



Volvo Car Corporation

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Volvo Cars GRI Report 2008

Volvo Car Corporation 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, we believe this level of detail allows our stakeholders to more fully understand and evaluate our sustainability goals and progress.

For 2008 we have elected 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 In Accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared							
	Third Party Checked			Report Externally Assured		Report Externally Assured		Report Externally Assured
	GRI Checked							

The GRI Content section offers links to data in our report that corresponds to GRI indicators. To locate the elements and information contained within the guidelines, please use the dedicated links.

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Key



= indicator completely covered (according to definitions given in the GRI guidelines)



= indicator partially covered (according to definitions given in the GRI guidelines)

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Society

Category	Indicator	Description	Coverage	Page
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Product Responsibility

Category	Indicator	Description	Coverage	Page
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1.1 Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.

2008 proved to be a challenging year for Volvo Car Corporation and indeed the car industry as a whole. A global economic crisis impacted heavily on industry volumes and car makers have had to take some difficult decisions to adapt their productions and cost levels to the rapidly changing market conditions. Our sales were down by 18.3 percent compared to the record year 2007 with 374 297 cars sold. A significant restructuring program was announced in October and we had to reduce our personnel levels by nearly 6 000 people. As we have moved into 2009 we continue to face a difficult market situation with lower sales, increased competition, and disadvantageous currency fluctuations. And despite a pressed financial situation, the need for further investments in research and development to meet the climate change challenges is bigger than ever before.

Volvo Cars continues to pursue aggressive development of new products and technologies that meet consumer demands for fuel economy and low emission levels. 2008 saw the introduction of the first generation of the DRIVE range, Volvo Cars umbrella name for investments in low emission vehicles. To date no less than seven products are offered that are all number one in their respective segments in fuel efficiency and carbon dioxide emission levels. And our Flexifuel offer continues to be one of the broadest in the market with five models that can be driven on bioethanol. We will continue to invest at a high pace in green technologies to meet the need for sustainable mobility in the years to come.

For us at Volvo Cars, sustainable mobility goes beyond emission levels and fuel economy. To meet the needs of a society to move freely without sacrificing long term human or ecological values, we believe safety considerations must be fully integrated with our efforts to improve environmental performance. We are leading in safety, and our latest car – the all new XC60 crossover – is the safest Volvo to date. The City Safety technology that can help to avoid low speed collisions, and is standard equipment in the XC60 car, has won a number of global awards during the year and impressed customers around the world.

The S60 Concept revealed at the Detroit Motor Show in January 2009 shows the next generation of Volvo products to come. While still being committed to sustainable mobility with world class safety technology and excellent environmental performance, this car also takes us to the next level in stunning Scandinavian design. I have very high expectations for the production car which will be launched in 2010.

This years Corporate Report has been integrated with our sustainability reporting and communication. The Corporate Report is supplemented with this dedicated GRI Report available on our website. I believe that it is perhaps more important than ever before to work proactively with sustainability issues and demonstrate tangible results. Progressively, the issues are also becoming of increasing significance for end customers and as such an important competitive advantage for any business. For us, it is an integral part of our business and cannot be seen as an isolated focus area. Our approach to sustainability is divided into three sections in the report: Safety, Environment and Profitability. Safety and Environment are cornerstones in our business and represent the values of the company. To secure a successful business, our values and innovations must translate to the needs and desires of the consumers in the market. That is how we will deliver sustainable profitability in the years to come.

It is evident that we can never deliver our sustainability efforts on our own. In the Corporate Report we focus on the importance of partnership and cooperation with other stakeholders to create new solutions. I would also like to take the opportunity to reiterate that we continue stay committed to the ten principles of United Nations Global Compact.

I hope you enjoy reading about our work for a sustainable future and I welcome any comments or suggestions you may have.

Stephen Odell
President & CEO

1.2 Description of key impacts, risks, and opportunities.

Economic

Economic risks to our business include fluctuations in raw material prices, the price of oil and currency exchange rates. These fluctuations affect our planning and have an impact on profitability.

The global credit crunch and the subsequent sharp decline in demand severely affected Volvo Cars and the car industry as a whole in 2008

On the other hand, leaps in technological innovation and development, combined with projected sustained growth in emerging markets, represent great opportunities for our business. These regions offer new sourcing options, as well as new and expanding sales markets.

Sustainable mobility

Mobility is essential to economic development, and it also enhances people's quality of life. Motor vehicles and other forms of transport, however, have a significant impact on the environment, not least 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. 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. It is already having 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 14 per cent of global greenhouse gas emissions come from transport. According to the Intergovernmental Panel on Climate Change, about half of these are from cars and light trucks.

Given that 98 per cent of motor vehicles sold worldwide use fossil fuels, climate change represents a major challenge for the automotive industry. Furthermore, our planet's reserves of fossil fuels, such as crude oil, are scarce. Consequently, to be environmentally sustainable, vehicles will, in the future, have to be highly efficient and able to run on renewable fuels.

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.

Safety

Road accidents are a serious problem, annually causing more than a million deaths worldwide and many more injuries. Safety is our most important core value, forming the very essence of Volvo Cars' brand. Developing vehicle and traffic safety is a top priority.

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.

For more information on how we govern our performance in relation to these risks and opportunities, please see the "[Management Approach](#)" section

2.1 Name of the organisation

This report covers the *Volvo Car Corporation* and all of its wholly-owned subsidiaries. Volvo Cars has been a wholly-owned subsidiary of the Ford Motor Company since 1999. In 2008, Premier Automotive Group, PAG was dissolved following the sale of Jaguar and Land Rover to Tata Motors while Volvo Cars remained in Ford's ownership.

2.2 Primary brands, products and/or services

Volvo Car Corporation produces premium-segment cars in four versions: Sedan (S40, S60 S80), Versatile (V50, V70), Cross Country (XC60, XC70, XC90) and Coupé/Convertible (C30, C70).

2.3 Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.

Volvo Cars has been a wholly-owned subsidiary of the Ford Motor Company since 1999. The 'Volvo' name is owned by Volvo Trademark Holding AB, which is jointly owned by the Ford Motor Company 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.

Our car production plants are located in Göteborg and Uddevalla in Sweden and Ghent in Belgium. Pininfarina Sverige in Uddevalla is owned jointly by Pininfarina SpA of Italy (60%) and Volvo Cars (40%). Certain components are manufactured at our Swedish plants in Skövde, Floby and Olofström, while the company also operates small assembly plants in Malaysia and Thailand. In 2007, production of Volvo cars also started at Changan Ford Mazda Automobile Co., Ltd. (Changan Ford Mazda Automobile), the Ford Motor Company's passenger car joint venture in Chongqing, China. Volvo Cars' head office, product development, marketing and administration functions are located in Göteborg.

2.4 Location of organisation's headquarters

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

2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.

Our car production plants are located in Göteborg and Uddevalla in Sweden and Ghent in Belgium. Pininfarina Sverige in Uddevalla is owned jointly by Pininfarina SpA of Italy (60%) and Volvo Cars (40%). Certain components are manufactured at our Swedish plants in Skövde, Floby and Olofström, while the company also operates small assembly plants in Malaysia and Thailand. In 2007, production of Volvo cars also started at Changan Ford Mazda Automobile Co., Ltd. (Changan Ford Mazda Automobile), the Ford Motor Company's passenger car joint venture in Chongqing, China.

2.6 Nature of ownership and legal form

The Volvo Car Corporation has been wholly owned by Ford Motor Company since 1999. The Volvo brand is owned jointly by Volvo Car Corporation and AB Volvo through Volvo Trademark Holding AB.

2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries.)

Our cars are sold in more than 100 countries. In 2008, the US was our largest market, accounting for 19.5 per cent of total retail deliveries. Sweden was second (12.7 per cent), followed by the UK (8.9 per cent), Germany (7.2 per cent), and Russia (5.6 per cent). About 50 per cent of our customers worldwide are businesses.

2.8 Scale of the reporting organisation, including:

- **Number of employees;**
- **Net sales (for private sector organisations); and**
- **Quantity of products or services provided.**

Volvo Cars employed a total of about 22 732 people as of 31 December 2008. The company sold a total of 374,297 cars in 2008.

The Volvo Car Corporation (VCC) is a wholly-owned subsidiary of the Ford Motor Company. In 2008, following the dissolution of Premier Automotive Group, Ford began publishing certain financial information relating to the Volvo Car Corporation. Revenue for 2008 amounted to USD 14,679 million (excluding special items) and the loss before tax was USD 1,465 million (excluding special items).

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

Due to the strong economic downturn in 2008, a significant restructuring programme was announced in October 2008, including labour force cutbacks corresponding to about 6,000 individuals worldwide.

2.10 Awards received in the reporting period.

General Safety

US - Traffic Safety Achievement Award for City Safety (World Traffic Safety Symposium)

Russia - Golden Salamander for Safety (Finance World Insurance company)

UK - City Safety for World First Technology (Fleet World Honours1)

Specific per model

Volvo S80

Thailand - Best Advanced Technology Award (Car of the Year jury)

Thailand - Best Environmental Car of the Year (Post Today)

Mexico - Best Luxury Sedan (Autoshow TV and the motoring magazine ranking)

Volvo V70

UK - Unique load-anchoring system (Power of Aluminium Awards)

UK - Towcar Awards (What Car? and the Camping & Caravanning Club)

Germany - Best car in category "Vans and Estate Cars" (Auto Bild)

Poland – Best Family Car - Auto Leader 2007 (Motor Weekly and Auto Motor Monthly)

Finland - Winter Car of the Year (Tekniikan Maailma)

Volvo XC60

Germany - Auto Trophy 2008 (Auto Zeitung)

Ireland - SUV Crossover of the Year (Irish Motoring Writers Association)

Austria - Auto Revue Award (Car Awards Group of Motoring Journalists)

France - Innovation for Safety (L'Automobile Magazine)

Volvo XC70

Russia - Car of the Year (Car of the Year jury)

Philippines - Best Luxury Crossover & Wagon 4WD (Car Awards Group of Motoring Journalists)

UK - 4x4 Estate of the Year (4x4 Magazine)

Volvo XC90

Philippines - Best Safety Features (Auto Focus People's Choice Award)

Russia - SUV of the Year (Club 4x4)

Thailand - Best Luxury SUV (Car of the Year jury)

India - Car of the Year for Best Safety Technology (TV channel NDTV)

Volvo C30

Malaysia - Good Design Award (New Straits Times)

Brazil - Best Purchase (Quatro Rodas Magazine)

United States - Interior Design Award (Ward's AutoWorld)

United States - All Star Award (Automobile Magazine)

Korea - Car of the Year - Import Category (J-Motors Network)

Volvo C70

Russia - Best Convertible (Golden Klaxon)

US - Best 4-seater convertible, luxury class (Best US News ranking of new cars)

3.1 Reporting period (e.g., fiscal/calendar year) for information provided.

The report covers the period 1 January to 31 December 2008

3.2 Date of most recent previous report (if any).

The 2007 report was issued in June 2008 and is available on our website.

3.3 Reporting cycle

Volvo Cars report on an annual basis

3.4 Contact point for questions regarding the report or its contents.

Linn Fortgens by e-mail sustainability@volvocars.com or by telephone +46-31-59 00 00.

3.5 Process for defining report content, including:

- **Determining materiality;**
- **Prioritising topics within the report; and**
- **Identifying stakeholders the organisation expects to use the report.**

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 external stakeholders, was carried out in late 2007. 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 45 aspects of sustainability in terms of how important they thought these were for the Volvo Car Corporation. Once processed, the opinions of these external respondents were set out alongside Volvo Cars' internal priorities. Climate change, safety, fuel efficiency, exhaust emissions and product development were given the highest priority, internally and externally, and will be our core areas of focus over the next few years. Quality, as well as "management's knowledge of, and engagement in, sustainability issues," alternative fuels and brand 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 Volvo Cars' stakeholders.

3.6 Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).

This GRI report deals with the Volvo Car Corporation and all operations wholly owned throughout 2008. We report only direct environmental impacts, except in the case of carbon dioxide from energy production, for which we also report indirect emissions from electrical production and district heating. Financial issues are addressed only briefly, since we are a wholly-owned subsidiary of the Ford Motor Company.

3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.

The report deals with wholly-owned operations of the Volvo Car Corporation. These comprise research and development in Sweden, manufacturing in Sweden, Belgium, Malaysia and Thailand, as well as sales companies worldwide. Volvo cars are also produced by the Ford Motor Company in China.

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. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.

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 (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).

No re-statements of information necessary for 2008.

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

To improve Volvo Cars' communications on how we assume our responsibility, we issue printed copies of the Corporate Report. This GRI report provides the details and complements the Corporate Report. The Corporate Report describes our financial, social and environmental efforts and performance and replaces our previous Sustainability Reports. In general, our measurements and calculations are based on the same methods as last year. Consequently, the figures for the two years are comparable unless otherwise clearly indicated. Any minor differences in calculating indicators on the scorecard are described individually. The calculation of CO2 emissions for different fuel types has been changed to correspond to automotive industry practice and the reported figures represent emissions from production facilities only.

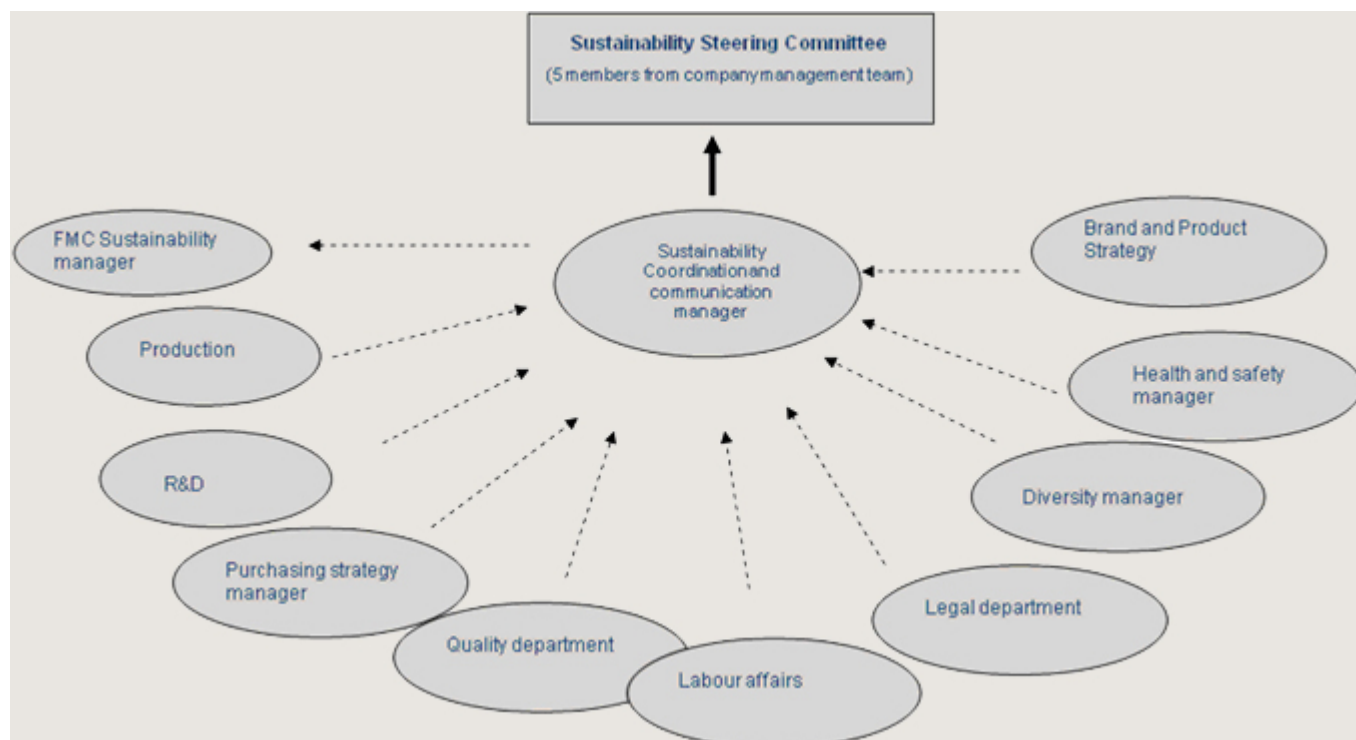
3.13 Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organisation and the assurance provider(s).

The Volvo Cars Corporate Report and the GRI report 2008 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.

4.1 Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight. Describe the mandate and composition (including number of independent members and/or non-executive members) of such committees and indicate any direct responsibility for economic, social, and environmental performance.

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 progress is reported to the Sustainability Steering Committee. The Sustainability Steering Committee is directed by the CEO and another five members of executive management, representing Personnel, Purchasing (CFO), Marketing, Brand and Product Strategy, and Public Affairs. The committee meets two to three times per year to address strategic issues and development, and to report on progress towards objectives in the field of sustainability. The committee also discusses the development of procedures, as well as the ways and means for ensuring that sustainability is integrated into our business plan. 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.

Sustainability organisation within Volvo Cars



4.2 Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organisation's management and the reasons for this arrangement).

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. State how the organisation defines 'independent' and 'non-executive'. This element applies only for organisations that have unitary board structures. See the glossary for a definition of 'independent'.

The Volvo Car Corporation is a wholly-owned subsidiary of the Ford Motor Company, and is managed by a subsidiary Board of Directors comprised of representatives of Ford, Volvo Cars and the employee organisations, as well as two independent members (seven members in total). Meetings are held four times per year 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 the Volvo Car Corporation, as per December 2008:

John Fleming, Chairman of the Board

Stephen Odell, President & CEO

Anders Narvinger, Independent*

Bernt Magnusson, Independent*

Employee representatives:

Thomas Ivonen, Swedish Union of Clerical and Technical Employees in Industry (SIF)

Mikael Sällström, Swedish Metalworkers' Union

Marko Peltonen, Swedish Metalworkers' Union

Deputy employee representatives:

Raid 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 organization (Ford Motor Company) or the executive/senior management team of the Volvo Car Corporation or 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 Car Corporation. 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 (including severance/retirement arrangements), and the organisation's performance (including social and environmental performance).

Executive compensation at Volvo Cars has four components: fixed salary, bonus and stock options, company car and other benefits (e.g. healthcare insurance and pension benefits). The Ford Motor Company applies global bonus and stock options programs. These are based on the Ford Motor Company's financial performance and individual performance. The evaluation takes into account how well managers meet corporate governance and sustainability criteria.

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

The Volvo Car Corporation's policy letter number 3 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.

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.

The Volvo Car Corporation is a wholly-owned subsidiary of the Ford Motor Company. [Click here](#) for details of the Ford Motor Company's Sustainability Report.

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. Explain the degree to which these

- are applied across the organisation in different regions and departments/units; and
- relate to internationally agreed standards.

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. Include frequency with which the highest governance body assesses sustainability performance.

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. However, this takes no documented priority over other principles guiding the company's decision-making processes. Our decisions are made on the basis of the information available at each particular occasion. Nonetheless, deficient or unreliable information often provides a strong indication that caution is advisable, both from a business perspective, as well as in a broader, societal context.

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.

A clear link exists between the ten principles of the Global Compact and the Global Reporting Initiative's core indicators. For several years, Volvo Cars' Sustainability Reports have been inspired by the GRI Sustainability Reporting Guidelines.

Volvo Cars is 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 contribute to social responsibility by helping develop guidelines for many players. The new ISO 26000 standard will be ready in 2010.

Our Code of Basic Working Conditions also stands as a general endorsement of the following human rights frameworks and charters:

- The UN Universal Declaration of Human Rights
- The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
- OECD Guidelines for Multinational Enterprises
- The Global Sullivan Principles of Social Responsibility

4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation:

- **Has positions in governance bodies;**
- **Participates in projects or committees;**
- **Provides substantive funding beyond routine membership dues; or**
- **Views membership as strategic.**

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, the Ford Motor Company, 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. This includes the organisation's process for defining its stakeholder groups, and for determining the groups with which to engage and not to engage.

Volvo Cars believes in openness and transparency. Consequently, we do not 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.

4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.

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.

Customers

What our customers think of their cars and their dealers is the subject of about 20 independent surveys conducted in key markets. Every year, we conduct a hundred or so clinics all over the world to ascertain what our customers think of our various 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.

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. Our regular Attitude Survey measures what our employees are satisfied and dissatisfied with in their jobs. 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.

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. Headquarters 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 more than 440 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

Ford Motor Company. As sole owner of Volvo Cars, the Ford Motor Company is a major influence on the company. Many interfaces exist between the parties in terms of overall strategic issues and joint projects such as car platforms and dealership issues. The Ford Motor Company evaluates Volvo Cars' performance in both financial and non-financial terms through the Board of Volvo Cars, on which the Ford Motor Company has five representatives. The Ford Motor Company's corporate governance rules apply to Volvo Cars and our efforts are continuously assessed by the parent company to ensure that we contribute to the Group's expertise and that, where possible, we can make use of the combined resources of the Ford Motor Company.

Local community

In communities in which 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.

Global community

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 web site 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 the Volvo Car Corporation and leading opinion makers. The dialogue provides a comprehensive view of stakeholder perspectives on sustainability issues.

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 joint presence with Ford of Europe 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.

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.

In 2007 our latest materiality analysis was performed involving both internal and external stakeholders. Internally and externally, the highest priority was given to climate change, safety, fuel efficiency, exhaust emissions and product development. Consequently, these areas are given high priority in our sustainability work and communication. Quality, as well as “management’s knowledge of, and engagement in, sustainability issues,” alternative fuels and brand 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 Volvo Cars’ stakeholders. The most important issues according to our most important stakeholders are listed below:

Customers

Safe, attractive cars offering high environmental performance
Problem-free ownership
First-class customer care and value for money

Employees

Development
Respect
Good working environment
Good work/life balance
Competitive remuneration

Dealers

Business conditions
Business development
Fair treatment
Respect

Suppliers

Business conditions
Insight
Development
Fair treatment and respect

Ford Motor Company

Develop the Volvo brand
Long and short-term profitability
Centre of Excellence for Safety
Collaboration within the Premier Automotive Group
Alignment with FMC Business Principles

Local communities

Employment
Training
Involvement in local activities

Global community, public agencies and institutions, NGOs

Protecting the environment
Respecting human rights
Combating corruption
Ensuring competitiveness
Promoting road safety
Visions of the future

Management Approach - General Sustainability

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.

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.

Our responsibility

Our responsibility may be described in terms of our three most important roles – those of car-maker, local player and global company. 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. 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. Business planning is divided into five areas of priority: profitable growth, operational efficiency, customer satisfaction, attractive products and offers, and competent and skilled leaders and employees. 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 kept up-to-date on the company's programmes through articles in our in-house magazine, Agenda, and the CEO's newsletters. The overall situation is described annually in this report.

Volvo Cars' executive management team consists of 12 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:

In addition to a coordinator on sustainability strategies and communication, progress is reported to the Sustainability Steering Committee. The Sustainability Steering Committee is directed by the CEO and another five members of executive management, representing Personnel, Purchasing (CFO), Marketing, Brand and Product Strategy, and Public Affairs. The committee meets two to three times per year to address strategic issues and development, and to report on progress towards objectives in the field of sustainability. The committee also discusses the development of procedures, as well as the ways and means for ensuring that sustainability is integrated into our business plan. 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 bullying in the workplace, the working environment, bribery and corruption, and the Ford Motor Company Code of Basic Working Conditions. The quality, safety and environment policies were all updated in 2006. 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. The policy, which also addresses insider information, is available on line to all employees.

As a wholly-owned subsidiary of the Ford Motor Company, Volvo Cars is subject to, and acts in accordance with, the Ford Motor Company's Business Principles.

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 is governed by the Ford Motor Company. 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 - Economic

The Volvo Car Corporation has been a wholly owned subsidiary of the Ford Motor Company since 1999. The Volvo brand name is the property of Volvo Trademark Holding AB, which is jointly owned by Volvo Car Corporation and AB Volvo (the Volvo Group). In 2008, Ford Motor Company decided to start publishing certain financial results for its individual brands, including Volvo Cars. For results on performance, see the relevant indicators in the “[Performance Indicator](#)” section.

Management approach - Environment

Environmental Policy

Environmental care is one of the Volvo Car Corporation's core values and our ambition is to be top ranked in terms of environmental care among the world's premium car brands. Volvo Car Corporation's environmental plans shall focus on energy and resource efficiency, health-related technologies and advanced personal mobility solutions. Pollution prevention and continual improvement over the complete lifecycle of each car shall be fundamental requirements for all operations, with applicable legislation and other statutory provisions as a minimum. Consideration of potential health and environmental effects shall form an early and integral part of the planning process. In this way, the Volvo Car Corporation will gain a competitive advantage, meet customer expectations and contribute to sustainable development.

Focus Areas in product development and production

Energy & resource efficiency

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

- continually improving fuel efficiency;
- developing alternative powertrains and alternative fuel vehicles;
- increasing our use of recycled and renewable materials;
- improving energy efficiency and minimising the production of waste in all of our operations.

Premium Safe Sustainable Mobility

Volvo Cars has developed a strategy called "Premium Safe Sustainable Mobility", the purpose of which is to manage business processes, projects and product development in line with the aspiration of sustainable development. The strategy is in line with a four-year study of the transport systems of the future carried out by the automotive industry under the auspices of the WBCSD (World Business Council for Sustainable Development).

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's 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.

Goals and performance

Performance for the different areas listed below can be found in Volvo Cars' Scorecard at www.volvocars.com/sustainability

Energy

- energy consumption in car production

Emissions, effluents, waste

- harmful emissions
- solvent emissions from car production
- carbon dioxide emissions from car production

Products and service

- fuel efficiency
- alternative fuels

Environmental Management

- environmental management at Volvo Cars
- environmental management at suppliers

Organisational responsibility

The CEO is the most senior position with environmental responsibility from a product perspective. The CEO is responsible for manufacturing, purchasing, design, research and development, and quality.

The Sustainability Steering Committee bears the overall responsibility for sustainability at Volvo Cars. It is principally responsible for the development and execution of strategy. It consists of the CEO and five members of the company's Management Team, from Human Resources, Purchasing, Brand, Business & Product Strategy, Marketing, Sales & Customer Service, and Public Affairs.

Product-related issues are governed by the Environmental Committee within the Product Strategy Committee (PSC). The Environmental Committee is headed by Research and Development and Brand and Product Strategy. It focuses on long-term strategic product issues and improving coordination between Product Development, BBPS (Brand Business and Product Strategy), Governmental, Legal and Public Affairs, as well as seeking further synergies within the Ford Motor Company. All non-product related issues are governed by our COO and the Environmental Committee within the Operations Committee. This Environmental Committee secures coordination with the above-mentioned organisational units. The COO and the SVP Brand Business and Product strategy are also the management representatives for environment in the Volvo Cars Management Team. They are responsible for reinforcing environment as a core value, and for ensuring that the ISO 14001 requirements are fulfilled.

Training and awareness

For each sphere of responsibility, Volvo Cars provides training in the relevant environmental aspects. The purchasing function is, for example, trained in environmental legislation and the organisation's requirements of suppliers. Blue collar employees are trained in environmental aspects related to manufacturing, etc.

Monitoring and follow-up

Environmental management

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 IMDS (International Material Data System) 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 per cent of the value of our cars. Since these components are used to make Volvo products, a supplier's ability to manage environmental issues is an important consideration.

Identifying environmental aspects in operations

Local environmental representatives* shall identify significant aspects within their units. In operations, when changes are made or if so requested, these aspects shall be presented to the Environmental Quality Office network (EQO). The Volvo Car Corporation's significant environmental aspects shall be established by the Environmental Quality Office network (EQO).

*Purchasing, R&D (Research and Development), MSS (Marketing, Sales and Customer Service) the manufacturing units VCT (Volvo Cars Torslanda), VCG (Volvo Cars Gent), VCE (Volvo Cars Engine), VCBC (Volvo Cars Body Components) and MP&L (Material Planning and Logistics), the Legal Department and Manufacturing Engineering.

Identifying environmental aspects of the product and associated services

BBPS (Brand, Business and Product Strategy), Purchasing, R&D and MSS are units that have an influence on the environmental impact of the product and shall identify their significant aspects. When changes are made or if so requested, these shall be presented to the Product Strategy Committee (PSC).

Determination of significant aspects

The significant aspects have or can have a substantial impact on the environment and represent one of the criteria when establishing environmental objectives.

The following shall be considered when assessing whether or not an environmental aspect is significant:

- Environmental criteria, such as the extent and seriousness of the environmental aspect
- Environmental legal requirements and regulations and other overarching demands
- Concern from both internal and external interested parties

At least every second year or in connection with changes to the aspect list or determination criteria, the documents detailing the significant environmental aspects of products and operations are revised by issuers and approved by the relevant management environmental representatives.

The attached "Method for determination of significant aspects" is used to determine and assess what should be considered a significant environmental aspect.

Environmental objectives and action plans

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. Significant aspects and environmental policy are reviewed during the business planning process.
- 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 compliance monitors compliance by Volvo Cars' plants worldwide with applicable environmental legislation, and coordinates environmental issues within the company.

Main tasks:

- Coordinates environmental issues within VCM.
- Acts as external spokesman for VCC on environmental protection issues.
- Coordinates environmental protection issues in the Torslanda area, including handling contacts with relevant authorities.

Responsibility:

- Reports to the Senior Vice President Manufacturing on environmental protection issues at VCMT.
- Is responsible for initiating environmental permit issues within VCC.
- Is responsible for communications with Ford EQO.

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 are already having 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 inevitably 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

Policy

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, safety, product and the external environment using an eco cycle approach.

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 are aiming for world class.

It is the company's aim also to attain world class when it comes to the working environment and the health and safety of its employees.

3. Concerned

The document applies to all employees within Volvo Cars, (VCC 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 and environmental 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 account of 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 organized in the line organization. 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 organization 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 the 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 and assistance 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 environmental plans, follow developments in its spheres of operation and utilise new research and development findings when it comes to the work environment and external environment. The company is to follow, and whenever necessary assist in, the work that is done by the authorities on laws and standards of different types and be prepared to participate in general environmental 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 with this document is to ensure that all employees knows 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, (VCC 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 co-operation 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. See also Ford directive [B-110 Anti Harassment](#). (Available on the Ford intranet.)

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 disregard for 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 and 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 /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 co-ordination 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 Car Corporation, an attractive place to work!

Volvo Car Corporation 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 Car Corporation 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.

Goals and performance

Performance for the different areas listed below can be found in Volvo Cars' Scorecard at www.volvocars.com/sustainability

Employment

- Employee satisfaction

Occupational health and safety

- Health
- Occupational injuries

Diversity and equal opportunity

- Gender balance
- Diversity

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 for working environment measures, primarily preventative 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 Company Health Service comprising 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 chairperson is Magnus Hellsten, SVP Manufacturing

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. This can be as a stand-alone meeting or part of the scheduled management meeting. Meetings are chaired by the area manager and attended by the management team and the health and safety specialists. 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** meets monthly and includes one representative/line manager from each company unit, providing 12 Diversity Champions. Chaired by the Senior Vice President Human Resources, its role is to pursue diversity issues within the company support the Volvo Car Corporation's diversity efforts, focusing on promoting concrete actions. Once a year, two extended councils are arranged – one with external participants chosen from bodies such as the United Nations High Commission for Human Rights and Business Region Göteborg, and one with internal participants.

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.

To better integrate diversity work into the company's operations, a Diversity Champion has been appointed for each business area in the company – 12 in all. These are employees who already held key roles and management positions. They have undergone extra training to help them set the pace of diversity work in their particular fields. Key personnel in prioritised target groups and processes are given training on diversity issues.

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 tool 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 the Volvo Car Corporation.

Unit managers decide where the tool is to be implemented within their units and are responsible for implementation and ensuring that the tool is 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.

VAS measures

Diversity and discrimination are followed up in accordance with Volvo Cars' VAS measures, a regular employee survey. The most recent VAS was conducted in 2007.

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. Our ambition was to reach 5 per cent sickness absenteeism in 2007. This target was achieved in 2008, when we recorded an all-time low. .

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 2008, we reached the all-time low result of 0.9 LTCR (the number of injuries resulting in at least one day of sick leave per hours worked per 100 man-years).

There is a trend towards a better gender balance in leading positions, with the proportion of female managers increasing from 12 per cent in 2002 to 18.5 per cent by the end of 2008. Nonetheless, progress is slow and we are planning a series of measures to accelerate the process. One setback was our failure to achieve our vision of women accounting for 25 per cent of managerial staff by 2008 (equivalent to the proportion of women among the workforce as a whole). Specific measures have been set in place, such as action plans developed within the units with their own specific targets and annual follow-up. We must continue to stimulate development if we are to reach our visionary target of 25 per cent over the next few years.

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 – Society

Policy

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 on line 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 Fords Policy Letter 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 13 more specifically applies to Swedish circumstances. The national specification may also serve as an example of how Policy Letter 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. The CEO may, however, grant an exemption to this rule in supporting or opposing a state or local ballot proposal if this is in accordance with national law and the issue is of importance to Ford. The company may pay administrative costs for the Ford Motor Company Civic Action Fund, for which voluntary political contributions may be solicited from management employees and shareholders. This fund is governed by the fund's Political Contributions Committee. Employees may be granted a certain amount of leave and to rearrange working hours and holidays in order to run for political office and to serve in a full-time elected office.

To secure the company's need for a socially, economically and politically well functioning environment, a Community Relations Committee shall be established in every region where Ford is located. The committee is to consist of local managers responsible for the local implementation of this policy. An important part of the activities of these committees is to provide financial assistance to relevant non-profitable organisations. All employees are also 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.

See the link at the end of the document for a complete version of Policy Letter 13.

Directive regarding governmental relations and civic affairs for Volvo Cars

Although Volvo Cars is subject to Policy Letter 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.

Goals and performance

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 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 the Volvo Car Corporation 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 joint presence with Ford of Europe 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 Counsel.

Training and awareness

At least once a year, all employees undergo some kind of training on issues of corruption, public policy, anti-competitive behaviour and compliance.

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, the Volvo Car Corporation has an established whistle-blower protocol to ensure that incidents are reported without fear of reprisal.

Management Approach – Product responsibility

Policy

Quality Policy

A commitment to quality must be a way of life within Volvo Car Corporation as we aspire to be the world's most desired and successful premium car brand. Customer Satisfaction is the measure of our quality performance.

To achieve this we all need to embrace:

Customer Focus

- to show willingness to understand current and future customers' needs in order to exceed their expectations.

Medarbetarskap

- to work passionately with respect for each other in a culture of learning and innovation.

Leadership

- Leadership to radiate courage, commitment and involvement equally in both our words and actions.

Process Orientation

to continuously improve processes thus securing the whole value chain.

Premium Offer

- to create a comprehensive car experience characterised by premium quality and offering total mobility.

This Quality Policy, together with the appropriate Quality and Customer Satisfaction objectives and the subsequent results will be communicated in an open and frank manner.

Every member of the Volvo Car Management Team is responsible for establishing objectives and implementing actions based on this policy.

Safety policy

Safety is one 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.

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 Car's 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.

Our long-term, focused work on safety has resulted in the Ford Motor Company naming Volvo Cars its Centre of Excellence for car safety. Volvo Cars also shares its experiences and knowledge by being part of relevant partnerships. The contacts created through these partnerships contribute to continued consistent and effective safety development.

Goals and performance

Goals and performance related to customer satisfaction can be found in the "[Performance Indicator](#)" section.

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.

Organisation

The Customer Satisfaction Board is a cross-functional board that meets monthly to examine, evaluate, encourage, influence and initiate activities influencing Volvo Cars' capacity to meet its customer satisfaction goals. The Board is chaired by the Senior Vice President Quality & Customer Satisfaction and includes members from the different quality forums and quality functions.

The Safety Council meets 20 times per year and has a cross- functional role in defining strategic needs and future technologies in the core value area of safety. The chairperson is the director of the Volvo Cars Safety Centre.

Management approach - Human rights

Goals and performance

Our suppliers are very important to our business. Our ability to deliver to customers and to meet targets relies partly on their performance. Approximately 70 per cent (by value) of each car is procured from external sources. We have 440 suppliers producing components for our cars, and a further 4,000 delivering other products and services. For efficiency and consistency, Volvo Cars coordinates its purchasing with the Ford Motor Company. As part of being a responsible corporate citizen, we assist our suppliers in achieving the same standards of conscious leadership that we adhere to ourselves. This means achieving and maintaining high standards in areas such as working conditions, human rights, environment and anti-corruption measures. Volvo Cars has worked consistently on these standards for over five years, in the first instance with our direct suppliers.

A major proportion of our manufacturing components are sourced from low-cost nations, mainly in Eastern Europe, Southeast Asia, and from China. Volvo Cars' vision is that good working conditions prevail and that human rights are respected.

Bribery and corruption are totally unacceptable to Volvo Cars, regardless of whether such practices may be tolerated or condoned locally. Our business shall be conducted responsibly and sustainably. Ensuring a safe workplace in which employees are treated with respect results in fewer work-related injuries and less sickness absence, higher quality and productivity, lower staff turnover and a better atmosphere in the workplace. When assessing existing or potential suppliers, we consider good working conditions to be an indicator of good corporate governance. Volvo Cars works constantly to encourage good working conditions and ethical behaviour in all areas within our influence. Several steps taken in recent years illustrate how we share these responsibilities with our employees and suppliers.

Policy

In 2003, a Code of Basic Working Conditions based on the fundamental elements of internationally recognised labour standards was adopted. We communicate this code to our suppliers as part of the Ford Motor Company's Global Terms and Conditions. As appropriate according to local practices, we seek the support and assistance of the trade unions and employee representatives in this effort.

To reinforce the Code of Basic Working Conditions, we have added requirements to the Global Terms and Conditions explicitly prohibiting any form of forced labour, child labour, or physically abusive disciplinary practices. These terms, added in 2004 for production suppliers and in 2005 for all others, provide a standard for our suppliers equal to that applied in our own production facilities. We encourage business partners throughout our value chain to adopt and enforce similar policies. The Ford Motor Company and the Volvo Car Corporation have an established whistle-blower protocol to ensure that incidents are reported without fear of reprisal.

Code of Basic Working Conditions

This Code of Basic Working Conditions represents the commitment of Ford and its worldwide subsidiaries. The diverse group of men and women who work for Ford are our most important resource. In recognition of their contributions, we have developed policies and programs designed to ensure that our employees enjoy the protection afforded by the principles articulated today in this Code. While these principles are not new to Ford, they are vitally important to what we stand for as a company. Consequently, we have chosen to summarize them here in an expression of our global commitment.

While this Code of Conduct serves to detail, specifically, our standards for labor and environmental standards throughout our global operations, it also stands as a general endorsement of the following human rights frameworks and charters:

- The UN Universal Declaration of Human Rights
- The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
- OECD Guidelines for Multinational Enterprises
- The Global Sullivan Principles of Social Responsibility

The diverse universe in which Ford operates requires that a Code such as this be general in nature. In certain situations, local legal requirements, collective bargaining agreements and agreements freely entered into by employees may supersede portions of this Code. Nevertheless, we believe this Code affirms important, universal values that serve as the cornerstone of our relationship with employees.

Child Labor

We will not use child labor. In no event will we employ any person below the age of 15, unless this is part of a government-authorized job training or apprenticeship program that would be clearly beneficial to the persons participating.

Compensation

We will promote our employees' material well-being by providing compensation and benefits that are competitive and comply with applicable law.

Forced Labor

We will not use forced labor, regardless of its form. We will not tolerate physically abusive disciplinary practices.

Freedom of Association and Collective Bargaining

We recognize and respect our employees' right to associate freely and bargain collectively. We will work constructively with recognized representatives to promote the interests of our employees. In locations where employees are not represented by unions, we will seek to provide opportunities for employee concerns to be heard.

Harassment and Discrimination

We will not tolerate harassment or discrimination on the basis of sex, race, color, creed, religion, age, ethnic or national origin, marital/parental status, pregnancy, disability, sexual orientation, or veteran status.

Health and Safety

We will provide and maintain for all employees a safe and healthy working environment that meets or exceeds applicable standards for occupational safety and health.

Work Hours

We will comply with applicable law regulating hours of work.

Community Engagement & Indigenous Populations

We shall consider indigenous peoples among our primary stakeholders in all projects we consider undertaking. We will openly and honestly engage all recognized members of our stakeholder community who have an interest in our activities.

Bribery and Corruption

We will under no circumstances tolerate the giving or receiving of undue reward to influence the behavior of another individual, organization, politician, or government body, so as to acquire a commercial advantage; this extends to all of our regional operations, regardless of whether bribery is officially tolerated and condoned.

Environment and Sustainability

We will conduct business in an environmentally friendly and responsible manner. We will seek to reduce and minimize the environmental impact of all of our operations in the short term, as we seek to become an environmentally restorative and truly sustainable company in the long term.

Responsibility and Implementation

We will communicate this Code of Basic Working Conditions to all employees. As appropriate under local practice, we will seek the support and assistance of unions and employee representatives in this effort. We will encourage our business partners throughout our value chain to adopt and enforce similar policies. We will seek to identify and utilize business partners who aspire in the conduct of their business to standards that are consistent with this Code.

Employees with a good-faith belief that there may have been a violation of this Code should report it through established channels, if known, or to the Office of the General Counsel at fordlaw@ford.com. No retaliatory actions will be taken against any employee who makes such a report or cooperates in an investigation of such a violation reported by someone else.

Verification

We will, as appropriate, seek the assistance of independent third parties to verify our compliance with this Code.

Training and assessment

Once the Code of Basic Working Conditions was in place, more than 100 third-party assessments of existing and potential suppliers were carried out, to check compliance levels. The pilot assessments focused first on prospective export suppliers in China, then on existing suppliers in Mexico. Since then, the process has been developed and extended to other parts of the supplier chain. Over 800 assessments have been completed so far in selected markets. We believe that the combination of training and third-party assessment is more effective than assessment alone in developing a shared vision of continual improvement. This is why – parallel to training measures – suppliers in each selected market are subject to random third-party audits of working conditions. These audits include interviews with management and workers, document reviews (payroll, medical, health and safety), and plant walk-throughs. Any corrective action plans drawn up are followed up by the relevant regional purchasing offices. The gap-analysis results have been especially positive with regard to child labour, forced labour, discrimination and freedom of association, while health and safety, wages and benefits, and hours violations are receiving more attention in the corrective action plans. In 2006, to raise awareness of sustainable sourcing in our own purchasing department, we developed an internal web-based training programme. This is available to all staff and compulsory for those in certain key positions.

Organisational responsibility

The Senior Vice President Purchasing is responsible for human rights issues related to the supply chain. The Senior Vice President Human Resources is responsible for human rights issues concerning employees.

Economic

EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments

The Volvo Car Corporation is a wholly-owned subsidiary of the Ford Motor Company (FMC). In 2008, FMC began to publish separate financial information for its individual brands. As a result, certain information regarding Volvo Cars is presented below.

	2008	2007	2006
Total sales (retail deliveries)	374,297	458,323	427,747
Revenue – excl. special items (USD million)	14,679	17,859	16,105
Profit before tax – excl. special items (USD million)	- 1,465	- 164	- 39

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 is already having 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 14 per cent of global greenhouse gas emissions come from cars and light trucks. According to the Intergovernmental Panel on Climate Change, about half of these are from cars and light trucks. 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 are 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. However, estimates have been made regarding how much it would cost not to follow the new EU legislation. Potential economic risks to our business, affect profitability, include raw material prices, rising oil prices and currency exchange fluctuations.

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.

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.

Environment

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

Figure EN 1:1.

Composition of a Volvo S80 (in kilogrammes)

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

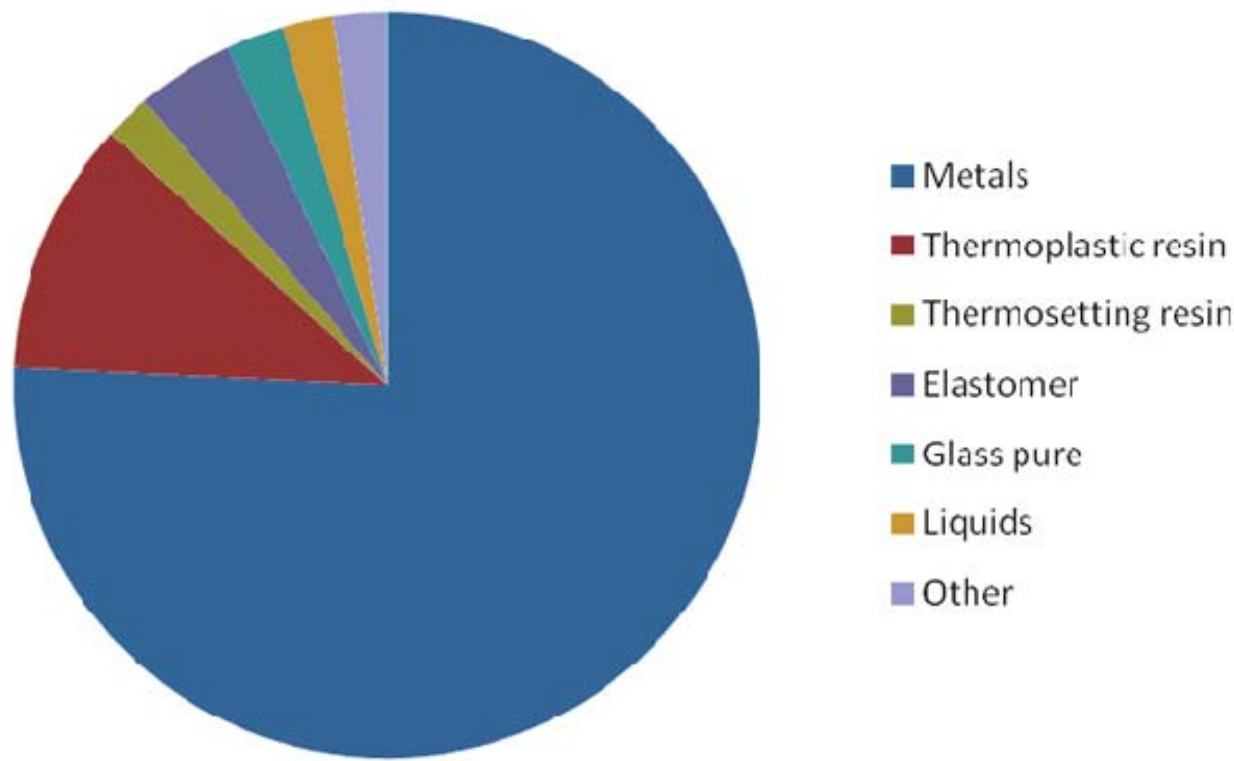
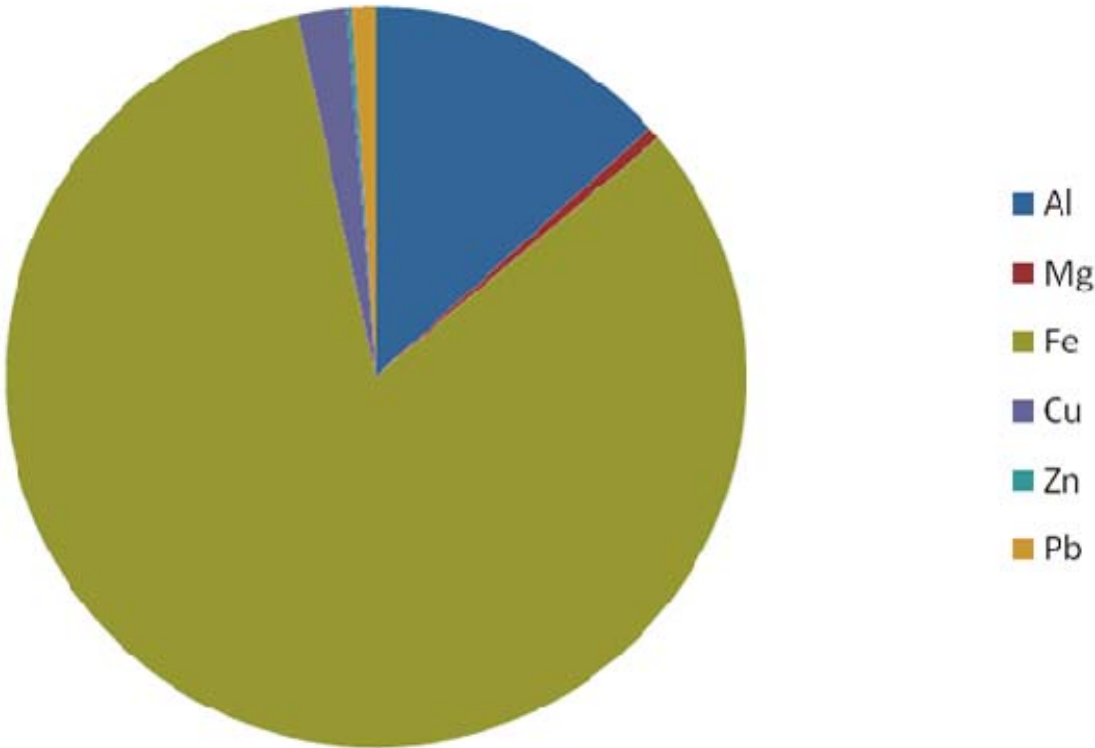


Figure EN1:2

Distribution of metals in a Volvo S80 (in kilogrammes)

Al	167
Mg	7
Fe	1,040
Cu	27
Zn	2.5
Pb	13



In Europe, metals, oils, fluids, rubber and certain plastics corresponding to 85 per cent of the weight of a Volvo can be recycled. This complies with the targets of 85 per cent reusability/recyclability and 95 per cent recoverability imposed by the Reusability, Recyclability and Recoverability Directive (RRR) mandatory for all new vehicles since 15 December 2008.

EN2 Percentage of recycled input materials

In Europe, metals, oils, fluids, rubber and certain plastics corresponding to 85 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 material (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

We use energy in the form of electricity, natural gas, diesel oil and petrol for direct production purposes. See table EN3:1. This energy is used to power machines, computers, lighting, tools, ovens and other equipment. District heating is generated mainly by incinerating waste, although natural gas, biomass and oil are also used. Volvo Cars' total operations-related energy consumption fell by 10.9 per cent in 2008. Heating, ventilation and lighting account for a significant proportion of total energy demand. At our Swedish facility in Torslanda, energy consumption is divided equally between production and administration. See table EN3:2

We have the general objective of reducing energy consumption for each year. All production plants are required to develop goals and programmes for reducing energy consumption.

Chart EN 3:1. Total energy consumption in VCC production plants by source (%MWh)

Energy source	% MWh 2007	% MWh 2008
Electricity	52	52
Natural gas	37	38
District heating	9.4	8.8
Oil/diesel/petrol	1.6	1.2

Table EN 3:2. Energy consumption in Volvo Cars' wholly owned plants, 2001-2008

Year	Total energy consumption, MWh	Of which indirect energy consumption, electricity and district heating account for:
2008	816,581	497,458
2007	916,669	571,080
2006	949,850	561,481
2005	1,002,596	796,428
2004	1,028,210	674,271
2003	1,055,082	681,594
2002	974,368	640,346
2001	981,036	657,517

EN4 Indirect energy consumption by primary source

There are various ways of describing how the electricity purchased in a given country during a certain period is produced. The European electricity grid is interconnected and all electric power generated is delivered to the same network. It is impossible to say where an individual kilowatt-hour is produced. To describe the true situation as accurately as possible, we have opted to base our description on how electricity is generated in the course of an average year in the countries in which we operate. Last year, we stopped using electricity from nuclear power and instead increased our consumption of hydroelectric power. For our operations in Europe, we assume that 100 per cent of the electricity we consume is hydroelectric power. In Thailand and Malaysia, we assume that 100 per cent of our electricity is generated from coal. These assumptions provide a sufficiently (although not totally) accurate reflection of how the electricity we use is produced. District heating is produced locally. In this case, our figures are based on the actual production method used in each location where power is purchased.

Table EN 4. Indirect energy consumption by production method, 2008

District heating	MWh	Electricity	MWh
from waste heat	47,597	From nuclear power	0
from biofuels	10,399	From hydro power	422,777
from fossil fuels + electricity	11,291	From condensing coal-fired plants	5,394
Total	69,287	Total	428,171

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 four countries on two continents. Volvo cars are also produced at Changan Ford Mazda Automobile Co., Ltd. (Changan Ford Mazda Automobile), Ford Motor Company's passenger-car joint venture in Chongqing, China.

Name of site and geographic location	Size of operational site in km2
Volvo Gent Plant Gent, Belgium	Plant size (sq. m): 237,008
Swedish Motor Assemblies SDN BHD Kuala Lumpur, Malaysia	Plant size (sq. m): 25,541
Volvo Torslanda Plant Göteborg, Sweden	Plant size: (sq. m): 372,542
Volvo Skövde – Engines Skövde, Sweden	Plant Size: (sq. m): 110,003
Volvo Car Corporation Floby Floby, Sweden	Plant size (sq. m): 21,999
Volvo Olofström - Body Components Olofström, Sweden	Plant size: (sq. m): 245,939
Thai-Swedish Assembly Company Limited – Volvo, Samutprakarn Province, Thailand	Plant size (sq. m): 24 400

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 six 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 today is cutting carbon dioxide emissions from its processes and products.

Conservation International, an environmental organisation based in Washington DC has developed a list of global "biodiversity hotspots". Two of our plants are located in listed areas: Swedish Motor Assemblies SDN BHD in Kuala Lumpur, Malaysia in the Sundaland hotspot; and Thai-Swedish Assembly Co. Ltd in Thailand in the Indo Burma hotspot. These hotspots are quite large (the Sundaland hotspot extends over 1.5 million sq. km, and the Indo Burma hotspot extends over 2 million sq km).

As with all our plants, the Malaysian and Thai operations are located at traditional industrial sites in or close 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 with regard to their impact on the environment. Based on this, we have concluded that there are no individual substances or materials 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

We report direct and indirect emissions of carbon dioxide. Indirect emissions are estimated based on our energy production assumptions for the countries in which we operate, as described under EN4. See table EN16:1.

Greenhouse gases also include CH₄, N₂O, HFCs, PFCs and SF₆. Of these, Volvo Cars only emits minor quantities of HFCs. These, are shown in the table below converted into carbon dioxide equivalents. See table EN16:2. The figures refer to operations in Sweden.

Table EN 16:1. Direct and estimated indirect emissions of carbon dioxide in car production

Year	Direct emissions of CO ₂ (tonne)	Indirect emissions of CO ₂ from electricity production (tonne) ^{1,2}	Indirect emissions of CO ₂ from district heating production (tonne)	Total emissions of CO ₂ (tonne) ²
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
2005	71,662	66,132	12,386	150,148
2004	77,158	69,191	11,964	158,313
2003	67,636	61,357	14,171	143,164
2002	58,523	54,915	10,977	124,415
2001	61,098	54,861	15,543	131,502

¹⁾ Electricity production in Sweden 70 kg CO₂/MWh; Belgium 360 kg CO₂/MWh; Malaysia and Thailand 720 kg CO₂/MWh, based on assumptions relating to energy production in the countries in which we operate, as described under EN4.

²⁾ From 2008, all electricity purchased in Europe for operations of the Volvo Car Corporation derives from hydroelectric power or wind power. Consequently, there are no CO₂ emissions from electricity production.

Table EN 16:2. Emissions of HFCs 2008

	Emissions of HFCs, kg	CO ₂ equivalent, tonne
Sweden 2008	588	705

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 propose 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 CFC11 equivalents, are shown in the table below. See table EN9.

Table EN 9. Stocks of ozone-depleting substances in the EU, 2004-2008

	HCFCs, kg	CFC equivalent, kg
2008	718	36
2007	733	37
2006	829	41
2005	1,545	77
2004	2,593	130

EN20 NOx, SOx and other significant air emissions by type and weight

Our plants produce emissions of sulphur oxides (SOx), nitrogen oxides (NOx) and hydrocarbons (VOC). 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, although the opposite is true of nitrogen oxides.

Hydrocarbon emissions are caused mainly by painting operations. Since it was commissioned in 1991, the Göteborg paint shop has proved to be one of the very best in the world in terms of minimising 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 Göteborg emits approximately 12 g of hydrocarbons per m² of painted surface, and our Gent paint shop approximately 25 g per m² of painted surface. In 2008, emissions of hydrocarbons decreased, as a result of improved efficiency. We will continue our efforts to further reduce emissions. See table EN20 Emissions of SOx, NOx, and VOC in 2004-2008

Table EN20. Emissions of SOx, NOx, and VOC in 2001-2008

Year	Emissions of SOx, tonne	Emissions of NOx, tonne	Emissions of VOC, tonne
2008	<1	90	712
2007	1	101	740
2006	3.1	120	883
2005	2.6	123	928
2004	3.3	120	979

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. The NOx emissions are measured directly while SOx emissions are calculated on the basis of the sulphur content in the fuel.

EN22 Total weight of waste by type and disposal method

Waste is a by-product of our operations. Since some of this material is inherently hazardous in nature, it requires special transport and treatment. As far as practically possible, materials are sorted at source into fractions that can be suitably processed

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 2007, total waste decreased. 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.

Table EN 22:1. Waste materials by type, Sweden and Belgium 2004-2008

Year	Total waste, tonne	Hazardous waste, tonne
2008	171,872	9,320
2007	195,045	11,395
2006	182,952	11,841
2005	180,038	10,006
2004	178,035	10,532

Table EN 22:2. Waste materials by type, Sweden and Belgium 2007-2008

2008	%	2007	%
Metals	94.4	Metals	92.7
Hazardous waste	3.2	Hazardous waste	4.6
Other	0.3	Other	0.2
Stone & cement	0.002	Stone & cement	0.003
Paper & cardboard	0.3	Paper & cardboard	0.3
Sludge	0.3	Sludge	0.3
Wood	0.7	Wood	0.7
Plastics	0.2	Plastics	0.2
Construction waste	0.1	Construction waste	0.2
Domestic refuse	0.5	Domestic refuse	0.5
Electronics	0.02	Electronics	0.02

Table EN 22:3. Methods of processing waste in Sweden and Belgium

2008	Materials recovery, %	Energy recovery, %	Landfill, %
Incl. metals	94	5.5	0.5
Excl. metals	25	67	8

The figures above are provided by Volvo Cars' waste disposal contractor.

EN23 Total number and volume of significant spills

Discharges to water consist of effluents from our industrial processes and wastewater discharged from catering and restroom facilities to the domestic wastewater systems in our plants. These discharges to water are not judged to be significant. In our Swedish plants, process effluents are first treated within the plant before discharge to the local effluent treatment plant. Domestic wastewater from plants is discharged directly to local treatment facilities. The local effluent treatment plants impose restrictions on the water they will accept for treatment, what contaminants the water may contain and their concentrations. The local facilities that accept our effluents have no problem with their treatment or quality. All effluents from our Belgian plant are treated within the plant itself, complying with the standards imposed on discharges by the Belgian authorities. Process effluents from our plants in Thailand and Malaysia are also treated within Volvo Cars' plants.

All plants must report serious environmental incidents to the Volvo Cars' Environmental Protection Department in Göteborg. During 2008, the following incidents were reported:

- Floby Plant. Oil contamination was found under the floor in the production facility. The soil was decontaminated according to instructions from local authorities.
- Torslanda plant. Minor oil leakage in the boiler house occurred; no influence on the surrounding area was identified.

EN26 Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation

Climate change is one of the greatest threats facing our planet. It is clear that greenhouse gas emissions must be radically reduced. Currently, some 14 per cent of global greenhouse gas emissions come from transport according to the Intergovernmental Panel on Climate Change. Given that 98 per cent of all motor vehicles sold worldwide rely on fossil fuels, climate change and mitigating emissions represent a major challenge for the automotive industry.

Our approach to mitigating CO₂ emissions is to continue improving today's petrol and diesel-engine cars and to invest in innovative technologies for the future. One example of this is the launch of the Volvo DRIVe product line. The second approach is to offer cars that can be driven on fuels with a lower net climate impact. We offer a broad range of Volvo Flexifuel models with this goal in mind.

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:

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 is focusing on ethanol as a fuel and its Flexifuel models for the present, and hybrid technology for the near future. Renewable diesel is another possibility. The company's 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.

DRIVE

Volvo Cars has presented no less than seven fuel-efficient DRIVE models since 2008 - all with best-in-class CO₂ emission levels. The extremely low figures for the C30, S40 and V50 have been achieved thanks to an advanced start/stop system. 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 powertrain - 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 powertrain is a major aid in helping Volvo's 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 per cent compared with current two-litre diesel engines.
- S80 down to 4.9 l/100 km and 129g, an improvement of 15 per cent compared with two-litre diesel engines.¹

The Volvo 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 per cent. Added to the Volvo range in 2007 were Flexifuel versions of the Volvo S80 and the new V70, in addition to the C30, S40 and V50 Flexifuels previously available.

Sales growing

In 2008, Volvo Cars sold a total of 25,771 cars capable of running on alternative fuels (Flexifuels and Bi-Fuels), in 11 European markets. This represents a considerable increase compared to 2007, when 10,899 such cars were sold. Flexifuel sales grew over the year, while Bi-Fuel sales dwindled as a result of Volvo Cars' CNG and biogas programmes being suspended for the time being.

Measures related to mitigation of CO₂-emissions

Fuel efficiency	2008	2007	2006	2005
Fleet average CO ₂ g/km	182	190	193	195

Hybrid development

In parallel with efficiency improvements in its petrol and diesel vehicles, Volvo Cars is investing heavily in hybrid technology as an important step on the path towards sustainable mobility. Much of the basic technology already exists although its relative complexity makes it expensive. Consequently, it is important to develop simpler hybrid technology, suitable for wider application. Increased use of hybrid cars will reduce carbon dioxide emissions. One key challenge is to develop more efficient batteries, thereby reducing weight.

¹ Source: VCC Newsroom, <https://www.media.volvocars.com/global/enhanced/en-gb/Media/Preview.aspx?mediaid=18752>

Göteborg Hybrid Centre

In 2006, to advance the company's expertise in hybrid technology and to develop hybrid systems for its cars, Volvo Cars and the Ford Motor Company initiated a new European technical centre for hybrid electric vehicles in Göteborg. The main focus is on improving fuel economy and reducing emissions. The aim is to progressively introduce hybrid technology in production vehicles.

The 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

In Europe, metals, oils, fluids, rubber and certain plastics corresponding to 85 per cent of the weight of a Volvo can be recycled. This complies with the targets of 85 per cent reusability/recyclability and 95 per cent recoverability imposed by the Reusability, Recyclability and Recoverability Directive (RRR) mandatory for all new vehicles since 15 December 2008.

EN27 Percentage of products sold and reclaimed packaging materials, by category

In Europe, metals, oils, fluids, rubber and certain plastics corresponding to 85 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 material (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 15 years, we have not been notified or found culpable of any breach of environmental standards or operating licenses at any of our plants. All of our environmental activities are conducted in compliance with applicable legislation and permits.

Labour practices and decent work

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

The figures in the table represent the number of employees and supervised workers working for the reporting organisation at the end of the reporting period. Supply chain workers are not included.

Table LA1:1 Breakdown of workforce 2002-2008

	2008	2007	2006	2005	2004	2003	2002
Sweden	16,573	-	18,212	19,944	19,681	20,82	20,613
Torslanda plant	4,178	-	-	-	-	-	-
Göteborg - Other	8,052	-	-	-	-	-	-
Skövde incl. Floby	2,593	-	-	-	-	-	-
Olofström	1,747	-	-	-	-	-	-
Belgium (Ghent)	3,791	-	4,537	4,691	5,336	3,956	3,770
Thailand		-	264	329	356	417	427
Malaysia	228	-	374	468	473	352	302
China	0	-	3				
Market companies	2,139	-	2,163	2,904	2,558	2,614	2,878
Total*	22,732	-	25,553	27,339	27,575	28,159	27,990

*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.

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

Table LA1:2 Breakdown of employment type 2008 (Sweden and Belgium only)

2008	White collar	Blue collar	Full-time	Part-time
Sweden	6878	10123	16191	810
Torslanda plant	248	4188	4299	137
Göteborg - Other	5836	2366	7699	503
Skövde incl. Floby	358	1833	2125	66
Olofström	436	1736	2068	104
Belgium (Ghent)	645	3981	4219	410

Employment types are defined as follows:

- 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).
- 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

A global organisation review concluded that 6,000 employees left the company in 2008. The net employee turnover at Volvo Cars in 2008 is presented in Table LA2.

Table LA2. Employee turnover at Volvo Cars in 2008

Blue collar male	11,0
Blue collar female	14,7
Total blue collar	11,7
White collar male	5,9
White collar female	7,3
Total white collar	6,2
Total Volvo Cars	9,2

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 was to achieve all-time low sickness absenteeism of 5 per cent in 2008.

Table LA7:1 Sick leave per disposal working hours (2003-2008)

	2008	2007	2006	2005	2004	2003
Sweden	4.3%	4.9%	5.6%			6.7%
VCC total	5.0%	5.5%	5.9%	6.3%	6.4%	6.5%

Systematic work throughout the company to reduce potential hazards has resulted in the risk of suffering a work-related injury or illness in production falling steadily over the past decade. The focus has been on high-risk areas and improved processes for reporting and feedback on all incidents and injuries. We will continue to monitor work-related accidents carefully and follow up all injuries to stimulate improvement and avoid future occurrences. In 2008, we achieved an all-time best of 0.9 accidents per 100 man years.

Table LA7:2 Number of accidents resulting in at least one day of sick leave per 100 employees per year

	2008	2007	2006	2005	2004	2003
LTCR *	0.9	1.5	1.9	2.3	2.3	2.7
Serious injuries **	8	4	2	9	0	1

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

** Defined as the 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 injury or sickness

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 that 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, Thailand 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. 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.

In total Volvo Cars conducted 296,779 hours of training in 2008. Some of the areas and issues that covered were: product related issues (engineering); IT, systems and tools; leadership and organisational development; process related manufacturing; and safety, health and environment. The number related only to traditional classroom training and does not include other efforts worth mentioning, 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.

Employees not having completed compulsory education are offered to take courses on working time. Volvo Cars also offers different financial benefits for employees conducting studies on their own free time.

LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity

Volvo Cars' executive management team consists of 12 people, 11 men and one woman.

Our target of women accounting for 25 per cent of managers by 2008, equivalent to the proportion of women among the workforce as a whole (23 per cent), was not fulfilled. This was an ambitious goal that we knew would be difficult to achieve. However, the trend in recent years has been positive, with the percentage of female managers increasing from 12 per cent in 2002 to 18.5 per cent by the end of 2008. Nevertheless, the rate of increase has been too slow and, having failed to meet our targets, we are planning a series of measures to accelerate the process. Since continued improvement is needed, specific measures have been set in place to generate further positive change, such as action plans developed within the units with their own specific targets and annual follow-up.

Diversity issues have a high priority at Volvo Cars. See table LA13:1-LA13:3 for more information on diversity at Volvo Cars related to age.

Table LA13:1 Age distribution, VCC in Sweden 2008 - white and blue collar

Data for 2008 (%)	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69
Göteborg	0	3.6	9.1	13.5	18.5	18.9	15	10.8	7.9	2.4	0.3
Olofström	0	0.9	4.2	9.9	19	22.5	16.2	14.9	9.2	3.4	0
Skövde	0.7	13.6	10.2	12.6	15.7	19.3	12	7.9	6.5	1.4	0

Table LA13:2 Age distribution, VCC in Göteborg 2008 - white collar

Data for 2008 (%)	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69
Göteborg Male	0	0.3	3.1	11	18.8	19.3	18.2	14.9	10.4	3.8	0.3
Göteborg Female	0	0.3	5.8	18.7	21.3	23	15.8	18.6	4.9	1.5	0.1

Table LA13:3 Age distribution, VCC in Göteborg - blue collar

Data for 2008 (%)	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69
Göteborg Male	0	5.8	13.3	12.9	17.9	17.7	13.6	9.4	7.1	2	0.3
Göteborg Female	0	9.6	16.6	17.2	17.1	17.9	17.6	5.5	5.8	0.6	0

Gender balance

Volvo Cars classifies management and other senior positions on a scale of leadership ranging from levels 1 to 6. These groups total about 2,000 employees. Most members of the executive management team are included in level 2 while the CEO is level 1. The average percentage of women in leadership levels 1-6 is used as the indicator for the percentage of women in leading positions. Figures refer to the Volvo Car Corporation at the global level.

	2008	2007	2006	2005	2004	2003
Per cent	18.5	18.5	18	17	16	15

LA14 Basic salary ratio between men and 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.

Table LA14:1 Basic salary ratio between women and men for white collar workers in Sweden

Data for 2008	SG 4	SG 5	SG 6	SG 7	SG 8	LL 6	LL 5	LL 4	LL 3
Salary ratio	1,051	1,002	1,002	1,000	0,974	0,989	1,008	0,937	1,146
Age ratio	0,846	1,049	0,930	0,909	0,911	0,935	0,938	0,920	1,000
% of pop.	0,870	0,471	0,288	0,231	0,179	0,198	0,216	0,106	0,294

Explanation:

- SG 4 -SG8 indicate salary grade according to increasing level of qualification.
- LL6-LL3 mainly indicate managerial positions according to increasing level of qualification.
- Salary ratio indicates women's salary in relation to men's in each SG/LL group.
- Age ratio indicates women's age in relation to men's in each SG/LL group.
- % of pop. indicates the proportion of women in relation to the total population in each SG/LL group.

Table LA14:2 Basic salary ratio between women and men for blue collar workers at Volvo Cars Sweden

Data for 2008	SG 2	SG 3	SG 4	SG 5	SG 6
Salary ratio	0,936	0,990	0,983	0,961	0,997
Age ratio	1,024	0,974	0,976	0,956	0,933
% of pop.	0,320	0,318	0,204	0,056	0,143

Explanation:

- SG 4 -SG8 indicate salary grade according to increasing level of qualification.
- LL6-LL3 mainly indicate managerial positions according to increasing level of qualification.
- Salary ratio indicates women's salary in relation to men's in each SG/LL group.
- Age ratio indicates women's age in relation to men's in each SG/LL group.
- % of pop. indicates the proportion of women in relation to the total population in each SG/LL group.

Human rights

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

About 30 per cent (by value) of the materials needed for each car are manufactured in our own facilities. The remaining 70 per cent are purchased from some 400 suppliers. We conduct regular third party audits to ensure that our suppliers perform in accordance to our code of conduct. None of our suppliers or contractors has been excluded or subjected to performance conditions or other sanctions as a result of human rights screening.

HR4 Total number of discrimination incidents and actions taken

In 2008, HR Labour Affairs dealt with three cases of discrimination that had been reported to us. In all of these cases, the incidents and/or behaviours concerned were reviewed. All of the cases have been resolved and are no longer subject to action.

Society

SO3 Percentage of employees trained in the organisation's anti-corruption policies and procedures

Good business ethics are a cornerstone of successful corporate activities. 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 the Ford Motor Company's Standards of Corporate Conduct, a corporate directive that includes Policy Letter No. 3, which details the rules governing what gifts an employee may accept.

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' opportunities 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 violations should be reported. Managers are trained in how to handle and follow up any incidents related to these issues.

SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations

Volvo Cars paid a EUR 207,000 fine resulting from a criminal case in Wasselonne, France regarding an automobile accident in 1999 involving a Volvo vehicle.

Product responsibility

PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures

Five million people are injured every year in road accidents and about a 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 on areas which we think are important our customers.

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

Protective safety

Car safety is a complex area which is assessed on the basis of several different criteria. In addition to our own extended 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 44 out of 63 tests. These tests are based on crash testing in a well controlled environment at a certain speed, accident statistics and expert assessment.

Results of independent car safety tests 2008

Latest results of independent car safety tests on Volvo car 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.

Test body	Test method	C30	C70	S40	S60	S80	V50	V70	XC70	XC60	XC90
EuNCAP	Adult	1	n/t	1	2	n/t	n/t	1	n/t	1	1
	Child	2	n/t	2	n/t	n/t	n/t	2	n/t	2	n/t
	Pedestrian	3	n/t	2	2	n/t	n/t	2	n/t	2	2
	Whiplash	n/t	n/t	n/t	n/t	n/t	n/t	n/t	n/t	1	n/t
US NCAP	Frontal crash test	n/t	n/t	2	2	n/t	n/t	n/t	n/t	n/t	1
	Side crash test	n/t	n/t	1	1	n/t	n/t	n/t	n/t	n/t	1
	Rollover test	n/t	n/t	2	1	n/t	n/t	n/t	n/t	n/t	2
IIHS	Frontal crash test	n/t	1	1	1	1	n/t	n/t	n/t	n/t	1
	Side impact crash test	n/t	1	2	2	1	n/t	n/t	n/t	n/t	1
	Rear/Whiplash	n/t	1	1	1	1	n/t	n/t	n/t	n/t	1
	Top Safety Pick	n/t	1	n/t	n/t	1	n/t	n/t	n/t	n/t	1
HLDI	Injury reports to insurance companies	n/t	n/t	3	3	n/t	1	n/t	n/t	n/t	1
Folksam	Injury and fatality data	n/t	n/t	n/t	1	n/t	n/t	n/t	n/t	n/t	n/t
	Whiplash	1	n/t	1	1	1	1	1	n/t	n/t	1
Thatcham	Whiplash	1	n/t	1	1	1	1	1	n/t	n/t	1

Preventive safety

Preventive safety deals with the provision of various safety functions which help the driver to mitigate or avoid an accident. 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 maneuver and must have effective brakes. . Volvo Cars also offers preventive safety functions such as Driver Alert, Collision Warning With Autobrake and City Safety (standard in the new Volvo XC60), 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.

Personal and property security

Security 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.

PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcome

No reported incidents have come to the knowledge of the company.

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

Customer satisfaction, rankings

Year	2008	2007	2006	2005	2004	2003
Per cent	12	16	21	17	17	12

Satisfied customers are a prerequisite to our business and it is the aim of Volvo Cars to be No.1 in customer satisfaction, ahead of its competitors.

Definition

The table shows the percentage of independent surveys in which Volvo Cars was ranked among the top three manufacturers (per cent). This Key Performance Indicator (KPI) indicates the number of customer satisfaction surveys in which Volvo Cars was ranked first, second or third compared with its industry competitors. The indicator includes a total of 24 different surveys in eight countries: Sweden, the UK, Germany, Italy, France, Spain, the US and Japan.

Most of the surveys include the majority of Volvo models. Three to four different surveys were carried out in each country under the following headings:

Sales: Customer satisfaction with dealer performance when buying a car

Service: Customer satisfaction with dealer performance with regard to service and/or car repairs

Product, short time in service: Customer satisfaction with product quality after three months of ownership

Product, extended time in service: Customer satisfaction with product quality after three years of ownership

Trend

When it comes to customer satisfaction, Volvo Cars was ranked among the top three manufacturers in 12 per cent of the independent studies that were monitored in 2008. Despite improved product quality and increased satisfaction with the dealerships in many markets, competitors have improved in other areas resulting in this step back compared to 2007. Volvo has reacted by further strengthening its efforts to achieve continuous improvement.

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

Advertising texts about safety are reviewed by our internal legal department.

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.

There have been no incidents of non-compliance with regulations and voluntary codes concerning marketing communications.