whereby the material content of all parts is detailed on a data sheet, dismantled parts are studied.

One of the overall goals in our work with product material is to reduce the total vehicle weight, partly because this lowers the fuel consumption and gives a reduction of the overall CO₂ emissions when the vehicle is in use. In this work, increased use of lightweight metals and composites materials is one approach.

The long-term strategy for how to reduce material intensity within the operations is to increase the amount of sustainable material, which is renewable and recycled content. To this extent, one of the efforts of Volvo Cars in 2010 was the development of the Advanced Engineering Woodfiber Door Module, which aimed to reduce fossil-based material in favour of renewable material.

A Volvo car, model S80, basically consists of the materials shown in tables EN1:1 and EN1:2 below.

EN1:1 Composition of a Volvo S80 (kg)

Total weight without fuel	1,661
Metals	1,258
Thermoplastic resin	183
Thermosetting resin	33
Elastomer	70
Glass pure	42
Liquids	36
Other	39

EN1:2 Composition of metals of a Volvo S80 (kg)

Al	167
Mg	7
Fe	1.04
Cu	27
Zn	2.5
Pb	13

EN2 Percentage of recycled input materials

In Europe, metals, oils, fluids, rubber and certain plastics corresponding to 95 per cent of the weight of a Volvo can be recovered. Recycled input materials are divided into metallic and non-metallic materials. A Volvo S80 consists of 16 kg recycled non-metallic materials (such as post-industrial plastics in wheel arch liners, the engine cover and sound absorbers). Metallic materials are reused; although the exact amount is not measured due to the complexity of the process.

EN3 Direct energy consumption by primary energy source

In our direct energy consumption, we use energy in the form of electricity, natural gas, diesel oil and petrol for direct production purposes. This energy is used to power machines, computers, lighting, tools, ovens and other equipment. Our indirect energy consumption is through purchased electricity and district heating for our facilities.

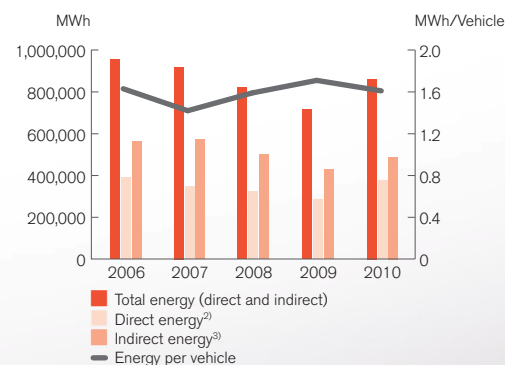
Volvo Cars has an overall target to continuously reduce our total energy consumption. This is done by a systematic work on the energy issue. Centrally, there is a person appointed responsible for Volvo Cars energy and climate change related issues. In addition to this, a person has been appointed responsible for energy issues at each local site. Her/his task is to coordinate all activities concerning energy related issues.

An inventory of the energy use has been performed at most Volvo Cars' buildings and operational processes. The inventory has been one step towards reduced energy consumption. To reach this level, remedy programs have been performed at several sites and there has been information campaigns to our employees on the importance of energy saving and efficiency. Check lists are to be used at team level, clarifying when and how to turn on and off the various equipments.

Our aim is to be climate-neutral, and we are getting closer each year. All the electricity bought and used by VCC in Europe origin from certified hydropower. Heating at large originates from waste heat and biofuel, via district heating. The remaining usage consists of natural gas/liquefied petroleum gas (LPG) that is mainly used for the painting furnaces. The transition from LPG and natural gas to biogas is planned to take place as soon as possible but at present there are no suppliers that can deliver the quantities we need.

During 2010, the total energy consumption from direct and indirect energy use increased. This is mainly due to unusually cold winter in northern Europe, drastically increasing our demand of district heating. Energy purchased for own consumption can mainly be linked to a more intensive vehicle production and Volvo Cars' increased number of produced and sold vehicles. While our total energy consumption increased, the energy consumption per vehicle decreased to 1.61 MWh/vehicle in 2010, compared to 1.71 MWh/vehicle in 2009.

EN3 Energy Consumption¹⁾



¹⁾ The Volvo Cars facilities included in the data are Volvo Cars Torslanda Plant (Gothenburg, Sweden), Volvo Cars Ghent Plant (Ghent, Belgium), Kuala Lumpur (Malaysia), Volvo Cars Skövde - Engines (Skövde, Sweden), Volvo Cars Floby (Floby, Sweden) and Volvo Cars Olofström - Body Components (Olofström, Sweden).

²⁾ Energy purchased for own consumption

³⁾ Purchased electricity and heating

EN3:1 Energy consumption in Volvo Cars' wholly owned plants (direct and indirect)

	2010	2009	2008	2007	2006
Total energy consumption, MWh	861,121	713,079	816,581	916,669	949,850
Of which indirect energy consumption, electricity and district heating account for:	486,781	429,204	497,458	517,080	561,481

EN3:2 Direct energy consumption in Volvo Cars' wholly owned plants by source (%)¹⁾

Energy source	2010	2009	2008
Coal	—	—	—
Natural gas	94	95	97
Oil/diesel/petrol	3	3	3
Renewables (biomass)	—	—	—
Renewables (non-biomass)	1	—	—
Other/Unspecified	2	2	—

¹⁾ The Volvo Cars facilities included in the data are Volvo Cars Torslanda Plant (Gothenburg, Sweden), Volvo Cars Ghent Plant (Ghent, Belgium), Kuala Lumpur (Malaysia), Volvo Cars Skövde - Engines (Skövde, Sweden), Volvo Cars Floby (Floby, Sweden) and Volvo Cars Olofström - Body Components (Olofström, Sweden).

EN4 Indirect energy consumption by primary energy source

District heating is produced locally, to the greatest extent by waste heat and biofuels. During 2010, which was a very cold year in Europe, the company's energy consumption through district heating increased radically. Our figures are based on the actual production method used in each location where power is purchased. We also work actively with handling extremely cold weather and to being able to reduce our energy consumption, through methods described in EN3.

There are various ways of describing the primary energy source of the electricity purchased in a given country during a certain period. The European electricity grid is interconnected and all electric power generated is delivered to the same network. Therefore, it is impossible to say where an individual kilowatt-hour is generated, but by demanding certified renewable energy by electricity providers, Volvo Cars takes a standpoint for increased renewable energy transformation. All the electricity bought and used by Volvo Cars in Europe is certified hydropowered electricity. In Malaysia, we assume that 100 percent of our electricity is generated from coal. These assumptions provide a sufficiently (although not totally) accurate reflection of how the electricity we use is generated.

In 2010, the company's consumption of purchased electricity was only slightly higher than the previous year. Considering our increased production, this shows that the energy-saving and efficiency processes taking place at our facilities give results.

EN4:1 Indirect energy consumption. District heating by primary energy source (MWh)¹⁾

Primary energy source	2010	2009	2008
Waste heat	77,695	40,844	47,597
Biofuels	12,163	11,597	10,399
Fossil fuels + electricity	25,935	11,980	11,291
Total	115,793	64,421	69,287

¹⁾ The Volvo Cars facilities included in the data are Volvo Cars Torslanda Plant (Gothenburg, Sweden), Volvo Cars Ghent Plant (Ghent, Belgium), Kuala Lumpur (Malaysia), Volvo Cars Skövde - Engines (Skövde, Sweden), Volvo Cars Floby (Floby, Sweden) and Volvo Cars Olofström - Body Components (Olofström, Sweden).

EN4:2 Indirect energy consumption. Electricity by primary energy source (MWh)¹⁾

Electricity from:	2010	2009	2008
Nuclear power	0	0	0
Hydro power	366,886	361,986	422,777
Condensing coal-fired plants	4,122	2,797	5,394
Total	370,988	364,783	428,171

¹⁾ The Volvo Cars facilities included in the data are Volvo Cars Torslanda Plant (Gothenburg, Sweden), Volvo Cars Ghent Plant (Ghent, Belgium), Kuala Lumpur (Malaysia), Volvo Cars Skövde - Engines (Skövde, Sweden), Volvo Cars Floby (Floby, Sweden) and Volvo Cars Olofström - Body Components (Olofström, Sweden).

EN11 Location and size of land owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas

Volvo Cars has manufacturing facilities in three countries on two continents. Volvo cars are also produced at Changan Ford Mazda Automobile Company Ltd., Ford Motor Company's passenger-car joint venture in Chongqing, China.

EN11 Biodiversity

Operational plant sites	Plant size (m ²)
Volvo Cars Ghent Plant, Ghent, Belgium	237,008
Swedish Motor Assemblies SDN BHD, Kuala Lumpur, Malaysia	25,541
Volvo Cars Torslanda Plant, Gothenburg, Sweden	372,542
Volvo Cars Skövde – Engines, Skövde, Sweden	110,003
Volvo Cars Flöby, Flöby, Sweden	21,999
Volvo Cars Olofström – Body Components, Olofström, Sweden	245,939

EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas

We have manufacturing operations in 5 wholly-owned and one joint-venture facilities. Like all human and industrial activity, our operations have an impact on the surrounding local, regional and global environment. We have been working systematically to reduce that impact since the early 1970s, when efforts to reduce hydrocarbon emissions and phase out heavy metals and other environmentally harmful substances were initiated. Today, the greatest challenge facing the automotive industry is cutting carbon dioxide emissions from its processes and products.

Conservation International, an environmental organisation based in Washington D.C. has developed a list of global "biodiversity hotspots". One of our plants is located in such an area, the Swedish motor Assemblies SDN BHD in Kuala Lumpur, Malaysia in the Sundaland Hotspot. This hotspot is quite large; the Sundaland Hotspot extends over 1.5 million sq km. The other plants are located in the proximity of Natura 2000 areas.

As with all our plants, the Malaysian operation is located at traditional industrial sites in or in close proximity to urban areas. All of our plants have implemented environmental management systems in accordance with ISO 14001. In this process, all of our operations have been inspected in terms of their impact on the environment. Based on this, we have concluded that there are no individual substances or material used in our processes or products that present a direct threat to any individual species or type of biota.

EN16 Total direct and indirect greenhouse gas emissions by weight

Volvo Cars has an overall target to continuously reduce our total energy consumption and our aim to become climate neutral. This is done by a systematic work on the energy issue, please see EN 3–4.

We report direct and indirect emissions of carbon dioxide. Indirect emissions are estimated based on our assumptions for the primary energy sources for the countries in which we operate, as described under EN4. During 2010, our total emissions of greenhouse gases increased since the previous year mainly due to increased demand of district heating during the unusually cold winter. We approach these results with further focus on our energy management, conducting energy inventories, saving and efficiency processes as described in EN 3–4.

Greenhouse gases also include CH₄, N₂O, HFCs, PFCs and SF₆. Of these, Volvo Cars only emits minor quantities of HFCs, the biggest source of HFCs being the cooling equipment.

EN16:1 Estimated direct and indirect emissions of CO₂ in car production^{1) 2)}

Year	Direct emissions of CO ₂ (tonne)	Indirect emissions of CO ₂ from electricity (tonne) ²	Indirect emissions of CO ₂ from district heating (tonne)	Total emissions of CO ₂ (tonne)
2010	58,912	2,968	5,705	67,585
2009	53,169	1,870	3,941	58,980
2008	60,618	3,883	3,866	68,367
2007	62,568	59,780	4,387	126,735
2006	71,581	60,535	4,691	136,807

¹⁾ The Volvo Cars facilities included in the data are Volvo Cars Torslanda Plant (Gothenburg, Sweden), Volvo Cars Ghent Plant (Ghent, Belgium), Kuala Lumpur (Malaysia), Volvo Cars Skövde – Engines (Skövde, Sweden), Volvo Cars Flöby (Flöby, Sweden) and Volvo Cars Olofström – Body Components (Olofström, Sweden).

²⁾ The primary energy source for electricity in Europe is hydropower, thereby climate neutral, while the primary energy source in Malaysia is assumed to be coal (720 kg CO₂/MWh).

EN16:2 Emissions of HFCs¹⁾

Energy source	Emissions of HFCs (kg)	CO ₂ equivalent (tonne)
2010	431	517
2009	496	595
2008	588	705
2007	676	811

¹⁾ Sweden only.

EN19 Emissions of ozone-depleting substances by weight

In the EU, we do not use CFCs in any application, although HCFCs are used to some extent in air conditioning systems. However, these are also to be phased out and we intend to successively introduce completely chlorine-free alternatives as systems are refilled. Since 2002, no new systems have been filled with HCFCs in Sweden. The actual quantities of HCFCs in stock, converted to CFC-11 equivalents, are shown in the table below.

EN19 Stocks of ozone-depleting substances in EU

	HCFCs (kg)	CFC equivalent (kg)
2010	630	31
2009	703	35
2008	718	36
2007	733	37
2006	829	41

EN20 NO_x, SO_x and other significant air emissions by type and weight

NO_x, SO_x

Our plants produce emissions of sulphur oxides (SO_x) and nitrogen oxides (NO_x). Emissions of sulphur oxides have been reduced significantly over a long period, mainly as a result of our changeover from oil to district heating and gas. The improvement is also due, in part, to the use of cleaner fuel oils at those locations in which oil is still used for heating purposes. Emissions of nitrogen oxides are a function not of fuel quality but mainly of combustion temperature. High combustion temperatures generally yield low emissions of CO and VOC, although the opposite is true of nitrogen oxides. (This is the situation in the paint shop in order to reduce the level of CO and VOC. All other combustions are at boiler houses and they are low-NO_x combustions.) The NO_x emissions are calculated based on the quantity of fuel. There are also spot tests performed. SO_x emissions are calculated on the basis of the sulphur content in the fuel. See table EN20 for Emissions of SO_x, NO_x and VOC 2006–2010.

Volatile organic compounds (VOCs)

Our plants produce emissions of volatile organic compounds (VOC). Hydrocarbon emissions are caused mainly by painting operations. Since it was commissioned in 1991, the Torslanda paint shop has proved to be one of the very best in the world in terms of minimizing the quantity of hydrocarbons emitted per unit of painted surface. In 2007 the European Union imposed a limit of 60 g/m² of painted surface on hydrocarbon emissions from existing automotive paint shops. Our paint shop in Torslanda emits approximately 15 g of hydrocarbons per m² of painted surface, and our Ghent paint shop approximately 23 g per m² of painted surface. We will continue our efforts to further reduce emissions. See table EN20 for Emissions of

SO_x, NO_x and VOC in 2006–2010. Calculations of VOC emissions are based mainly on the amount of solvents in materials used and on measurements of the degree of purification of the equipment.

EN20 Emissions of SO_x, NO_x and VOC

Year	Emissions of SO _x (tonne)	Emissions of NO _x (tonne)	Emissions of VOC (tonne)
2010	<1	85	738
2009	<1	71	527
2008	<1	90	712
2007	1	101	740
2006	3.1	120	883

EN22 Total weight of waste by type and disposal method

Waste is a by-product of our operations and our approach to this is to continuously work to reduce waste and improve recycling. One of our methods to do this was to implement a generic waste management process in 2010. As far as practically possible, materials are sorted at source into fractions that can be suitably processed. Inherently hazardous materials require special transport and treatment.

The need for processing is subject to the following priorities: 1. Reuse, 2. Recycling, 3. Energy recovery, 4. Landfill or destruction. Some waste consists of packaging and one aim is to reduce waste volumes by reusing packaging. Compared to 2009, total waste increased, mainly due to high level of re-building projects in Belgium during 2010. We weigh and classify all waste in accordance with the EU's EWC waste codes. Over 99 per cent of Volvo Cars' production waste originates in our plants in Sweden and Belgium. See table EN22:1, EN22:2, EN22:3.

EN22:1 Waste materials by type¹⁾ (tonne)

Year	Total waste	Hazardous waste
2010	169,746	9,087
2009	123,186	5,594
2008	171,872	9,320
2007	195,045	11,395
2006	182,952	11,841

¹⁾ Sweden and Belgium

EN22:2 Waste materials by type¹⁾ (%)

Waste materials by type	2010	2009	2008
Metals	94.5	94.7	94.4
Hazardous waste	3	3.1	3.2
Other	0.2	0.1	0.3
Stone and Cement	0.002	0.002	0.002
Paper and cardboard	0.4	0.3	0.3
Sludge	0.5	0.4	0.3
Wood	0.5	0.7	0.7
Plastics	0.3	0.2	0.2
Construction waste	0.2	0.1	0.1
Domestic refuse	0.4	0.4	0.5
Electronics	0.02	0.02	0.02

¹⁾ Sweden and Belgium

EN22:3 Methods of processing waste

	Materials recovery, %	Energy recovery, %	Landfill, %
Incl. Metals 2010	94	5.5	0.5
Incl. Metals 2009	93	6.5	0.5
Incl. Metals 2008	94	5.5	0.5
Excl. Metals 2010	25	68	7
Excl. Metals 2009	24	68	8
Excl. Metals 2008	25	67	8

Sweden and Belgium. The figures are provided by Volvo Cars' waste disposal contractor.

EN23 Total numbers and volume of significant spills

Discharges of water consist of internally pre-treated process water, and wastewater discharged from catering and restroom facilities to the domestic water systems in our plants. These discharges of water are not judged to be significant. The municipal waste water treatment plants impose restrictions on the water they will accept for treatment, what contaminants the water may contain and their concentrations. The VCC waste water does not have any negative effects on the municipal waste water treatment plants. All effluents from our Belgian plant are treated within the plant itself, complying with the standards imposed on discharges by the Belgian authorities. Process waste water from our plant in Malaysia is treated there in the same way as in the Ghent plant.

All plants must report serious environmental incidents to the Volvo Cars' Environmental Protection Department in Gothenburg. During 2010 no serious environmental incident was reported. To prevent environmental spillage and incidents, Volvo Cars is continuously working with risk assessments, environmental accident drills and reporting of "near misses". Volvo Cars has developed a risk analysis process in order to prevent the occurrence of environmental risks. According to this process regular risk analyses are performed at all areas where environmental hazardous activities are carried out (according to the definition in the Swedish Environmental Code).

Volvo Cars has a program for internal audits concerning the environment, the operational management system and legal compliance as well as dangerous goods, to monitor our operations and thus find scopes for improvement.

EN26 Initiatives to mitigate environmental impacts of products and services

Climate change is one of the greatest threats facing our planet. It is clear that greenhouse gas emissions must be radically reduced. Currently, 13.5 percent of global greenhouse gas emissions come from transport according to the Intergovernmental Panel on Climate Change. Climate change and mitigating emissions represent a major challenge for the automotive industry and our approach to mitigating CO₂ emissions is to continue improving today's petrol and diesel-engine cars and to invest in new innovative technologies such as hybrids and electrical vehicles. As an example, the new DRiVE versions of the C30, S40 and V50 have been equipped with two intelligent new features in order to reduce CO₂ emissions. We move towards offering cars that can be driven on fuels with a lower net climate impact, and offer a broad range of Volvo Flexifuel models with this goal in mind.

Volvo's green-car range comprises no less than 14 models. The wide range of green cars consists of extremely economical diesel models (D), Flexifuel models running on bioethanol (F and FT), and Flexifuel models retro-converted for gas power (Bi-Fuel).

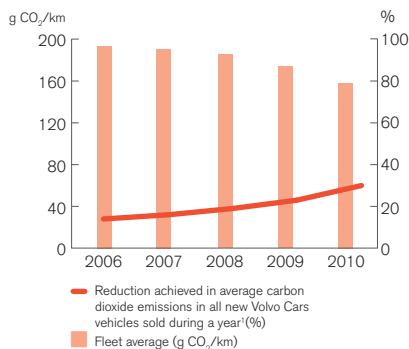
- C30 1.8F, C30 1.6D DRiVE and C30 1.6D DRiVE with start/stop
- S40 1.8F, S40 1.6D DRiVE and S40 1.6D DRiVE with start/stop
- V50 1.8F, V50 1.6 D DRiVE and V50 1.6D DRiVE with start/stop
- V70 2.0F
- V70 2.5FT
- S80 2.0F
- S80 2.5FT
- V70 2.5 FT Bi-Fuel

EN26 Fuel efficiency

	2010	2009	2008	2007	2006
Reduction achieved in average carbon dioxide emissions in all new Volvo Cars vehicles sold during a year ¹⁾ (%)	30	23	19	16	14
Fleet average (g CO ₂ /km)	157	173	185	190	193

¹⁾ Monitored under the ACEA voluntary agreement to achieve a 25% reduction, industry wide, from 1995 level by 2008.

EN26 Reduction CO₂ emissions



¹⁾ Monitored under the ACEA voluntary agreement to achieve a 25% reduction, industry wide, from 1995 level by 2008.

Fuel Choices for the Future

The development and introduction of new fuel types demands a long-term approach and involves complex processes. Many factors must come together for alternative fuel projects to succeed and make a real difference to the environment. Volvo Cars' decision matrix contains six key criteria, all of which need to be met for a fuel to be suitable for investment. Political support is also important.

Volvo Cars' decision matrix regarding fuel choices for the future:

1. Carbon dioxide emissions and climate impact from a lifecycle perspective
2. Performance in terms of regulated emissions (e.g. nitrogen oxides, carbon monoxide, hydrocarbons, particulates)
3. Supply of the fuel, potential for adequate volumes
4. Technical complexity, extent to which vehicles and engines will need adaptation
5. Distribution and refilling station infrastructure
6. Customer acceptance

This is why Volvo Cars – apart from the DRIVE products using renewable diesel – focus on ethanol as a fuel and its Flexifuel models for the present and hybrid technology for the near future. Our production of biogas vehicles has been suspended, despite very good environmental performance and positive response from customers in the Swedish market in particular. The reason for this was inadequate infrastructure with too few refilling stations.

Volvo Cars has presented no less than seven fuel-efficient DRIVE models since 2009, all with best-in-class CO₂ emission levels. The extremely low figures for the C30, S40 and V50 have been achieved thanks to a Start/Stop function that allows the engine to switch off when the car is at a standstill, for instance while waiting at traffic lights or when stuck in traffic queues. The DRIVE badge is attached to cars in the Volvo range that have the best environmental performance in their class. All current DRIVE models are equipped with a conventional diesel engine and manual gearbox optimised for extra-low fuel consumption. These cars are also specifically tailored for low rolling resistance and reduced air drag. The Volvo Cars DRIVE range is divided into three categories linked to three emission levels: 120, 140, and 160g CO₂/km.

For the first time ever, the Volvo V70 and S80 are now also being offered in DRIVE versions. These are equipped with the same power-train, 1.6-litre diesel engine and manual gearbox, as the smaller models but with specially tailored engine software and different ratios in third, fourth and fifth gears. The optimised power-train is a major aid in helping Volvo cars' larger sedans and family cars significantly cut their fuel consumption and CO₂ emissions:

- V70 down to 4.9 l/100 km and 129g, an improvement of 18 percent compared with current two-litre diesel engines.
- S80 down to 4.9 l/100 km and 129g, an improvement of 15 percent compared with two-litre diesel engines.

Volvo Cars' improvements to the environmental properties of its product range are not limited to the DRIVE versions. The fuel-reduction measures from these cars will also benefit the rest of the range. What is more, all the automatic transmissions will be 5–7 percent more efficient in forthcoming versions within the coming two years.

The Volvo Cars' Flexifuels

Sustainable mobility demands the development of cars that can run on fuels from renewable sources. Europe's bioethanol refuelling infrastructure is expanding, partly as a result of constructive cooperation between the car industry and several EU countries. Volvo Cars' Flexifuel models can be run on bioethanol (E85 blend), petrol, or a mixture of these two fuels. Filling up with E85 instead of petrol can reduce a car's fossil carbon dioxide emissions by up to 80 percent. Volvo Cars has one of the car world's broadest ranges of Flexifuel models – the Volvo C30, S40, V50, V70 and S80.

Plug-in-electrical hybrids in production by 2012

Volvo Cars aims to be the market leader in plug-in hybrid technology by continuing to focus heavily on advanced green technology. We have taken yet another major step forward in keeping with the company's over-riding vision – DRIVE Towards Zero. A unique industrial joint venture with Swedish energy supplier Vattenfall AB is prompting the production of battery-powered Volvos featuring plug-in hybrid technology as early as 2012. There are many benefits to plug-in electrical hybrids: carbon dioxide emissions are far lower and with an electric motor offering higher power, the car's performance is also far better. Being able to offer a truly attractive car that does not compromise on the other important properties that the customer wants is an absolute precondition for the market to shift towards more environmentally sustainable alternatives that really do make a difference.

Gothenburg Hybrid Centre

As a way of advancing our expertise in hybrid technology and to develop hybrid systems for our cars, Volvo Cars is one of the partners engaging in The Swedish Hybrid Vehicle Centre (SHC), a 'Center of Excellence' established 2007 by the Swedish Energy Agency (Energimyndigheten) with three Swedish universities and six Swedish industrial companies as partners. The main objectives are to create knowledge and understanding for the fundamental processes in hybrid vehicle technology through experiments, simulations and modelling; as well as define and investigate new technologies and hybrid vehicle concepts that will lead to more fuel effective vehicles.

The Volvo ReCharge concept

The Volvo ReCharge concept is a plug-in hybrid with an electric motor for each wheel, and batteries that are recharged from the mains electrical supply. It was developed and presented as a concept in 2007. A single charge provides a range of about 100 km. As the batteries run low, the engine (in this concept, a Flexifuel engine) starts up, recharging the batteries and allowing the car to continue. If driven on batteries alone, operating costs are significantly lower than for a petrol car of the same size. The car's carbon dioxide emissions are less than half those of the hybrid cars currently on the market. The Volvo ReCharge Concept has special tyres to accommodate the individual wheel motors. The batteries are situated beneath the boot and are recharged from flat in three hours. The batteries in this concept weigh 200 kg and one challenge is to develop more efficient, less bulky and lighter batteries.

Future energy sources

Together with a number of researchers, Volvo Cars has, in recent years, studied future fuel and energy systems options from a global perspective. The aim has been to examine how society as a whole should achieve optimum use of fuels and energy systems to meet energy supply needs while limiting environmental impact. Starting from this wider perspective, the study went on to investigate the best energy strategy for Volvo Cars. A large number of scenarios were examined, based on a variety of assumptions about the availability and use of different forms of energy, fuel preferences, and the overall fuel efficiency of the global vehicle fleet, among many other factors. In brief, the conclusion was that Volvo Cars should focus on high-efficiency hybrid electric vehicles, in combination with various carbon-neutral fuel types such as biofuels and solar power.

End of life

At present, 90 percent of the materials used in Volvo cars can be recycled and 95 percent can be recovered. What is more, the Volvo XC60 is suitable for Reuse, Recycling and Recovery (RRR-certified) to 95 percent. This is the first Volvo car to be type-approved with regard to recycling. In order to qualify for this approval, the car manufacturer must show how the car is recycled at the end of its lifetime.

EN27 Percentage of products sold and their packaging materials that are reclaimed by category

In Europe, metals, oils, fluids, rubber and certain plastics corresponding to 95 per cent of the weight of a Volvo can be recycled. Recycled input materials are divided into metallic and non-metallic materials. A Volvo S80 consists of 16 kg recycled non-metallic materials (such as post-industrial plastics in wheel arch liners, the engine cover and sound absorbers). Metallic materials are reused; although the exact amount is not measured due to the complexity of the process.

EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

In the past 17 years, we have not been notified or found culpable of any breach of environmental standards or operating licenses in any of our plants. All of our environmental activities are conducted in compliance with applicable legislation and permits.

SOCIAL PERFORMANCE

Labour Practice and Decent Work

LA1 Total workforce by employment type, employment contract, and region

LA1:1 Breakdown of workforce

	2010	2009	2008	2007	2006
Sweden	12,917	13,928	16,573	17,616	18,212
Torslanda plant	2,873	2,974	4,178	—	—
Göteborg – Other	6,532	7,686	8,052	—	—
Skövde incl Floby	1,951	1,863	2,593	—	—
Olofström	1,561	1,405	1,747	—	—
Belgium (Ghent)	4,484	3,685	3,791	4,110	4,537
Thailand	0	0	1	256	264
Malaysia	282	187	228	274	374
China	0	11	0	0	3
Market companies	1,811	1,841	2,139	2,128	2,163
Total*	19,494	19,650	22,732	24,384	25,553

¹⁾ Volvo cars are also produced in Chongqing (China) and Uddevalla (Sweden) and assembled in Bangkok (Thailand). At these locations, only a few people are directly employed by Volvo Cars.

LA1:2 Breakdown of employment type (Sweden and Belgium only)

Year	White collar ¹⁾		Blue collar ²⁾		Full-time ³⁾		Part-time ⁴⁾	
	2010	2009	2010	2009	2010	2009	2010	2009
Sweden	6,278	6,357	7,868	7,683	14,022	13,901	124	139
Torslanda plant	190	185	2,818	2,896	2,984	3,047	24	34
Göteborg – Other	5,418	5,515	1,687	1,753	7,056	7,215	49	53
Skövde incl Floby	328	314	1,760	1,615	2,066	1,91	22	19
Olofström	342	343	1,603	1,419	1,916	1,729	29	33
Belgium (Ghent)	602	572	4,813	3,838	5,268	4,307	147	103
Total	13,158	13,286	20,549	19,204	33,312	30,390	395	381

Identification of contract type and full-time/part-time status of employees are based on the definitions applied in the national laws of the country where they are based.

¹⁾ White Collar employees are those whose employment is regulated by the collective agreements Teknikavtalet Unionen/Sveriges Ingenjörer/Ledarna, which is agreed between Teknikarbetsgivarna and Unionen/Sveriges Ingenjörer/Ledarna.

²⁾ Blue collar employees are those whose employment is regulated by the collective agreement Teknikavtalet IF Metall, which is agreed between Teknikarbetsgivarna and IF Metall.

³⁾ A 'full-time employee' is defined according to national legislation and practices regarding working hours (e.g. in Sweden, national legislation defines 'full-time' as a minimum of nine months per year and a minimum of 30 hours per week).

⁴⁾ A 'part-time employee' is an employee whose weekly, monthly or annual working hours are less than 'full time' as defined above.

LA2 Total number and rate of employee turnover by age group, gender, and region

The net employee turnover at Volvo Cars in 2010 is presented in Table LA2. For 2010, data represents Sweden only.

LA2 Employee turnover at Volvo Cars in Sweden and Belgium

Employee turnover	2010			
Volvo Cars:	(Sweden only)	2009	2008	2007
Blue collar male	3.7	13.2	11.0	7.6
Blue collar female	6.2	22.1	14.7	9.5
Total blue collar	4.2	14.8	11.7	8.0
White collar male	2.1	5.9	5.9	11.3
White collar female	2.2	8.9	7.3	8.5
Total white collar	2.1	9.1	6.2	10.7
Total Volvo Cars	3.3	12.8	9.2	9.1

LA7 Rates of injury, occupational diseases, lost days, absenteeism, and number of work-related fatalities by region

Sick leave among Volvo Cars' employees in Sweden and Belgium has been slowly but surely decreasing over the past few years as a result of our systematic Health and Safety efforts. From the second half of 2005, extra focus was placed on sick leave and rehabilitation from a general perspective and in connection with the implementation of improved sick leave reporting and follow-up at Volvo Cars Sweden. We succeeded in our ambition and achieved all-time low sickness absenteeism of 4.5 percent in 2010.

LA7:1 Sick leave per hours worked (%)

	2010	2009	2008	2007	2006
Sweden	3.7%	3.8%	4.3%	4.9%	5.6%
Volvo Cars total	4.5%	4.7%	5.0%	5.5%	5.9%

LA7:2 Number incidents

	2010	2009	2008	2007	2006
Injuries ¹⁾	0.6	0.5	0.9	1.5	1.9
Serious injuries ²⁾	6	6	8	4	2

¹⁾ Defined as number of injuries resulting in at least one day of sick leave per 200,000 hours worked (equivalent to 100 man years)

²⁾ Defined as total number of injuries leading to fractures, unconsciousness etc.

LA8 education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases

Volvo Cars conducts company-wide injury prevention programmes. This means that we, as an employer, are responsible for organising and conducting our operations in a manner designed to prevent accidents and work-related illnesses. All employees are responsible for reporting injuries and serious incidents to their immediate superior. We compile an annual report of all reported injuries and incidents, which provides a vital basis for our preventive programmes. The company's action plan for work environment activities places particular emphasis on reporting incidents which might have resulted in personal injury.

Our injury prevention programmes are conducted by working environment committees which, together, cover all units and operations in Sweden, as well as our production units in Belgium and Malaysia. The task of these committees is to survey and evaluate the risks present in the working environment, and to propose action to minimise them.

Over the years, we have worked systematically to reduce occupational risks, with focus on high risk areas and personal behaviour. In the past ten years, there has been a downward trend in the risk of sustaining a work-related injury or illness. A comprehensive training programme for managers and safety officers is one of the means adopted to achieve this aim.

We have no specific policy or action plan for dealing with HIV infection or AIDS. Infected employees are subject to the company's ordinary rules governing illness, sick leave, sickness benefit and rehabilitation but when/if cases occur they are handled with the outmost discretion. Although this is subject to review, we do not, at present, see a need for a separate policy on HIV and AIDS.

LA10 Average hours of training per year per employee by employee category

Every employee shall have a personal development plan, which shall be developed in consultation with his or her immediate superior. The purpose of this is to ensure that the employee's development is in accordance with the organisation's development and needs. Development plans may lead to training or other forms of competence development. The overall learning vision for Volvo Cars is to make employees more active in driving their own development, while the company moves from being a learning provider to being a learning enabler. Some of the tools for achieving this are through offering blended learning solutions and resources that enable the employee's self-directed learning.

In 2010, Volvo Cars offered 524 different courses at 1,902 sessions, with a total of 64,978 participants. In total Volvo Cars conducted 350,714 hours of training in 2010. Some of the areas and issues covered were: product related issues (engineering); IT, systems and tools; leadership and organisational development; process related manufacturing; and safety, health and environment. The company also trained different target groups in safety issues for electrical vehicles during the year. The numbers are related only to traditional classroom training and do not include other efforts conducted frequently, including competence development activities such as mentoring, project work, job rotation and literature studies. The total time invested in these activities is difficult to estimate.

During 2010 Volvo Cars developed its own e-learning on various subjects, in order to increase the accessibility of educations for employees and facilitate rapid implementation of new working methods and systems. Through public funding, the company also had the opportunity to allocate more resources in training and competence development of staff during the year. The vision of the company is to continue to work with public funding in the future, in order to be able to put more resources in competence development and improve collaboration and cooperation with other companies and suppliers in the same market.

Volvo Cars encourages employees who undergo further education aside work by different stimulating measures. For example Volvo Cars offers different financial benefits for employees conducting studies on their own free time.

Two departments within Volvo Cars are responsible for leading the work relating training and competence development; the Competence Development & Learning Efficiency department and the Leadership & Corporate Development department.

LA13 Composition of governance bodies and breakdown of employees per category according to gender and age group

Volvo Cars' executive management team consists of 13 people, 12 men and one woman.

The board of directors consists of 12 people, 9 men, and 3 women (two male union member deputies not included).

Diversity issues have a high priority at Volvo Cars. There is a trend towards a better gender balance in leading positions, with the proportion of women in leadership positions increasing from 12 percent in 2002 to 19.6 percent by the end of 2010. The new diversity plans was implemented in 2010 (valid for 2010–2012) and includes a series of activities to accelerate the progress towards increased diversity and to utilize the diversity within the company. For example, an extensive training programme for managers started in 2010 that will continue during 2011 and early 2012. Moreover the number of mentoring programs for women has increased during 2010 and Volvo Cars has also, in cooperation with two external organisations, started to work with a shadowing program for females. Women candidates are also in focus in the Volvo Cars succession planning process, and career development discussions enabling each unit to identify resources and actions needed to reach their specific targets. As a part of the process, bi-monthly follow-ups on the progression within the area have also been conducted in the management team. The diversity and inclusion index was implemented in the attitude survey 2010 and will give measures on both diversity and inclusion. Other indicators of diversity that are measured and followed up in the People scorecard are the JÄMIX score (Sweden), valuing diversity, and zero tolerance towards harassment. See table LA13:1–LA13:3 for more information on diversity at Volvo Cars related to age.

LA13:1 Age distribution, Volvo Cars in Sweden – white and blue collar

2010	15–19	20–24	25–29	30–34	35–39	40–44	45–49	50–54	55–59	60–64	65–69
Gothenburg	4	49	378	988	1,808	2,105	1,971	1,502	999	300	9
Olofström	12	56	34	72	194	408	426	326	278	135	4
Skövde	28	231	205	197	320	371	325	183	153	72	3

LA13:2 Age distribution, Volvo Cars in Gothenburg – white collar

2010	15–19	20–24	25–29	30–34	35–39	40–44	45–49	50–54	55–59	60–64	65–69
Gothenburg											
Male	0	4	86	345	737	824	781	723	492	208	7
Gothenburg											
Female	0	2	49	197	306	311	275	150	81	29	1

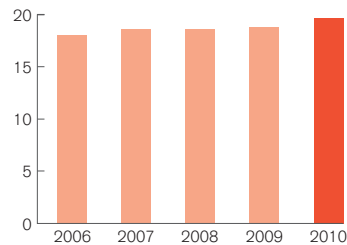
LA13:3 Age distribution, Volvo Cars in Gothenburg – blue collar

2010	15–19	20–24	25–29	30–34	35–39	40–44	45–49	50–54	55–59	60–64	65–69
Gothenburg											
Male	2	37	183	324	576	747	722	534	341	57	0
Gothenburg											
Female	2	6	60	122	189	223	193	95	85	6	1

Gender balance

Volvo Cars has a model for classifying managerial and other leading positions on different levels. Up until the shift in ownership in August 2010, Volvo Cars adopted a six-level leadership classification system (leadership levels 1 to 6). Although a new classification system has been developed and adopted since the shift in ownership, we have chosen to present our performance within these indicators for 2010 according to the old structure. In total, these groups comprise 1,917 employees. Most members on the executive management team are included in level 2 while the CEO is level 1. The figures in the graph below refer to Volvo Cars at the global level. The results for 2010 increased to 19.6 percent women in leading positions.

LA13 Percentage of women in leading positions globally¹⁾



¹⁾ Leading position covers managers with direct reporting responsibilities, program managers, project leaders and specialist in leading positions.

LA14 Ratio of basic salary of men to women by employee category

To ensure fair treatment of all employees, Volvo Cars implements a clear salary policy and a structured salary process. In connection with the annual salary revision, Volvo Cars and the trade unions represented at its facilities conduct an analysis of salaries to identify and adjust any discrepancies in the salary structure. Prejudicial salary inequalities between men and women are included among the follow-up parameters.

The salary comparisons below show that women are not disfavoured. However, we are concerned by the trend among both blue and white collar workers whereby women do not attain senior positions to the same extent as men. This is a challenge for the future. The salary discrepancies observed between men and women can mainly be explained by shorter periods of employment or shorter periods in relevant positions.

LA14:1 Basic salary ratio between women and men by employee category (white collar workers in Sweden)

2010	SG 4	SG 5	SG 6	SG 7	SG 8	LL 6	LL 5	LL 4	LL 3
Ratio salary	1.027	1.000	0.995	0.993	0.946	0.989	0.979	0.933	1.231
Ratio age	0.69	1.07	0.96	0.93	0.91	0.94	0.93	0.93	1.09
% of pop	94	55	33	25	19	22	21	14	9

¹⁾ SG4–SG8 indicate salary grade according to increasing level of qualification. LL6–LL3 mainly indicate managerial positions according to increasing level of qualification

²⁾ Salary ratio indicates women's salary in relation to men's in each SG group.

³⁾ Age ratio indicates women's age in relation to men's in each SG group.

⁴⁾ % of pop. indicates the proportion of women in relation to the total population in each SG group.

LA14:2 Basic salary ratio between women and men by employee category (blue collar workers in Sweden)¹⁾

2010	SG 2	SG 3	SG 4	SG 5	SG 6
Salary ratio ²⁾	0.000	0.993	0.996	0.969	0.993
Age ratio ³⁾	0.000	0.978	0.950	0.910	0.98
% of pop ⁴⁾	n/a	30	20	6	11

¹⁾ SG2–SG6 indicate salary grade according to increasing level of qualification.

²⁾ Salary ratio indicates women's salary in relation to men's in each SG group.

³⁾ Age ratio indicates women's age in relation to men's in each SG group.

⁴⁾ % of pop. indicates the proportion of women in relation to the total population in each SG group.

Category	Definition
SG 2	n/a
SG 4	Assembly line worker
SG 4	Administration service, Skilled worker
SG5	Administration assistant, Entry level position, Highly skilled worker
SG 6	Professional non-managerial position, Highly skilled worker
SG 7	Professional non-managerial position, Supervisor production
SG 8	Supervisor production, Group manager, Senior professional position
LL 6	Group manager, Appointed specialist, Senior project manager
LL 5	Senior manager/Section
LL 4	Senior manager/Dept
LL 3	Senior manager/Unit, Senior Vice President/Staff Unit

HUMAN RIGHTS

HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken

About 30 percent (by value) of the materials needed for each car are manufactured in our own facilities. The remaining 70 percent are purchased from external sources. Volvo Cars has approximately 450 business partners producing components for our cars, and a further 3,000 delivering other products and services. Volvo Cars have a Code of Conduct communicated to all suppliers, both for suppliers of production material and non production material, as a part of Volvo Cars Purchasing Terms & Conditions. We have been conducting regular party audits to ensure that the suppliers perform in accordance to our code of conduct.

In 2003, Ford Motor Company started a global training and screening program which also includes Volvo Cars' direct materials suppliers. Up till the year 2009, a total of 615 significant supplies and contractors in 20 countries have undergone screening on human rights and 1,500 suppliers and contractors have been trained within this program carried out by Ford Motor Company. None of Volvo Cars' suppliers or contractors has been excluded or subjected to performance conditions or other sanctions as a result of Human Rights screening.

Since the sale of Volvo Cars from Ford Motor Company to Zhejiang Geely Holding in August 2010, the Volvo Cars Purchasing department has been focusing on developing a new strategy for the company's continued activities with its supply chain and relating Human Rights. This work with developing purchasing policies, procedures how to work with and follow-up on suppliers and development of future relevant KPIs relating to Human Rights will continue during the coming year, 2011. For more information on Volvo Cars' work with suppliers, contractors and Human Rights, please see Management Approach – Human Rights, section Supply Chain.

HR3 Total hours of employee training on policies and procedures concerning aspects of human rights

In 2010, Volvo Cars conducted training in Corporate Social Responsibility for the Volvo Cars Purchasing department. The purpose of the training has been to raise awareness of social responsibility in general and more specifically in relation to Volvo Cars' supply chain, as well as increase employees risk awareness within the area. A total of seven training sessions have taken place. In 2010, 170 employees were trained, representing approximately 50 percent of the staff within the Purchasing department. Volvo Cars will continue to inform and train employees within the Purchasing department on our work procedures regarding Human Rights and supply chain in accordance with set strategies. Volvo Cars has also held a training session on Human Rights in 2010 with participants from the following departments: Manufacturing, Customer Service, Human Resources, Public Affairs and Purchasing.

HR4 Total number of discrimination incidents and actions taken

In 2010 HR Labour Affairs has handled six cases of claimed discrimination that had been reported to them. These six cases also included one case that had been reported in December 2009. All of the cases have been resolved and are no longer subject to action.

SOCIETY

S03 Percentage of employees trained in organisation's anti-corruption policies and procedures

Good business ethics are a cornerstone of successful corporate activities and Volvo Cars has a long standing policy not to engage in any act that could possibly be construed as giving or taking a bribe or in any kind of corruption. All decisions taken within Volvo Cars must be based solely on business considerations. We support the UN Global Compact and the tenth, anti-corruption principle. In 2005, we implemented Ford Motor Company's Standards of Corporate Conduct, a corporate directive that includes Policy Letter No. 3, which specifies in detail the rules governing what gifts an employee may accept. Policy Letter No. 3 focuses on integrity, especially with regards to Governmental Sales, in business relationships and regarding the use of Company information. It provides the framework for our interactions with others including suppliers, customers and other potential conflicts of interest, financial interests and insider trading and some specific examples of the types of activities that the policy allows – and those which are prohibited.

The Standard of Corporate Conduct, which also deals with the treatment of insider information, is available online to all employees. All suppliers have been notified in writing of the implications of this document. In essence, employees' possibilities to accept gifts, benefits or dinner invitations from suppliers are regulated by the Standards of Corporate Conduct.

At least once a year, all employees undergo training on issues of corruption, public policy, anti-competitive behaviour and compliance. Such annual training also covers to whom policy violation should be reported. Managers are trained in how to handle and follow up any incidents related to these issues. Since Zhejiang Geely Holding acquired Volvo Cars in 2010, Volvo Cars has developed a special edition of the company Code of Conduct for employees in China which gives guidelines for receiving and giving gifts, and during 2011 the company will launch a new Code of Conduct handbook. The company's current policy letters will also be updated during 2011.

The General Counsel at Volvo Cars is responsible for leading the company's anti-corruption work.

S04 Actions taken in response to incidents of corruption

No incidents of corruption have been reported for 2010.

S05 Public policy positions and participation in public policy development and lobbying

Volvo Cars is affected by political decisions taken in all of the countries of its operations. Therefore the company is continuously working to establish access to politicians, authorities and institutions through dialogue in order to provide Volvo Cars with information and indications regarding important legislation and developments that are of importance for Volvo Cars' strategic decisions and plans. Volvo Cars does not have a formal policy on public policy development or lobbying, but its Code of Conduct, which applies to all employees of Volvo Cars, addresses political contributions by stating that Volvo Cars is politically neutral and will not contribute to any political party or to any politician. Furthermore, the Code of Conduct states that the name of the Company shall not be used in political campaigns or for the benefit of a specific political interest.

Volvo Cars also has a long standing policy not to engage in any act that could possibly be construed as giving or taking a bribe or in any other kind of corruption. Volvo Cars will under no circumstances tolerate giving or receiving of money, gifts or favours to influence improperly the behaviour of another individual, organisation, politician, government employee or body in furtherance of a commercial or personal advantage or otherwise act in violation with law.

The Executive Director of Government Affairs is responsible for Public Policy Development & Lobbying.

S07 Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes

Volvo Cars is committed to complying with competition laws and fair competition is vital to the success of the Company. The Company must compete vigorously and fairly and without any anticompetitive understandings or agreements with its competitors. Volvo Cars is also committed to complying with competition laws that apply to dealers and other independent businesses that deal with Company products. This means that these businesses have the right to determine their own policies and practices, and to select their own suppliers and customers without any restrictions from the Company. Policy Letter No. 4 Compliance with Antitrust Laws is the company's guiding policy for anti-competitive behaviour, anti-trust and monopoly practices.

No legal actions for anti-competitive behaviour, anti-trust or monopoly practises have been initiated against Volvo Cars 2010.

S08 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations

Volvo Cars has not identified any non-compliance with laws or regulations during 2010.

PRODUCT RESPONSIBILITY

PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement

Volvo Cars' models were awarded the highest ranking in 59 out of 67 independent car safety tests.

PR1 Safety tests

	2010	2009	2008	2007
Share of independent tests where Volvo Cars received the highest rank (%)	88	80	70	69

As many as 50 million people are injured every year in road accidents and approximately 1.3 million die as a result of these. For this reason, safety is a core value to us and since the foundation of Volvo in 1927 we have continuously worked on enhancing safety for the occupants in our cars and reducing the risk of injury in case of an accident, as well as those in their vicinity.

Road safety is a product of the road user, together with vehicle characteristics and the traffic infrastructure such as roads, roundabouts, and traffic lights. Volvo Cars participate in a number of projects designed to disseminate our knowledge of how accidents happen and what can be done to reduce their number, as well as information on their consequences. Safe roads and drivers are just as important as safer vehicles in the effort to reduce traffic injuries. Child safety and safe driving are examples of areas we think are important to our customers.

Our work to improve vehicle safety is carried out in three main areas: preventive safety, protective safety and personal and property security.

Preventive safety

Preventive safety includes everything that reduces the risk of being involved in an accident. This includes driver support by providing the driver with information, but also includes systems that can take action in critical situations. Good lighting and visibility are important to assist him or her to detect danger and avoid an accident. Comfortable seating and ergonomic controls enable the driver to concentrate on driving. If the unexpected happens, the car must be easy to manoeuvre and must have effective brakes.

Volvo Cars also offers preventive safety functions such as 'Pedestrian Detection' with Full Autobrake, Driver Alert, Collision Warning with Autobrake and City Safety (standard in the new Volvo XC60 and new S60/V60). As yet, preventive safety functions are not tested by the independent institutes in the same systematic manner as protective safety systems.

Volvo Cars is also involved in a European research project called EuroFOT (Field Operational Tests) together with other actors from the automotive industry and SAFER at Chalmers University of Technology. About 100 Volvo V70 and XC70 cars are equipped with cameras and computers to monitor the driver's behaviour in order to gain more knowledge about how we react as human beings in complex traffic situations.

Protective safety

Protective safety includes everything that reduces the consequences of accidents for all parties involved when accidents happen. Car safety is a complex area which is assessed on the basis of several different criteria, where real traffic situations are the base from which we build our knowledge. Plug-in-Hybrids and Electrical Vehicles (e.g. C30 Electric) equipped with new high-voltage batteries reduce carbon dioxide emissions and fuel consumption. Volvo Cars also put in a huge amount of research, development and testing to offer the same protective safety as normal Internal Combustion Engine vehicles. In addition to our own extensive crash test methods, our cars are crash-tested by a number of independent institutes and insurance companies, and have been awarded the very highest ranking in 59 out of 67 tests. These tests are based on crash-testing in a well controlled environment at a certain speed, accident statistics and expert assessment.

Personal safety

Personal safety relates to the safety of both people and property. This means that the vehicle should provide protection against theft and also be designed to protect occupants. In certain countries our cars can be equipped with "Volvo On Call", a telecommunication service that can assist the driver in the case of a theft or accident.

At the mere touch of a button in the Volvo Personal Car Communicator (PCC) you can determine whether the car is locked or not, wherever in the world you happen to be. It is also possible to see if anyone is inside the car and whether the alarm has been activated.

PR1 Results of independent car safety tests 2010¹⁾

Test body	Test method	C30	C70	S40	S60	S80	V50	V70	XC60	XC70	XC90
Euro NCAP (from CY2009)	Combined	1	n/t	n/t	n/t	n/t	n/t	1	1	n/t	n/t
Euro NCAP (before CY2009)	Adult	n/t	n/t	1	n/t	n/t	n/t	n/t	n/t	n/t	1
	Child	n/t	n/t	2	n/t	n/t	n/t	n/t	n/t	n/t	n/t
	Pedestrian	n/t	n/t	3	n/t	n/t	n/t	n/t	n/t	n/t	2
US NCAP	Frontal crash test	n/t	n/t	2	n/t	n/t	n/t	n/t	n/t	n/t	1
	Side crash test	n/t	n/t	1	n/t	n/t	n/t	n/t	n/t	n/t	1
	Rollover test	n/t	n/t	2	n/t	n/t	n/t	n/t	n/t	n/t	2
IIHS	Top Safety Pick	1	1	1	n/t	1	n/t	n/t	1	n/t	1
	Frontal crash test	1	1	2	n/t	1	n/t	n/t	1	n/t	1
	Side impact crash test	1	1	1	n/t	1	n/t	n/t	1	n/t	1
	Rear/Whiplash	1	n/t	2	n/t	1	n/t	n/t	1	n/t	1
	Roof strenght	1	—	—	n/t	1	n/t	n/t	1	n/t	1
China NCAP	Combined	n/t	n/t	1	n/t	n/t	n/t	n/t	n/t	n/t	n/t
Folksam	Safe car choice	1	n/t	1	n/t	1	1	1	1	1	1
	Injury and fatality data	n/t	n/t	n/t	n/t	n/t	n/t	n/t	n/t	n/t	n/t
	Whiplash	1	n/t	1	n/t	1	1	1	1	1	1
Thatcham	Whiplash	1	1	1	n/t	1	1	1	1	1	1

¹⁾ Latest results of independent car safety tests on our models. The results are shown in the form of rankings, with '1' denoting the highest ranking, '2' the second highest, '3' average rating and 'n/t' not tested.

PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction

It is the customer that ultimately judges our performance and we measure customer satisfaction based on a broad market perspective, covering 44 different independent studies within 11 of Volvo Cars' most important markets: China, Germany, Netherlands, Belgium, Spain, Italy, France, Sweden, Russia, the UK and USA. The surveys include the Volvo models sold in each market.

During the year, we received notifications of decreased percentage of independent surveys in which Volvo Cars were ranked top five, and we therefore started to analyze and set targets for four different metrics of our "Fulfillment of Customer Satisfaction Targets":

- 1) Sales (Customer satisfaction with dealer performance when buying a car),
- 2) Service (Customer satisfaction with dealer performance with regard to service and/or car repairs),
- 3) Product, short time in service (Customer satisfaction with product after 3 months of ownership)
- 4) Product, short time in service (Number of customer problems experienced with the vehicle 3 months of ownership).

Volvo Cars long term goal is to be among the top five brands when ranked in independent Market Research studies, and we have developed these targets to help us reach this level.

PR5 Customer satisfaction

	2010	2009	2008	2007	2006
Fulfillment of customer satisfaction targets (%)	33				
Percentage independent customer satisfaction studies in which Volvo Cars were ranked top five (%)	12	33	29	22	21

PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship

All of Volvo Cars products and services shall be marketed and sold in a fair and honest manner and in accordance with Volvo Cars' Corporate Marketing Instruction. Marketing of products and services should always comply with national legislation and should be conducted in an honest and fair manner in relation to the characteristics of the product or service. The Volvo Cars' Corporate Marketing Instruction provides guidance regarding the preparation and documentation of Company advertising and PR material, such as, but not limited to, press releases and launch material. The instruction reaffirms the commitment of the Company, that its advertising and PR material shall be accurate, truthful and in good taste.

The purpose of this instruction is to ensure that the Company's advertising and PR material is made in accordance with applicable laws and regulations, and in line with the Company's from time to time applicable guidelines. The instruction is applicable to all marketing and PR representation of the Company to the public or dealers concerning the characteristics, performance, quality, benefits, prices, or services of Volvo Cars products. They also apply to dealer advertising and merchandise funded entirely or partially by the Company. It applies to such material in whatever form it is produced, including but not limited to, advertisements, TV-commercials and interactive web material.

Volvo Cars reviews the company's compliance with the Volvo Cars Corporate Instruction on an annual basis.

PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes

Volvo Cars are continuously reviewing their marketing communication according to the Volvo Cars Corporate Marketing Instruction. The ambition of the company is to keep the incidents of non-compliance at a zero-level by monitoring new laws and regulations, continuously reviewing the marketing communication and educating employees working with marketing communication. The responsibility for leading the work of conducting marketing in a fair and honest manner and in accordance with regulations and voluntary codes are driven by the following different areas within the company: Legal, Global Communications and Safety communication. Each market worldwide is responsible for their marketing and that the marketing initiatives are carried out in accordance with the Volvo Cars Corporate Marketing Instruction.

There has been no incident of non-compliance with regulations and voluntary codes concerning marketing communications during 2010.



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