

# **SUSTAINABILITY REPORT 2014**



**SCANIA**



For Scania, ensuring profitability for our customers depends on close dialogue and partnership to find solutions throughout the logistics value chain. By succeeding in this ambition, we strengthen our own competitiveness, profitability and future success.

On the journey to a more sustainable future, we are guided by our core values and a strong focus on continuous improvement.

Dedicated employees, flexible production, the modular system, a strong quality focus, an extensive service network, and cutting-edge R&D comprise our strengths. Together, these qualities make Scania resilient and give us a strong leadership position in a world increasingly dependent on safe, sustainable and efficient transport systems.



## OUR CORE VALUES

Scania's core values define our company culture. Closely linked, they guide our actions and create value for Scania's stakeholders. With a common way of thinking and working, every individual contributes by strengthening and improving how our company operates with a strong focus on continuous improvement.

## CUSTOMER FIRST

Understanding our customers' business leads to solutions that enhance customer profitability by means of high earning capacity and low operating cost, while promoting sustainability. The customer's operations and resource efficiency are at the centre of the value chain: from research and development, sourcing and production to delivery and financing of vehicles, engines and services.

## RESPECT FOR THE INDIVIDUAL

From drivers of vehicles to our employees on the production line, the individual stands at the centre in all that we do. We seek to capture the knowledge, experience and ambition of each individual to continuously improve and develop our working methods. Inspiration and new ideas emerging from our daily work lead to higher quality, efficiency and job satisfaction.

## QUALITY

High-quality solutions are essential for our customers' profitability. Knowledge of our customers' needs and requirements ensures that our products and services meet the highest demands. Deviations from targets and standards are used as a valuable source of continuous improvement. We seize every opportunity to eliminate waste and inefficiencies.

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This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

# SCANIA AT A GLANCE

With the aim to be the leader in sustainable transport, at Scania we are building our business while creating value for our customers, employees and society. Delivering customised heavy trucks, buses, engines and services, our focus is on efficient, low-carbon solutions that enhance customer profitability.

With 42,000 employees in 100 countries, we are strategically placed where our customers need us, wherever they operate. Scania's head office, with 5,000 employees, is located in Södertälje, Sweden.

R&D operations are mainly located in Södertälje, Sweden, with some 3,500 employees. Our aim is to develop high-quality products and solutions for the specific customer demand with short lead times from idea to launch.

About 12,400 people work at production units in seven countries in Europe and Latin America. The modular product system and the global interchange of both components and vehicles create flexibility.

We strengthen our position in emerging markets through Regional Product Centres located in six emerging markets, with about 640 employees. These employees work with assembly, body-work, and fitting out locally-adapted vehicles.

With parts supply facilities, located in Opglabbeek, Belgium, Singapore and Vinhedo, Brazil, we are able to be closer to our customers and thereby improve their vehicle uptime.

We take a coordinated approach to our supply chain with an emphasis on high quality and increased focus on sustainability. Central purchasing is based in Södertälje, with local offices in Latin America, India, Russia and China.

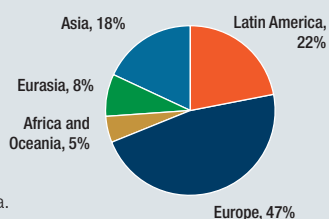
About 18,400 employees work with sales and services globally. Our network and mobile service solutions enable us to be close to the customer in order to provide support on site where the products are used.

Some 760 employees work with Financial Services, supporting customers in many markets worldwide by providing finance solutions and vehicle insurance. By offering financing on good terms together with an efficient claims management service and rapid repairs, with access to Scania's entire service network, we minimise downtime and lost revenue for our customers.

## SALES AND DELIVERIES, 2014

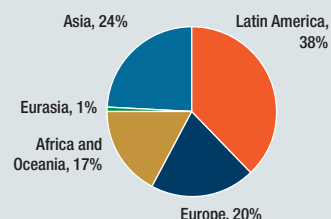
### Trucks

Scania truck deliveries amounted to 73,015 units in 2014. The deliveries in Europe increased due to higher market share. Deliveries in Asia rose sharply due to increased demand in the Middle East, whereas deliveries decreased in Latin America.



### Buses and Coaches

Scania bus and coach deliveries amounted to 6,767 units in 2014. In Europe deliveries rose from a low level and deliveries in Eurasia decreased due to one large order in 2013. Deliveries increased in Asia and Africa and Oceania.

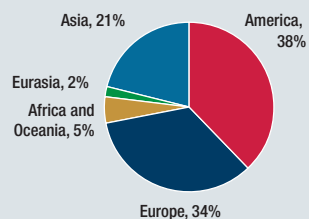


## A GLOBAL PRESENCE



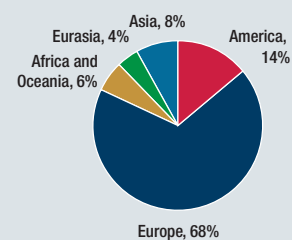
### Engines

Scania engines deliveries rose to an all-time high level of 8,287 units. Deliveries increased strongly in Asia.



### Services

Service revenue totalled SEK 18.8 billion in 2014, which was a record high. Revenue increased in all regions.





# LEADING FOR THE LONG TERM

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Long-term business success depends on delivering greater profitability along with efficiency, CO<sub>2</sub> reductions and social and ethical responsibility. Scania aims to take the lead in the shift towards a sustainable transport system, and we want to do it together with our customers.

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Globally, mobility of goods and people will continue to be needed – and expand – due to greater flow of goods around the world, urbanisation and a growing middle class. But pollution, climate change and resource scarcity mean we cannot continue to grow as we have in the past. We need sustainable transport solutions.

This is not a trend but a must. Meeting society's demand for transport and mobility with a much smaller footprint means reducing waste and emissions, boosting efficiency, and switching to renewable fuels. As a major global contributor of CO<sub>2</sub> emissions, our industry must cut carbon. In combination with CO<sub>2</sub>-cutting technologies, the way to do this is by optimising the transport system to improve flow and thereby reduce transport activities.

## In our daily work and beyond

I see no conflict between logistical efficiency, CO<sub>2</sub> reductions, social and ethical responsibility and strong financial performance; to me, they are prerequisites. That's the recipe for sustainability – being able to combine all the factors successfully.

Our aim is to be the leader in the shift towards sustainable transport systems, an ambition we strive to realise in our daily work. We are part of a value network. That is why leadership is also about driving the discussion with customers and other stakeholders to improve together and explore future business models. For Scania, this is an exciting challenge.

## Connecting with opportunity

We are already a recognised market leader in quality, efficient engines and vehicles: we received the Green Truck Award 2014 for our Scania G 410 Euro 6 and its record low fuel consumption. We took the lead in the transition to Euro 6, a platform which provides substantial reductions of particle emissions compared to Euro 5. Our Euro 6 offering is unique on two fronts; it does not compromise on fuel efficiency and can be adapted to every type of available biofuel. Thanks to our early introduction of Euro 6, we are strong in renewable fuels, especially biodiesel. The Euro

6 launch is also one reason why we achieved a historic 15 percent market share in Europe in 2014.

This is all encouraging, but sustainable innovation does not stop at fuels, engines and transmission. Sustainability in the transport sector is closely linked to connectivity. Through better everyday communication with the vehicle, transport systems can be optimised, which is of value to both society and our customers. Society benefits through better transport flows, and customers benefit through safer driving, and information on fuel consumption, maintenance needs, and driving behaviour. The potential is already evident. By end-2014, 100,000 Scania trucks were connected.

We see huge opportunities to help customers in the transition to sustainable transport – especially in urban areas. We invest significantly in research and development (R&D) to reach our goals. In 2014, SEK 6 billion of our sales income was invested in R&D – mostly focused on solving sustainable transport challenges, not least through connectivity.

## A new mindset

We are working to engage the entire logistical chain from transport producers to suppliers and to users. We want to bring a new way of thinking about transport – one that is innovation-driven, systems-based and founded on collaboration. By partnering with our customers and other stakeholders, we build real understanding of what is needed to transform transport systems and embed efficiency throughout the value chain.

I want Scania to be a catalyst in this changing mindset. Customer First is our core value; adding value is our key focus. Given the long lifecycle of our equipment, this requires not only high-quality products, but convenient, reliable service 24/7 to boost efficiencies – an overall solution. We partner with customers to lower total cost of ownership and ensure profitability over the full product lifecycle by optimising flow. Since our biggest impacts occur when Scania trucks and buses are on the road, working according to an integrated approach with our stakeholders helps reduce the total footprint.



*Meeting society's demand for transport and mobility with a much smaller footprint means reducing waste and emissions, boosting efficiency, and switching to renewable fuels.*

**Martin Lundstedt**  
President and CEO

Ecolution by Scania – a package of value-added customer services throughout the product lifecycle – illustrates this approach. By understanding customer needs, we can jointly drive continuous improvement in fuel consumption, safety and logistics efficiency – and jointly share the rewards. The market is responding to this win-win business model. Since 2011, we have sold 4,000 Ecolution by Scania contracts in 18 markets. Average fuel consumption has decreased by 11 percent – a fantastic outcome. Our business goal is for Ecolution by Scania to represent 50 percent of sales in the medium term.

### A trusted partner

In order to be able to create long-term customer value, we need to be a responsible business partner. Our vision is to show by example through global operational excellence.

Scania is a signatory of the United Nations Global Compact. We are embedding its 10 principles in our operations as well as in our supplier standards via a new sustainable sourcing standard and global rollout of the Responsible Sourcing Programme. We are also working with other companies through the business organisation CSR Europe to improve traceability in the automotive supply chain – a complex challenge for our industry.

While our top priority remains our greatest impact – the CO<sub>2</sub> produced when our vehicles are in use – we must continue efforts to embed sustainability across the company. Maintaining high social, ethical and environmental standards and being responsive to stakeholder expectations for accountability and transparency is critical. As we grow our global presence and enter new markets and segments, we need to be aware of, and work to minimise, evolving risks to our business.

I want Scania to be engaged and have the right skill-sets for the challenges ahead. We will build on this in 2015 by sharing best practice among managers and rolling out our 'Doing Things Right' ethics e-learning.

On the product front, our main focus going forward will be on integrated transport, alternative fuels and hybridisation with stronger emphasis on the battery electric vehicle and zero emissions in the powertrain. We are also actively looking for ways to cut our inbound logistics footprint by continuing on-road testing of longer trailers. In 2016, we will put our wirelessly charged hybrid electric bus to the test in Södertälje, Sweden where Scania is headquartered.

### A shared journey

We still have a long way to go, but I am confident these ongoing efforts will put us in a good position to deliver on our strategy and help bring about the change needed in our industry. Scania's strategy and fundamental values are based on balanced, long-term value creation for all stakeholders. From this year, as a wholly-owned subsidiary of the Volkswagen Group, sharing technology and knowhow will help Scania deliver even better solutions.

The journey has already begun and I am truly excited about Scania's future. Through partnerships we are building long-term bonds of loyalty and trust – from our suppliers to our customers' customers. This is a world based on interdependence – where real improvement can happen. It is only through working in partnership that we can achieve real change. Working together with respect, and improving things together, I am convinced we really will transform our industry.

Martin Lundstedt  
President and CEO

# THE CUSTOMER AT OUR CORE

With customer profitability as our starting point, we want to be the leading provider of sustainable transport. This means integrating sustainability fully into the business and working with others to tackle impacts, transform our industry and create lasting value.

## COMMITTED TO HIGH PRINCIPLES

From our core values to global management systems and the way we conduct our business, Scania is committed to upholding the ten principles of the UN Global Compact (UNGC). UNGC is an initiative for companies to align their operations with universally accepted principles of doing business in the areas of human rights, labour, the environment, and anti-corruption. Scania's commitment is one way we express our support for practices that reduce negative impacts on the environment and people and enhance positive ones. It applies just as much to how Scania is managed, as it does to production and supply chain and other relationships along the value chain.

We want to harness our skills, knowhow and proven systems to meet the need for sustainable transport. Sustainability as a way of thinking is fundamental to our business success, aligned with our core values, our business strategy and our way of working. In short, it is an approach we are working to integrate into every aspect of our business. To be a credible and trusted partner, we must meet high standards of social, ethical and environmental responsibility.

Meeting society's need for transport and mobility with a much smaller footprint means driving down waste and emissions, and boosting efficiency right along the value chain. In reaching for this goal, we are not alone. Change on this scale demands collective action, in partnership with our customers and other key stakeholders. Realising our sustainability ambitions means we have to rethink the system — inside and beyond Scania. This is a huge undertaking, and this journey has only begun. But our deep understanding of the transport sector, and the key trends driving change, enables us to better understand our impacts and focus on reducing waste.





### Gaining a deeper understanding

Through close dialogue with our customers and other partners in the logistics chain, and other stakeholders, we see significant potential to reduce environmental impacts and build a transport system that is able to meet future demands and provide value for society.

As a member of the Volkswagen Group, we generate shared benefits by working with other Group-affiliated brands, particularly in areas such as R&D and supply chain management.

To explore what the future as a leader in sustainable transport means for Scania, our Executive Board has pulled together ten employees, chosen for their ability to think holistically, and for the influence they carry within their own organisations. They will deliver a roadmap in 2015 on how to realize our sustainability ambitions, including suggested priorities, areas for target-setting and other initiatives.

## GROWTH STRATEGY

Scania's ambitions for 2020 are to achieve sales of 120,000 trucks, 15,000 buses and 20,000 engines. The share of service revenue will increase to 25–30 percent of total revenues. The modular system, efficient and flexible production and a stronger service business will safeguard profitability and the ability to meet short-term volatility in demand. The growth strategy rests on five pillars.

### 1. Increasing sales of services per vehicle

There are several drivers behind the increasing demand for services. Transport companies are focusing more on logistics services, which means a growing need to outsource servicing of vehicles. Tailored packages can increase fuel efficiency and uptime.

### 2. Grow with the market

Scania's ability to maintain market share depends on understanding customers' needs, so that we can support their growth and profitability by providing the right solutions. We are flexible and resilient in relation to regional differences and changing market and economic conditions.

### 3. Increase market share

In selected markets and segments, Scania targets a higher market share. Short lead times are important in bringing new products to market that improve customer efficiency and uptime. A flexible production system means quick adjustments to demand volatility and potential to increase market share when the opportunity arises.

### 4. New markets

Scania has ambitions to further strengthen our presence in new markets. There is a growing need globally for cost-efficient sustainable transport solutions. We understand local conditions and are gradually increasing local sourcing.

### 5. New customer segments

Scania has a systematic approach to judging the potential in each segment and assess if the modular system can be applied to suit that segment's specific demands. This ensures that Scania's revenue potential in each segment will compensate for the cost of adapting products and services.

# INTEGRATING SUSTAINABILITY

Integrating sustainability into the business means we have to leverage innovative thinking, develop partnerships and work more extensively within the logistics flow to capture efficiencies.

By combining three approaches to integrating sustainability, Scania's objective is to pioneer and scale sustainable transport solutions that deliver value for all stakeholders. We do this by harnessing innovative thinking, developing partnerships with customers as well as others and working more extensively within the logistics flow to capture efficiencies.



We identify shared objectives by working within the 'Triangle', in close dialogue with our customers – the transport companies – and their customers, the buyers of transport services.

## Creating an innovative organisation

We cannot solve tomorrow's challenges with yesterday's thinking. Being at the forefront of innovation is essential to deliver sustainable transport solutions.

To deliver innovative thinking, Scania strives to be a learning organisation. This means we have to continuously challenge ourselves to think differently and push technology frontiers. It is this mindset that has led to Scania being a recognised market leader in high-efficiency engines and transmission, as well as use of renewable fuels such as biogas.

Our inclusive way of working – the Scania Production System (SPS) – is grounded in the idea of empowering individuals to drive continuous improvement, take ownership and find a better way to do things. By applying flow thinking we are eliminating waste, enhancing value and improving efficiency.

In 2015, we will launch leadership training that will strengthen our culture of diverse thinking, personal initiative and innovation and better prepare us to capture necessary future skills.

## Building partnerships

Changing the transport system as a whole is complex and requires all the stakeholders in the transport value chain to work together to achieve shared goals.

To make sure the right frameworks are in place for innovative, sustainable solutions to gain traction, we must collaborate more with academia, governments and other stakeholders to push the envelope, and spread best practice. The newly established, multidisciplinary Integrated Transport Research Lab (ITRL) at Stockholm's Royal Institute of Technology, which Scania co-founded, is one example of how Scania is collaborating to test and trial new ideas for the transport of goods and people.



Martin Lundstedt, President and CEO, Scania with Peter Gudmundson, President, KTH Royal Institute of Technology.

In the future we expect many new types of collaboration, and cross-fertilisation between industries and disciplines will be needed. Working within what we call the 'Triangle' in close dialogue with our customers – the transport companies – and their customers – the buyers of transport services – we identify shared objectives. This includes retailers' need to reduce CO<sub>2</sub> emissions from logistics, the transporter's imperative to reduce fuel costs, and for Scania, to tailor solutions for different industries as value-added services. The outcome is a win-win-win – for Scania, for the customers and for the environment.

In line with broader stakeholder expectations for greater transparency, we are also working with industry peers and organisations like CSR Europe to improve supply chain management and enhance traceability.

### Delivering solutions

As well as being a manufacturer of heavy trucks and buses, Scania is increasingly developing new ways of delivering customer value based on a full service offering that delivers lifecycle profitability. Especially in emerging markets, we see that solutions built on innovation and partnerships with customers can have a positive impact, spurring the ability to leapfrog to sustainable transport solutions such as Bus Rapid Transit (BRT).

To make the shift towards sustainable transport systems, the entire transport value chain needs to change. This means doing business differently. One step in this direction is Ecolution by Scania – a full service offering to purchasers of our vehicles. Through this package, we supply ongoing maintenance and training throughout the entire lifecycle of our products. This new approach creates real opportunities to reduce the impacts of trucks and buses during use. These services have a proven track record in helping customers improve efficiency and cut costs by optimising the vehicle, driving and service.

Connectivity is another very promising avenue, opening up new possibilities for efficiency gains through remote diagnostics and new ways of working.

*Actively engaging with a wide range of stakeholders helps guide our strategy.*

## INSIGHTS FROM STAKEHOLDERS

Close dialogue and working relationships with stakeholders help us partner on shared interests and common goals.

### Employees

Scania promotes interactive relationships with employees and we engage widely. Employees meet regularly to identify improvements to production systems within the Scania Production System (SPS) model, and two employee representatives contribute to corporate strategy at Board level. We gather employee opinions through our company-wide employee barometer and exit interviews.

### Suppliers

In 2014, we held supplier training sessions in Brazil and Argentina to share best practice. In 2015, we plan similar events in India and China with the European business network CSR Europe, as well as for the logistics sector in Europe.

### Policy makers

We work with national governments on sustainable transport issues at the regional, national and international levels. Our key policy themes are: decarbonisation, competitiveness and access to competence. Scania's biennial Sustainable Transport Conference is an example of our commitment to evolving sustainable transport.

### Customers

We focus on building long-term relationships with our customers. Through close dialogue and partnership, we develop a better understanding of their business and their role in the logistics flow. This enables Scania to tailor the right solution for their needs. To gain further insight, we conduct deep-dive interviews to understand their sustainability and business priorities.

# WORKING ALONG THE VALUE CHAIN

Our biggest impacts – positive and negative – take place beyond Scania's own operations. It is when trucks and buses are on the road that our products and services create benefits for customers and major environmental effects arise.

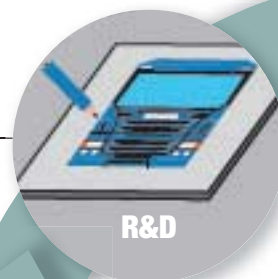
By seeing the big picture, identifying key impacts, working with others, and applying our knowledge and innovative solutions, Scania aims to find ways to drive improvement along our value chain.

## Research and Development

A more efficient transport system is at the heart of our R&D activities. Improving fuel efficiency, use of renewable fuels, connectivity, and driver safety are among our key focus areas. Supported by 3,500 engineers.

During 2014 we:

- Directed 6 percent of sales income to innovation.
- Stepped up partnership with the Volkswagen Group.
- Road tested power-electrified vehicles.



R&D

## End-of-life

Made mainly out of high recovery value materials like cast iron and steel, our trucks are 95 percent commercially recyclable. Only components like glass panes and plastic parts go to landfill. We continually try to reduce non-recyclable components and provide guidelines for end-of-life treatment and dismantling.

### Raw material

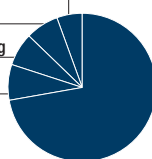
Others 393 kg

Plastic 519 kg

Non-ferrous metals 522 kg

Rubber 568 kg

Ferrous 5,212 kg



Materials used in the manufacture of an R 420 truck.

END-OF-LIFE

## Services

Our global sales and service operations work hand-in-hand with customers to meet their sustainability goal, find efficiencies and deliver high value-added services like driver training and Ecolution by Scania across the full vehicle lifecycle. By 2020, we will have increased our service offering by 6 – 8 percent per year.

During 2014 we:

- Piloted new risk assessment methods and tools to safeguard the integrity of our sales and services operations.
- Trained 20,000 drivers.
- Reached 100,000 connected vehicles.



SERVICES



### Suppliers

Scania has a growing presence in emerging markets, such as India and China. This makes proactively managing our labour, human rights and environmental risks through responsible sourcing of components and raw materials a stakeholder priority. The automotive supply chain is complex and improving traceability beyond our direct – or Tier 1 – suppliers presents a challenge. We start by raising awareness on the importance of transparency and impacts, and putting systems for responsible sourcing in place. We are taking measures to tackle the carbon emitted from inbound logistics.

During 2014 we:

- Launched our Responsible Sourcing Program, founded on UNGC's 10 principles.
- Completed the first of three phases of purchaser training in key emerging markets.
- Set expectations among transport suppliers to reduce their CO<sub>2</sub> emissions by at least 3 percent per year and use at least Euro 5 standard vehicles.

### Production

The Scania Production System's (SPS) strong ethos of continuous improvement drives us to find new ways to reduce waste and thereby our environmental footprint, delivering better energy and materials use and lower emissions. Healthy attendance, employee well being, competence and engagement as well as global commitment to labour standards are at the heart of our efforts to create a good working environment.

During 2014 we:

- SPS global role model workshops are in every market.
- Piloted NILE (New Inbound Logistics), a program to increase efficiencies in Scania's inbound logistics in Europe, achieving a 16 percent reduction of CO<sub>2</sub> in inbound transport.

### Sales

We aim to grow the market for vehicles optimised both for their task and for their environmental impacts. We are bringing our Euro 6 offering to new markets and aim to increase sales of non-fossil fuel driven vehicles. To ensure high ethical standards downstream, we are launching an evaluation process for non-financial risks in sales.

During 2014 we:

- Sold Africa's first Euro 6 buses in South Africa.
- Improved sales of biofuel driven vehicles.
- Introduced a process for evaluating non-financial risks.

### On the road

Our 2020 ambition of halving the climate impact of transported goods compared with 2000 relies on the right use of cutting-edge technology, good maintenance, better driving skills, smart logistics, and renewable fuels.

### Logistics

Logistics thinking is shifting from a focus on transport method to a wider take on how to make the system flow more efficient. By applying connectivity and focusing on lifecycle optimisation, we can help customers improve operational efficiencies, reduce noise, impacts and costs, and improve road safety and security.

During 2014 we:

- Engaged in dialogue with the EU and Danish governments on the use of longer trailers.
- Tried double semi-trailers (32 metres) on specially designated Scania routes.

### Mobility

Tomorrow's sustainable cities require new infrastructure and a shift in behaviour and attitude. Through our Bus Rapid Transit (BRT) systems, we are working with customers, local government and others to create low-carbon public transport solutions that help cities deal with congestion and create a better mobility flow.

During 2014 we:

- Achieved bus sales of 6,700 buses, increasing share in Asia, Africa and Oceania.
- Partnered with municipality of Accra, Ghana to supply 245 buses and equipment for the BRT.
- Launched Scania Citywide LE. This new Euro 6 powertrain, can run on up to 100 percent biodiesel.



**SUPPLIERS**



**PRODUCTION**



**SALES**



**ON THE ROAD**

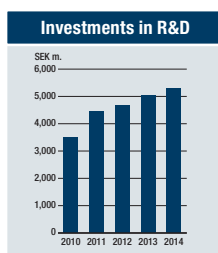
# CREATING STAKEHOLDER VALUE

Value creation is the essential aim of our business and it links Scania and our key stakeholder groups. Scania has been consistent in delivering benefits to customers, suppliers, owners and lenders, society and employees.

Scania takes a long-term view regarding investments in innovation, production and service capacity as well as in education and training of our employees, in order to ensure continued value creation for our stakeholders. This creates the stage for Scania to be a leading company on the path towards more sustainable transport and to achieve long-term growth and profitability.

## Scania

The business model has generated a strong, thriving and profitable business. A portion of these profits are reinvested in the company, creating the right conditions for continued growth.



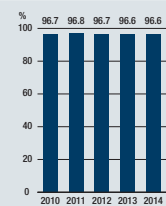
A high level of investments in R&D will strengthen the product portfolio over the coming years.



## Employees

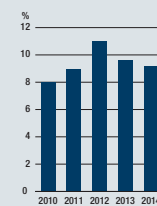
Value resides in a healthy, motivated and dedicated workforce. Scania benefits through higher levels of productivity and employee retention.

### Healthy attendance



Healthy attendance has been stable for several years, creating the right conditions for employees to reach their full potential.

### Employee turnover

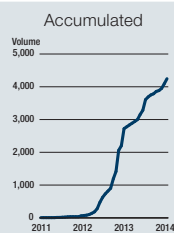


The employee turnover rate has varied between 8 and 10 percent, signalling that Scania is a stable employer.

## Customers

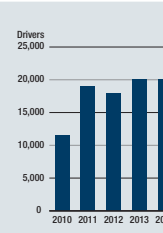
Scania provides value to customers through high-quality products and services that enhance customer profitability and in return, Scania's brand and customer loyalty are strengthened.

### Sales of Ecolution by Scania



The number of sold Ecolution by Scania contracts exceeds 4,000. On average, the fuel saving for a customer is 11 percent, enhancing customer profitability.

### Driver training

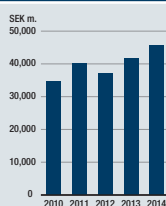


In 2014, Scania trained 20,000 drivers in safe and efficient driving.

## Suppliers

Providing business opportunities and shared technology with expectations for high environmental and social requirements, creates value for our suppliers (and society at large). In return, Scania benefits through higher supplier quality and productivity.

### Cost of goods



The volume of goods from suppliers is closely linked to Scania's production volume.

## Owner and lenders

Scania provides value to our owner and lenders by continuing to deliver growth with profitability and generating cash flow.

### ROCE

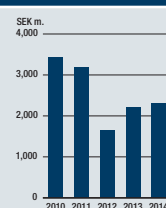


Despite a higher investment level and a sluggish business climate, ROCE has been stable around 20 percent in recent years.

## Society

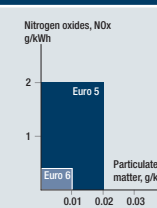
Collaborating with universities and schools and contributing to local communities boosts the talent pool while supporting Scania's business environment.

### Tax expenses



Scania's tax expense rose slightly during 2014 as the tax rate for the group increased to 27.8 percent. Taxes paid help contribute to building necessary infrastructure and vibrant societies.

### Euro 6



Euro 6 became mandatory in Europe in 2014, resulting in significantly lower emissions, a top concern, especially for cities.

# MAPPING WHAT MATTERS

Adopting an outside-in perspective helps us identify and understand the sustainability aspects most material to achieving our business aims.

To identify sustainability issues most relevant to Scania and our stakeholders, our materiality process evolved further during 2014.

## Points of reference

Our materiality approach builds on procedures aligned with Global Reporting Initiative (GRI) guidelines. It incorporates insights from research, industry impacts, competitor priorities, targeted stakeholder groups and sustainability and business strategy experts. As its foundation, a universe of 35 topics were identified as having a potential impact on Scania's business to 2020.

## Stakeholder insights

A selected group of managers from ten Scania functions analysed 35 topics. First, each topic was mapped against the degree of their importance to our ability to respond to identified megatrends.

The topics were then analysed against expectations of four key stakeholder groups, weighted according to their influence on – and importance to – the business. Stakeholders included existing and potential employees, financial actors (owners, lenders and analysts), society (regulators, NGOs and media), and commercial actors (customers and transport buyers). The topics were also gauged on how they influence our ability to create value for these groups. To build on this stakeholder insight, Scania conducted deep-dive interviews that enable us to track dialogue and expectations over time.

## Business relevance

The topics were also analysed by looking through the lens of Scania's 2020 business strategy and corporate culture, brand values, and environmental and social footprint, and our ability to create value.

These combined scores provide a composite view of the most material sustainability issues for Scania from a business and stakeholder perspective, captured in the diagram.

In this more future-focused approach to materiality, we see a rise in the importance of access to talent, road safety, end-of-life management, lifecycle optimisation and energy use in operations. Other issues were similar to last year's materiality process.

Using this outcome, we clustered the topics into 14 key business-relevant areas.

## STAKEHOLDER SNAPSHOT: COOP

With its ambitious targets to reduce CO<sub>2</sub> emissions, the supermarket chain Coop in Switzerland illustrates increasing retailer focus on transport impacts. In a deep-dive materiality interview, they shared their expectations on Scania.

### What is Scania's role in helping you reach the goal to become carbon neutral by 2023?

The transportation of goods emits one third of our CO<sub>2</sub> emissions – the largest share of any activity. So we are focusing on shifting from road to rail, purchasing efficient and electric trucks and using biofuels made from waste. Scania's trucks can use 100 percent biodiesel and this naturally helps reduce CO<sub>2</sub> emissions further.

### In terms of sustainable logistics systems, what more can Scania do to address climate change and congestion?

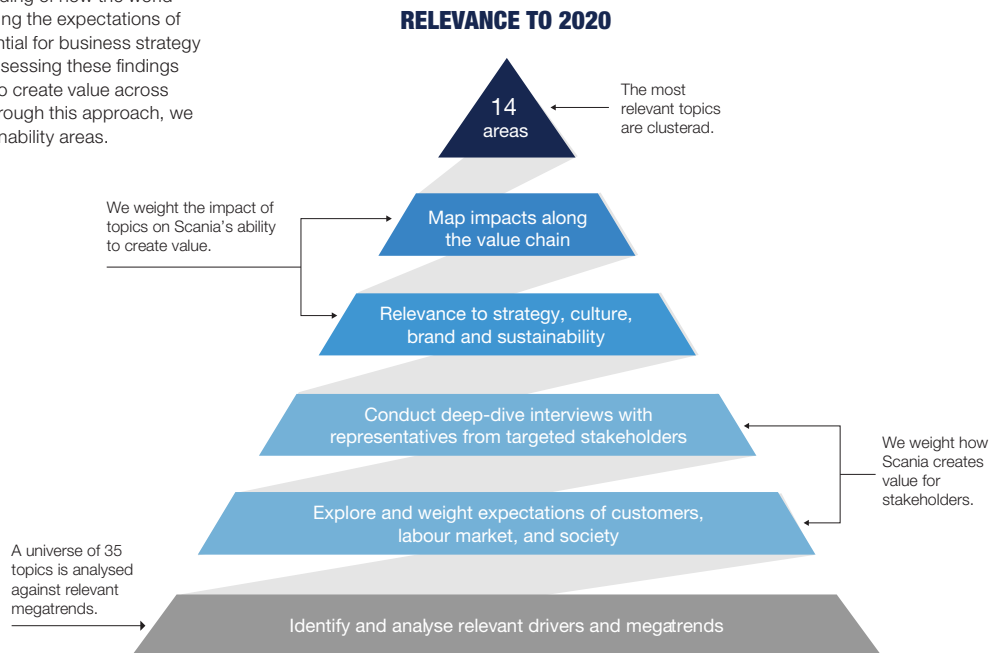
Scania can help achieve political acceptance of 60 tonne trucks between large centres to minimise trips and encourage the combination of large and small vehicles. This could include using large trucks to bring containers to the edge of cities and electric vehicles to distribute goods. Scania can also help promote hydrogen engines.

### Which technologies do you consider will be the most important in protecting the environment in the next 3–5 years?

From the point of view of Coop, important technologies include the electrification of roads, charging through induction, driverless vehicles, intelligent road signs and traffic lights that communicate with the vehicle. Electric vehicles and renewable fuels are also important.



Our approach to materiality includes: mapping our understanding of how the world is changing; exploring the expectations of groups most influential for business strategy and culture; and assessing these findings against our ability to create value across the value chain. Through this approach, we arrived at 14 sustainability areas.



## THE MOST RELEVANT AREAS

**Scania has identified 14 sustainability areas we think are essential to create lasting value for our stakeholders and to ensure our business thrives.**

### Sustainable logistics systems

Drive down the transport sector's carbon footprint and ensure customer profitability, by optimising the logistics flow, including vehicle, carrier, modality and routing.

### Sustainable mobility systems

Address growing urbanisation and congestion challenges through increased use of public transport.

### Road safety and security

Prioritise safety of drivers, passengers, and road users and secure that goods are delivered intact.

### Human rights

Maintain high standards and uphold good human rights practices, both upstream and downstream.

### Emerging markets strategy

Build a stronger presence in emerging markets, with new products and services and business models, to transform our industry and shape the market for low-carbon transport.

### Safety, health and work environment

Optimise safe and sound work environments across operations through the Scania Production System and the Scania Retail System.

### Community impacts and contributions

Maintain good relations and contribute to local communities by monitoring impacts, engaging with stakeholders, and investing in training, education, and health initiatives.

### Intelligent transport technologies

Design solutions for road electrification, intelligent transport systems, platooning, connected services as part tomorrow's transport systems.

### Low-emissions technologies

Pioneer technologies that reduce carbon and other emissions.

### Lifecycle optimisation

Take responsibility for Scania products throughout their lifecycle, with focus on improved product and service quality and uptime and

decreased environmental impacts by designing for recyclability and remanufacture at end-of-life.

### Operational efficiency

Measure, manage and reduce upstream and direct impacts of operations, including raw materials and suppliers, energy, waste and hazardous substances.

### Long-term financial viability

Integrate sustainability into Scania's strategy, management and operations as a prerequisite for long-term financial success.

### Attraction and retention of competence

Capture the right skill-sets, attitudes and culture to address future challenges and meet targets.

### Integrity and compliance

Maintain ethical business practices to earn trust and credibility in the marketplace and contribute to a better society.

# SHIFTING GEARS

We want to be a trusted partner in the shift towards sustainable transport, boosting efficiency and increasing the share of renewables. With this approach, we will deliver better value for both customers and society.

The transport industry is undergoing a paradigm shift. In line with GDP growth and set to grow 40 percent by 2030 compared to 2012, global freight transport has to deliver almost double its output.<sup>1</sup> At the same time, we need to halve our impacts. This means we need to decouple growth in transport from carbon emissions. With global population increasing and more people moving into already congested cities, reliable and accessible mobility systems are critical.

Our ambition is to work towards halving the climate impact of transported goods by 2020 compared with 2000. Achieving this rides on a combination of cutting-edge technology, good maintenance, better driving skills, smart logistics and renewable fuels. We are working on both sides of the sustainable transport equation – logistics and mobility – to lower our sector's impacts and increase its value to society. At the same time, it requires concerted efforts to engage in the transport agenda, among policymakers and other stakeholders.

## Delivering the goods

Logistics is the backbone of international trade and an essential part of a healthy economy. It delivers the benefits of raw materials, food, medicine and consumer goods to where they are needed. Road freight meets this need reliably, cost-effectively and flexibly and its role is expected to grow, particularly in emerging markets.

To ensure this growth is sustainable, it has to be done differently. At Scania, we have an ambition to contribute to the shift towards a sustainable transport system. Our own project NILE, aimed at creating more efficient inbound logistics and thereby reducing carbon emissions, shows how significant improvements can be achieved on a system level.

## Moving people

Urbanisation is driving the search for solutions to make mobility more sustainable. Over half the world's population currently resides in cities, which are responsible for well over 70 percent of global CO<sub>2</sub> emissions. Almost a quarter of this is due to transportation.<sup>2</sup>

<sup>1</sup> International Energy Agency, Global Transport Outlook to 2050, 2012.

<sup>2</sup> WWF, Reinventing the City, 2012.



## SPARKING IDEAS FOR FUTURE TRANSPORT

Putting their combined strengths to the challenging task of sustainable transport, Scania and the KTH Royal Institute of Technology in Sweden began collaboration in 2014 on the Integrated Transport Research Lab (ITRL) – a new research centre at KTH that will focus on future transport systems and developing innovative low-carbon solutions. The aim is to help shape world-class logistics flows to address the challenges posed by growing cities and increased transport requirements. The lab will contribute technology and systems-based solutions that allow for significant and concrete reductions in transport sector carbon emissions to levels below the EU's 2020 CO<sub>2</sub>-reduction target from 1990 levels.

Self-driving buses for use in the public transport system, electric roads, new passenger car concepts, night-time goods transport, and better tools for avoiding congestion and traffic jams in rush hour are a few examples of the concepts to be further developed within the ITRL framework.

Through the ITRL, Scania and KTH are also aiming to create a bridge between academic research and the needs of society and the transport industry's business models and development processes. Scania will benefit by further developing our strengths and expertise within those areas of technology important for society and the industry's future development. Importantly, Scania's investment in ITRL reflects the partnership approach that is vital to tackling the complex challenge of sustainable transport, through the cooperation of industry, academics and authorities.

Much of this growth will occur in smaller cities that typically have limited resources available to support infrastructure planning. With a population of less than 1 million, they already account for than 60 percent of urban dwellers globally. This is raising concern about congestion, local emissions, road safety and climate impact.

According to the World Health Organisation<sup>3</sup>, the number of deaths globally related to road accidents is expected to reach nearly 2 million a year by 2030, up from 1.3 million now. Confirming this trend, we see increasing focus among customers on the importance of road safety.

### A low-carbon vision

To scale low-carbon innovation in the transport sector, we have committed with industry peers to 'Vision 20-20' to reduce fuel consumption from new vehicles by 20 percent over the period 2005-2020, related to fuel consumption per tonne km. With our CEO, Martin Lundstedt, serving as President of the Commercial Vehicle Board of Directors of the European Automobile Manufacturers' Association (ACEA), we intend to take these efforts to the next level.

<sup>3</sup> World Health Organisation, Media Center, 2014.



# PATH TO SUSTAINABLE TRANSPORT

In a world dependent on safe, sustainable and efficient transport, a holistic view of the logistics flow is required. Our solutions are shaping this path by boosting efficiencies and eliminating waste.

## INDUSTRY-TAILORED SOLUTIONS

Scania works with an application focus. This allows us to meet specific demands of a range of industries, from mining, forestry, manufacturing, bus systems (BRT), to distribution. With Scania's modular system as our starting point, we optimise trucks, buses and engines for a range of applications. This is complemented with services adapted to each transport need. Scania can also contribute specialist logistics expertise to further improve flows, efficiency and reduce waste.

### Platooning

Scania is leading a three-year European research project to develop a system for implementing road-based truck platooning. Heavy vehicles are able to drive in close formation with gaps of just 0.5 to 1 second in order to reduce air drag.

### Timber applications

Fuel comprises about one third of the total operating cost for a timber haulier. Robustness and high-performance engines are needed to meet the demands.

### Mining applications

In mining, large volumes of heavy material must be moved in tough conditions, at the lowest cost per tonne. This requires equipment with high uptime and low fuel consumption.

### Scania Field Workshop

Demanding transport sectors – such as the mining industry – require high productivity and high uptime for the entire fleet to remain efficient. With preventive maintenance and fast repairs on-site, Scania Field Workshops get vehicles up and running again.

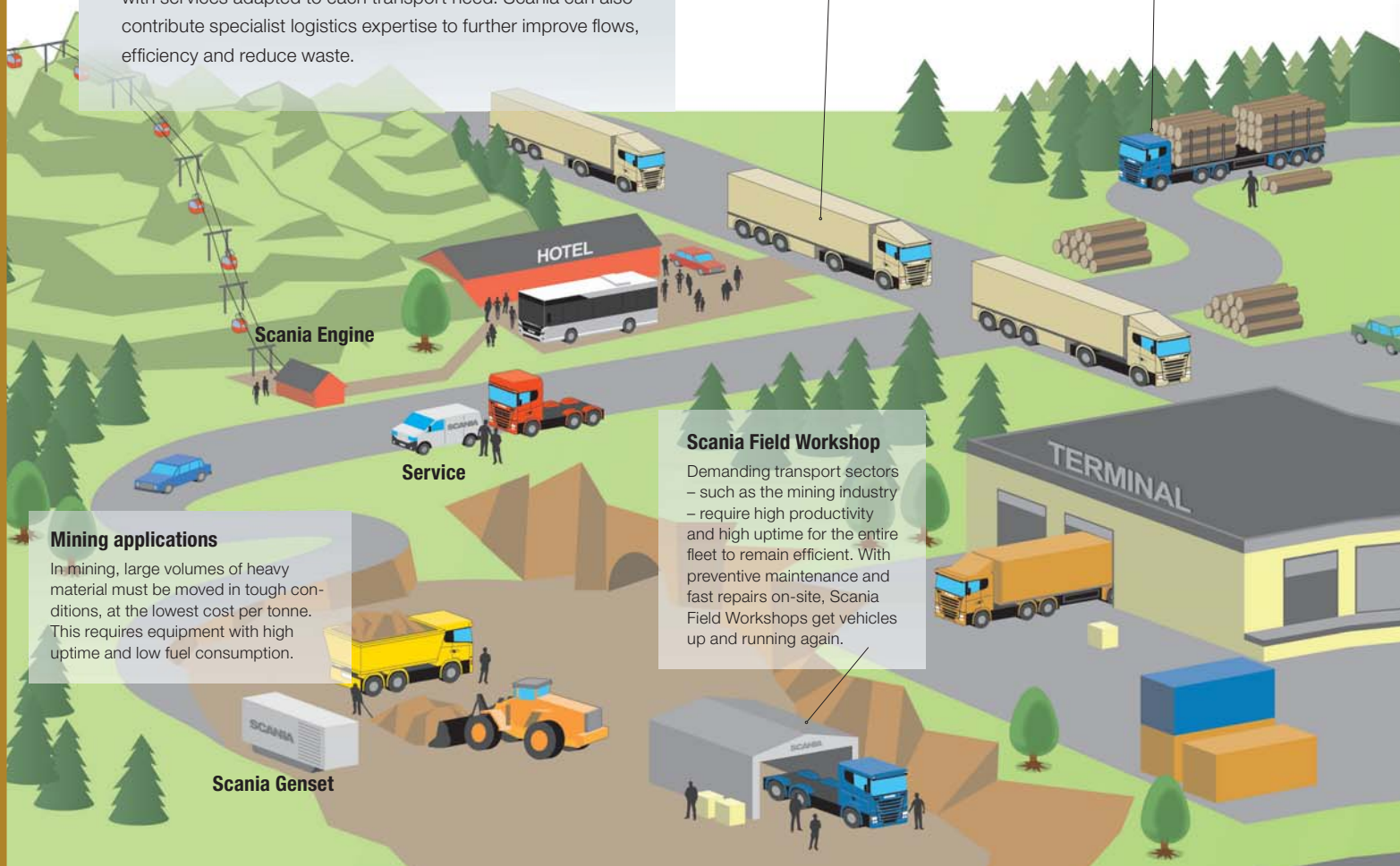
Scania Genset

Service

Scania Engine

HOTEL

TERMINAL





## CITIES ON THE MOVE

Cities will be one of the testing grounds for sustainable transport, demanding efficient, high-capacity transport solutions with low environmental impact. Scania works systematically to gain more insight into the entire logistics flow, and to develop and offer more sustainable solutions both in and around cities.

### Engine applications

Scania gensets used as back-up power in hospitals and in other tasks need to be highly reliable. Other applications for Scania Engines include construction and mining equipment.

### Bus systems

Bus Rapid Transit (BRT) offers a sustainable, practical and appealing form of urban transport. Our solutions for city buses operating on Compressed Natural Gas (CNG) or biogas offer a combination of high capacity, fuel economy and low environmental impact.

### Alternative fuels

Alternative fuels play a large role in reducing the environmental impact of transport services. Scania offers one of the market's broadest Euro 6 engine ranges for alternative fuels, such as biodiesel and biogas that can be used in city buses and trucks.

### Distribution segment

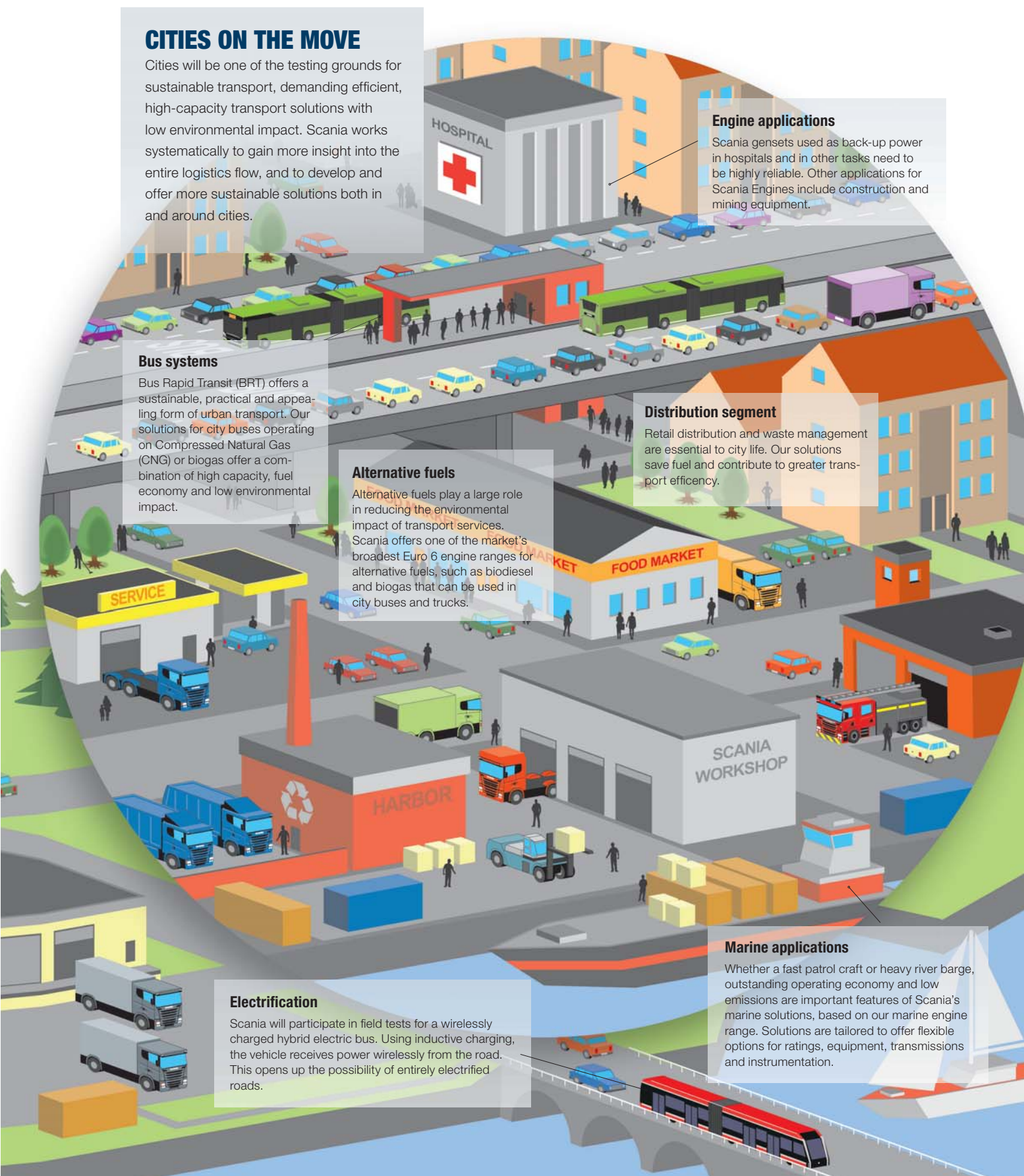
Retail distribution and waste management are essential to city life. Our solutions save fuel and contribute to greater transport efficiency.

### Electrification

Scania will participate in field tests for a wirelessly charged hybrid electric bus. Using inductive charging, the vehicle receives power wirelessly from the road. This opens up the possibility of entirely electrified roads.

### Marine applications

Whether a fast patrol craft or heavy river barge, outstanding operating economy and low emissions are important features of Scania's marine solutions, based on our marine engine range. Solutions are tailored to offer flexible options for ratings, equipment, transmissions and instrumentation.



## DRIVING EFFICIENCY IN LOGISTICS

With demand for goods transport on the rise, our industry will be challenged to manage that growth while reducing emissions.

Optimisation starts with efficient vehicles. With truck sales representing 65 percent of our business, and sales of 73,000 vehicles in 2014, supplying efficient and safe trucks is the foundation of Scania's future.

Our approach to grow our market share and create greater efficiencies is increasingly illustrated through Ecolution by Scania, emphasising vehicles optimised to the customers' needs, driving skills, and use of alternative fuel wherever possible. Active Predication – Scania's cruise control system that uses GPS and topographical map data to regulate cruising speeds – boosts fuel efficiency up to 5-10 percent compared with vehicles without this function.

Logistics is often highly complex and involves many actors, which increases inefficiencies in the flow. For example, a standard European long-haul truck can fill 26 tonnes of goods, but in Europe today, trucks travel at around half that fill rate, or 14 tonnes.

Higher payloads, longer trailers, and platooning can yield greater optimisation, which Scania's R&D aims to tackle. We are currently devoting resources to further explore smarter logistics planning.

### Long trailers maximise efficiency

Scania is advocating longer vehicle combinations in order to carry more goods and thus improve efficiency. In 2014, Scania began testing tractors with two full-length trailers resulting in 31.5 m rigs

in Sweden. The trials, with permission from the Swedish Transport Agency, will continue in 2015. Scania is also engaged in dialogue with the EU and the Danish governments to open opportunities for double trailers from today's 18.75 or 25.25 m standard.

### Challenges in emerging markets

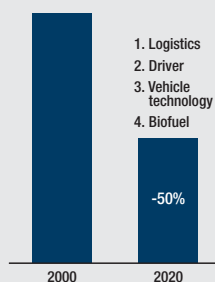
In the coming decades, most global oil demand will come from the transport sector in non-OECD countries. We need to find ways to transfer our logistics expertise to Asia, Africa and Latin America, building demand for efficient and sustainable vehicles.

In emerging markets, the transport sector's efficiency rates are lagging and levels of emissions are high. One of the results is the severe air pollution in some major cities. Our Euro 6 offering promises to reduce emissions of nitrogen oxides and particulates by about 80 percent compared with the EU's pre-2014 regulatory standards. Uniquely, it does so without compromising on fuel efficiency. Although not yet legislated, Scania's Euro 6 engines will be launched in 2015 in some key markets in Asia.

### Co-modality brings big benefits

Among the fastest-growing segments in the transport sector, co-modality – a combination of road, rail and ship – leverages the benefits of each mode, while better overcoming disadvantages. Our own experience with our internal transport supports this approach.

#### Low-carbon vision



Scania's cruise control system boosts fuel efficiency up to 5–10 percent.

## FOR CITIES, SUSTAINABLE MOBILITY

Through our bus, coach and services offering, we aim to drive sustainable mobility in rapidly growing cities with clever, cost-efficient bus systems.

Efficient public transport is essential for sustainable cities. Future mobility requires an understanding of the complexity of urban planning; including solutions that increase bus use and decrease operating costs.

For public transport, our services and solutions are tailored for all urban centres, including emerging markets and fast-growing smaller to medium-sized cities, just developing their infrastructure. Typically less expensive than a tram or subway, our approach is to prioritise cost and CO<sub>2</sub> efficiency, as well as user-friendly, quiet and safe mobility.

Bus Rapid Transit (BRT) systems are the most cost-effective way of serving growing populations. Our Bus Systems by Scania includes a toolbox offering of biofuel-ready engines, power electrification and bus systems. We can provide full-scale BRT solutions transporting 50,000 passengers per hour and direction, as well as systems for lower capacities.

Our turnkey solutions include vehicles, Automatic Fare Collection Systems, fleet management systems, and consultancy services for improving traffic flow and development of infrastructure investments as well as vehicle service and maintenance. Starting in 2015, Accra, Ghana will launch its BRT system, fully supported by Scania, including approximately 250 buses.

### Buses on the road

Scania offers a range of buses for public transport and intercity transport; from the double-articulated vehicle which can take up to 260 passengers, prevalent in Latin America, to traditional low-floor buses and luxury coaches.

In 2014, and in cooperation with Belgian bus builder, Van Hool, we introduced the high-end gas-propelled Exqui.City. We also supplied gas and Euro 6 buses to South Africa and the UK. In Brazil, a pilot of buses running on biogas was launched. The year also marked the launch of Scania Citywide LE. This new Euro 6 powertrain can run on up to 100 percent biodiesel.

*More than 4,000 Scania buses  
operate in bus systems all  
over the world.*



Bus Rapid Transit (BRT) helps address the challenges of growing cities. This express bus system offers mobility for large numbers of people and with manageable investment costs.

### In collaboration

Our collaborative approach includes working with city planners to better understand the traffic flow and how to shift bus systems. Importantly, public transport needs to be appealing, and we are engaged in discussions of how to trigger a societal shift to public transport and how to make it more attractive to bus riders.

In our growth strategy, Scania aims to almost double sales of buses by 2020. Sales of buses currently represent 8 percent of net sales.

### STOCKHOLM'S GOLDEN ARCH

In Stockholm, a large infrastructure project, *Förbifart*, is aimed at the city's growing traffic jam. Together with construction engineering firms Skanska and WSP, Scania has proposed leading-edge public transport solutions that would extend original plans to link suburbs to the north and south of the city via an extended arch.

The concept would contribute to Sweden's 2030 ambition of a fossil-free vehicle fleet and promote sustainable transport solutions. Smart super-bus systems – primarily double deckers that can be connected as a train on wheels, transporting over 250 passengers – are a strong feature.

An on-going information campaign targets city planners, national politicians and the general public.



# RETAINING THE INNOVATION EDGE

Maintaining our technology leadership is a precondition for being a catalyst for sustainable transport. Fuel efficiency and safety remain R&D focus areas, increasingly enabled by connectivity.

More than 3,500 research and development engineers, and SEK 6 billion was invested in R&D work in 2014. The majority of this was applied to solving the challenges of sustainable transport.

Our success rate will be judged first and foremost by how we deliver on three areas:

- Developing technologies and solutions to reduce fuel consumption and emissions and enhance road safety.
- Developing first and second-generation driver assistance programmes to reduce impacts on the road.
- Leverage connectivity technologies to improve transport flow, deliver performance data, improve functionality and enhance safety.

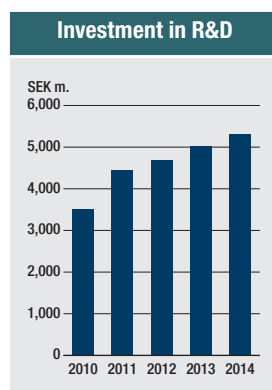
## Stepping up fuel efficiency

Our approach to fuel efficiency focuses on consumption, increased functionality and biofuel-adapted vehicles. Aerodynamics, combustion efficiency, waste heat recovery technologies and software control all play an important role. Control systems that

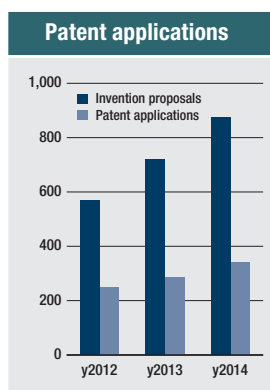
leverage GPS, and control stop/start functionality of engines offer real opportunity for efficiency, while adding complexity and new challenges for extending the life cycle. Power electrification – or hybrid technologies – are also taking a larger share of our R&D spend for both bus and trucks.

Adapted to every type of available biofuel, our Euro 6 engines meet the toughest emission levels in the world. At the same time, we continue to lower CO<sub>2</sub> emissions. Our efforts have earned us the Green Truck Award 2014 for the Scania G 410 Euro 6, which has record-low fuel consumption of 23.3 litres per 100 km.

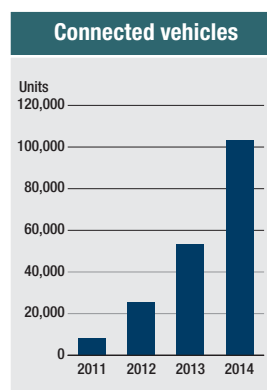
Moving forward, challenges lie in finding solutions in a number of complex but essential areas for sustainable transport. These include integrating battery technologies that will realise power electrification for heavy trucks, and developing viable business models to host platooning solutions. This is an approach for close-formation heavy vehicle transport to further raise the efficiency bar.



A high level of investments in R&D will strengthen the product portfolio over the coming years.



We set a new patent record in 2014 with close to 350 patent applications, an increase of almost 35 percent from 2012.



There has been strong growth in deliveries of connected vehicles, enabling lower impact driving.

## CONNECTIVITY YIELDS INSIGHTS

Connectivity provides crucial insight into how our vehicles are used – in real time. It provides a wealth of knowledge that amplifies Scania's capacity to deliver safe, efficient transport.

Scania began to systematically leverage data on vehicle performance early in the decade. This proved to be a great advantage in developing Ecolution by Scania. This solution is highly dependent on information that enables continuous

improvement of driver performance. Vehicle data is used in coaching sessions and to customise a maintenance program.

Over 100,000 Scania vehicles on the road today are fully connected, up from around 8,000 in 2011, which means that one-sixth of the 10-year rolling fleet of Scania vehicles are now connected. This provides valuable insights into operating conditions as well as the necessary intelligence to support R&D work among

other things. By 2020, the aim is that the majority of Scania vehicles in operation will be connected.

While still evolving, connectivity shows potential today to enhance road safety. In the near future, buses and trucks will be able to communicate with other vehicles as well as road infrastructure such as signs and traffic lights.

### AVAILABLE TODAY

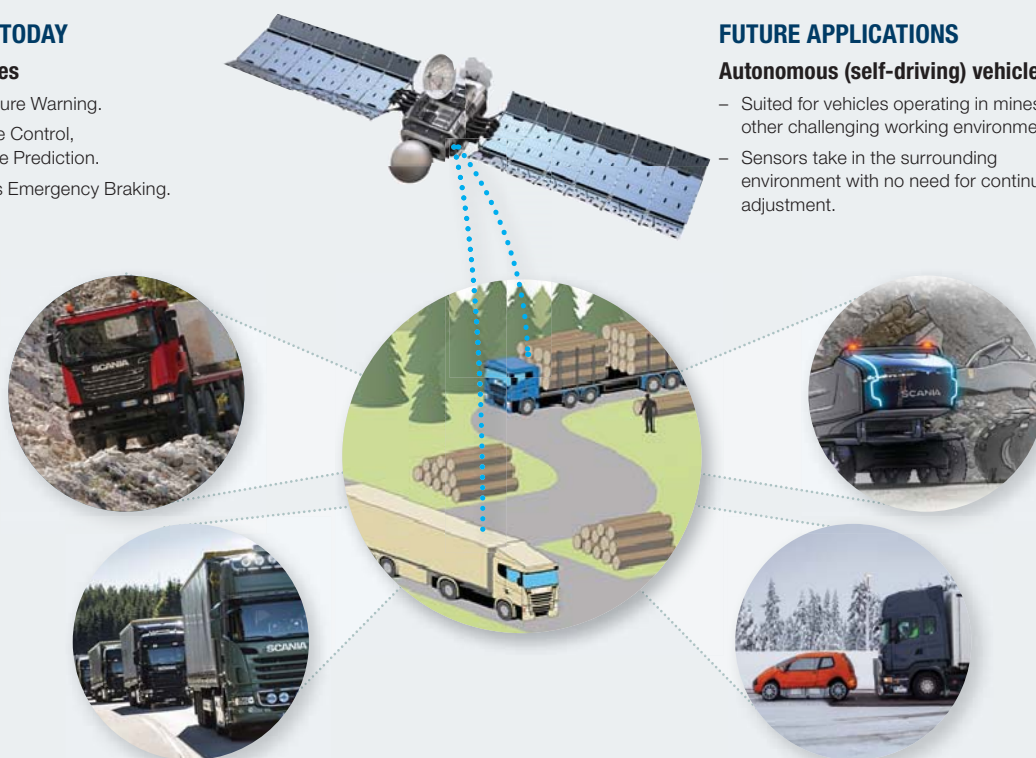
#### Smart features

- Lane Departure Warning.
- Active Cruise Control, Scania Active Prediction.
- Autonomous Emergency Braking.

### FUTURE APPLICATIONS

#### Autonomous (self-driving) vehicles

- Suited for vehicles operating in mines and other challenging working environments.
- Sensors take in the surrounding environment with no need for continual adjustment.



#### New services

- Follow-up of drivers and vehicles.
- Condition-based maintenance: service intervals based on actual need.
- Preventive maintenance: The vehicle sends a warning when a certain component is about to fail. Planned replacement minimises repair-related downtime and eliminates unplanned stops.
- Platooning: Heavy vehicles use inter-vehicle communication to form fuel-efficient, aerodynamic formations on motorways.

#### Big Data

- Provides an overview of transport activity and transport flows.
- Optimises flows.
- Eliminates waiting times and other waste.
- Data on mileage and filling rates provides a view of the business climate, an indicator for short-term changes in demand.



## NILE LINKS EVERY PART OF THE FLOW

Optimising flows require a deep understanding of the entire logistics system. Learning from our own operations will help us deliver this thinking to customers.

Since mid-2013, 80 percent of Scania's inbound transport flow across Europe and Latin America is organised through NILE (New Inbound Logistics), a Scania-unique approach to increase our logistics efficiencies. The initiative reflects overall goals to optimise transport by balancing four considerations – finding the right equipment, the right carrier, the right modality and the right routing. Strategically placed hubs help consolidate volume and increase the filling rate of each truck.

### Environment savvy, cost efficient

Through this mindset we have demonstrated greater asset utilisation and reduced stock levels, greater alignment to production and less volatility in deliveries. Most importantly, it has also resulted in a 17 percent reduction in CO<sub>2</sub> emissions since we adopted the approach. With a 27 percent relative improvement in the fill rate compared to year-end 2012, NILE demonstrates that cost and environmental efficiencies go hand in hand.

NILE is built on the principle of taking larger responsibility as a transport buyer and engaging on a more granular level in designing logistics flows and transport routes, in



NILE balances four considerations – finding the right equipment, the right carrier, the right modality and the right routing.

close partnership with transport suppliers. The approach is underpinned by guiding principles of the Scania Production System – standardisation, normalising our way of working and continuous improvement.

### Spreading the word

With our focus on eliminating waste, shared goals and an articulated process, NILE helps us formulate expectations on results, interlinking every phase of the flow from fill rates, loading and unloading, transport mode and the receiving process.

## PRODUCT LIFECYCLE APPROACH

A product lifecycle approach helps us understand and minimise our impacts at every phase of the vehicle's life, while investing our greatest effort in addressing areas of highest potential impact.

The lifecycle of a heavy vehicle begins with materials supply and ends at recovery. But the lion's share of the impact – almost 90 percent – occurs when the vehicle is on the road. Energy use and emissions of CO<sub>2</sub> and other substances are key focus areas in every phase.

See more information on our product lifecycle at [scania.com/sustainability](http://scania.com/sustainability)



Approximately 5 percent of a vehicle's CO<sub>2</sub> lifecycle impact derives from raw materials and manufacturing, compared to 90 percent that occurs when the vehicle is on the road.

## STAKEHOLDER SNAPSHOT: HAVI LOGISTICS

We carry out deep-dive interviews with investors, customers, transport buyers and government representatives to better understand their priorities and Scania's role in addressing them. In this snapshot of a conversation with global HAVI Logistics, they underline their expectations on Scania.

**Which technologies do you consider will be the most important in protecting the environment in the next 3–5 years?**

Intelligent transport technologies are increasingly important as they will open new opportunities for greater efficiency, leading to cost savings. They will also help us be safer on the road. Currently, we believe that compressed natural gas (CNG) and liquified natural gas (LNG) are the best technologies to support our sustainability strategy, especially when blended with bio methane to further reduce carbon emissions. We will consider further technologies, such as electric vehicles, once they are mature enough to be useful in daily operations.

**What responsibility do you think Scania should have for lifecycle optimisation?**

Scania has the key responsibility as it puts the truck into the lifecycle in the first instance, and is involved in technology, development, components and sourcing. Scania is also in contact with customers in the use phase, particularly through servicing, and its global after sales network.

**Which top three areas would you say are most important for sustainability and business performance?**

Road safety and security; efficient, low emissions technology; and lifecycle optimisation.



## POWER ELECTRIFICATION ENTERS SCENE

Key to building sustainable cities, urban planners from Amsterdam to Shanghai seek silent, emissions-free buses, equipped to operate 24/7 without disturbing local residents. We aim to meet that demand. Scania delivered its first series of vehicles featuring power electrification technologies with the Scania Citywide LE Hybrid bus, soon on the road in Norway and Sweden.

Though requiring high levels of investment, power-electrification technologies promise to significantly improve functionality and cost efficiency with the right energy mix. With a fleet of 2,000 buses, a city can save up to 50 million litres of fuel per year. This can decrease fuel costs by up to 90 percent.

Our hybrid powertrain includes the Scania 9.3-litre engine, fuelled by up to 100 percent with biodiesel. Combined with biofuel driven engines, the Scania Citywide LE Hybrid promises 60-65 percent savings in CO<sub>2</sub>.

Hybrid technologies will be applied to a range of urban solutions such as city distribution and waste handling, but buses will remain the most common application in the short term. Together with the Royal Swedish Institute of Technology, Scania will be field testing buses in 2016 that wirelessly recharge their batteries through static charging via electrified roads.

By leveraging our modular system to either replace or complement combustion engines, Scania expects that even long-distance transportation will soon benefit from the technology. In partnership with Siemens, we are testing electrification of our powertrains in trucks running on an electric highway in Germany.

## OFFERING VALUE-ADDED SERVICES

Ecolution by Scania pushes the limits of fuel reduction.  
By combining vehicles with services, we maximise  
performance and uptime.

Ecolution by Scania is an example of a different mindset – from simply selling vehicles to offering value-added services that reduce impacts and increase efficiency throughout the product lifecycle.

### Fuel costs top of mind

Our customers are driven by economic factors. With 35 percent of the operating costs consumed by fuel for a typical Scania customer, efficiency is top of mind. Ecolution by Scania combines our most tailored vehicle with services and continuous customer dialogue – all to tackle greater cost and CO<sub>2</sub> efficiency.

Through performance diagnostics, quarterly follow-ups and driver training, our results show an average 11 percent reduction in fuel consumption. Ecolution by Scania combines the benefit of both increased efficiency and the specific biofuel, to create a savings potential of as much as 90 percent CO<sub>2</sub> savings, depending on the type and production path of the biofuel.

### Listening and learning

Customer dialogue and feedback is built around the Ecolution Analyser, which calculates the potential fuel and CO<sub>2</sub> – savings, based on information about the existing vehicle specification, operation and driver efficiency. Improving fuel economy always begins with the vehicle specification. Through modularisation, we are able to deliver the truck or bus, tailored for its intended use.

The typical Ecolution by Scania vehicle includes air deflectors and other aerodynamic features, lightweight components, and driver support systems such as the Scania Opticruise and Scania Active Prediction. Also crucial to the concept are driver training, coaching and Maintenance+, which includes checks on tyre pressure and condition, axle alignment and air deflector adjustment – checkpoints that are not always included in a regular maintenance programme.

Our revenue model for the customer takes into account the potential efficiencies that we can deliver. During operation and in quarterly meetings with customers, we review results and prepare common improvement lists, which ensures utilisation of the defined potential and helps continuously challenge fuel consumption and costs.



### GROWING MARKET SHARE IN CZECH REPUBLIC

With over 30 percent of vehicle sales through Ecolution by Scania, the Czech Republic demonstrates how a new business model can be ramped up and make a major impact on Scania's business in just a year.

For a Czech logistics supplier, the choice of vehicle is predominantly driven by economic factors. By using the Ecolution Analyser, we are able to show how a holistic approach, combining all our services, offers real economic savings for the customer that resonates with the Czech market.

### Fast growing market

Since its launch, Scania has sold more than 4,000 Ecolution by Scania solutions, of which 1,300 were sold in 2014. Our medium-term objective for relevant markets is that this solution captures half of all vehicles sold by Scania. In 2014 Ecolution by Scania represented more than 15 percent of sales in Denmark, Czech Republic, Slovakia, Italy and Romania.

## TRIGGERING THE SHIFT TO ALTERNATIVES

We aim to play a definitive role in the growth of renewable fuels. With the broadest range of alternative fuel-ready vehicles, Scania is market leader in biofuel-adapted engines – a segment where we see substantial growth potential.

Together with efficiency, sustainably-produced renewable fuels are essential to our toolbox for low-carbon transport. Our strategy is to offer engines that run on all commercially available alternatives, including biogas, biodiesel, ethanol and liquid natural gas (LNG). Five engines in our range adapted for biodiesel have a power span of 320-580 hp. This includes the Scania 16-litre 580 hp V8 engine, a second-generation Euro 6 engine with lower fuel consumption, which can operate on up to 100 percent biodiesel. We are also developing transport technologies to further optimise their use.

In Sweden, ethanol (ED95) offers a potential CO<sub>2</sub> savings of 68 percent compared to diesel fuel, according to a 2014 study conducted by Stockholm City's Clean Truck project. Furthermore, the Swedish Energy Agency estimates that biodiesel from rapeseed offers CO<sub>2</sub> savings of approximately 45 percent.

### Drivers along the value chain

Fossil fuels still dominate the global vehicle park's energy supply. The International Energy Agency predicts that while biofuels currently account for around 2 percent of total transport fuel, new technologies are broadening their applications.

Shifting the market from fossil fuels is no easy task, and it is impacted largely by availability, cost and ensuring that supply is sustainable. Concerted efforts through market incentives, creating a push within the transport value chain and increased transparency are all necessary for triggering that shift.

Globally, 2014 saw growing interest in biofuels in countries such as India – where ethanol is gaining ground and Scania sold its first adapted buses – as well as South Africa. We are also engaged in some pilots that help secure supply for our customers.

Our strategy requires an inclusive approach to gain insights and we need to further engage with stakeholders, respond to viewpoints, and learn from others from across the biofuel value chain. This includes responding to concerns that growing markets for biofuels could negatively affect food production, and their impact on climate change. The market also needs to address improved harmonisation of standards for biofuel and fossil fuel.

### Commercially viable alternative fuels

Fuel type	Source	Application	Potential CO <sub>2</sub> savings
Biodiesel RME	Oil-crop-based	For heavy transport over long distances	43%
Biogas	Locally produced waste	For short distances	73%
Bioethanol ED95	Sugar- and starch-based	Short-to-medium distances	68%
HVO	Oil-crop or forestry residue based	For heavy trucks and long distances (added to ordinary diesel)	81%
Liquid and compressed natural gases (LNG and CNG)	Natural gas	For long distances	20%

Source: Swedish Department of Energy



India's first ever ethanol-powered bus will be servicing the city of Nagpur's population of 2.5 million people. Using locally produced fuel, Scania's solution is a cost-effective way of reducing several of the city's environmental challenges.



## ASSISTING DRIVERS AT THE WHEEL

Driver training and coaching help pinpoint new ways to improve efficiency and safety for drivers and other road users.

In first-generation drivers assistant systems, we are developing functionality that allows drivers and their offices to increase efficiency and safety and provide feedback on driving performance.

All new long-haulage trucks are equipped with Scania Driver Support. Visible to the driver, the system gives real-time feedback on driving performance and makes an accumulated assessment of driving style. Tips and scores are displayed in four categories in the instrument cluster, including factors that influence safety, such as braking and anticipation.

Scania was first to offer a personal coaching programme, Scania Driver Coaching, to raise drivers' skills based on their own driving performance. Vehicle performance data is not only used in coaching sessions; it also helps us customise a maintenance program. The coaching is based on monthly reports and one-on-one dialogue between driver and coach. During 2014, 25,000 driver coaching sessions were completed.

### Look to the future

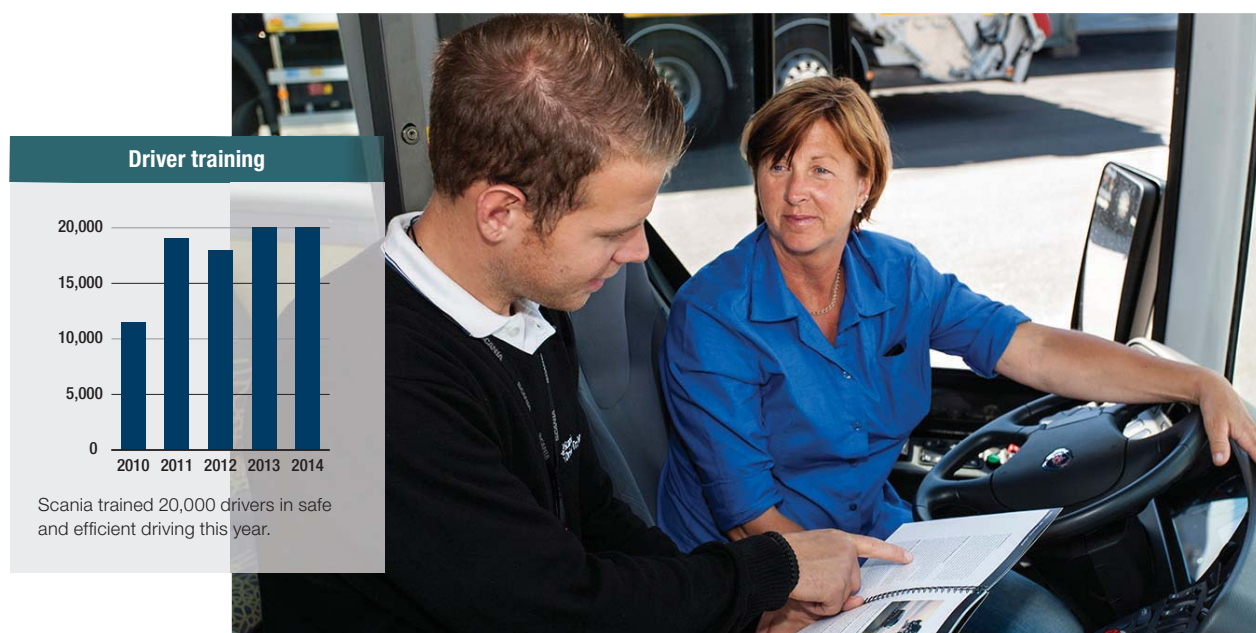
Empowered by connectivity, second-generation drivers assistant systems offer even greater opportunities. Via this breakthrough

technology, it will be possible for trucks and buses to communicate with other vehicles on the road, and also with infrastructure such as road signs and traffic lights, helping drivers avoid dangerous situations and traffic jams.

### Driver training

During 2014, Scania provided training to some 20,000 drivers across multiple markets. Improved driving techniques can raise fuel-efficiency levels by about 10 percent, save costs, reduce emissions, cut wear and tear on tyres and parts and help the powertrain consume less lubricating oil. Research also shows that driver fatigue can account for up to one in five serious accidents on motorways. Training goes a long way towards raising awareness and reducing these risks.

While most providers of driver training focus on the technical aspects of improved efficiency and road safety in Europe, our programme offering is global. Scania's training also addresses behaviour and attitudes, aimed at influencing their choices and responsibilities on health and safety – spanning from ergonomics to HIV/Aids – and the environment.



## SAFETY WATCH

We understand the huge responsibility that lies with the driver to ensure that roads are kept safe. Our approach to road safety is built on three pillars: the vehicle, the infrastructure and, above all, the driver.

Design for safety helps protect drivers and occupants of other vehicles in case of accidents. Our focus is on improving robustness, instrument panel positioning and dispersion of impact forces. Smart design creates an effective buffer around each driver to protect against the risks and consequences of accidents.

Some examples of our approach include Scania's Autonomous Emergency Braking System, which helps avoid accidents by prompting the driver to take action and, if necessary, initiating evasive moves. It uses long-distance radar technology and a forward-facing camera to alert drivers to potential collision dangers.



Scania Driver Support provides on-going communications between vehicle and drivers. It helps monitor drivers' behaviour and informs about potential risks on the road ahead.

Tired, long-distance chauffeurs are also a key cause of human error.

Drivers may fall asleep behind the wheel, inadvertently letting trucks drift from their lanes. Scania is piloting a lane-keeping assistance function to help drivers steer and prevent vehicles from leaving their lanes.



*Scania was first to offer a personal coaching programme, Scania Driver Coaching, to raise drivers' skills based on their own driving performance.*

## ON THE HORIZON

Imagine a vehicle that can't crash and that works in sync with other vehicles to adjust the traffic flow. This is possible with sensors that detect surrounding traffic and that can foresee obstacles that lie ahead. Acting as a co-driver, Advanced Driver Assistance Systems will help drivers reduce the risk of mistakes, stay safely in their lanes to avoid lane-change accidents. In start-and-stop queue driving, the systems will even automatically control acceleration, braking and steering. Via wireless communication between vehicles, the systems will help align a series of vehicles into a platoon, thereby ensuring reduced air drag, steady and predictable speed and an increase in fuel efficiency. These systems are being developed in cooperation with universities and are co-financed by Swedish authorities.

# AN INCLUSIVE APPROACH

Our way of working is founded on good governance frameworks and systems, clear aims and direction, and a committed workforce that can deliver our vision.



Scania is a global company with production and sales and service organisations in 100 countries. Of our approximately 42,000 employees, around 18,000 work with sales and services in subsidiaries worldwide. Our production units are located in Europe and Latin America as well as in India. Scania also offers financial services in many markets.

As we become increasingly global and enter new geographies, a key challenge is to ensure that the same high standards and processes are in place wherever we operate. An important step towards this is our current global rollout of e-learning for our ethics program, 'Doing things right', for all employees, which will take place during 2015. Particularly in our global network of sales and services and its extensive market presence, we also need to make sure the opportunities and non-financial risks presented by different markets are fully understood.

## **Towards continuous improvement**

Striving for high social, ethical, and environmental standards is a natural fit with Scania's longstanding commitment to quality

and culture of continuous improvement. The Scania Production System challenges us to continually find new ways to do things better – an important attribute for sustainability.

Our commitment to the UN Global Compact ensures these efforts are in line with global standards and stakeholder expectations.

Along with our core values and corporate governance framework, this provides a strong foundation for building our brand and reputation as a trusted partner. A particular priority going forward will be to integrate data collection from all our operations into our reporting.

Additionally, Scania plays a part in the Volkswagen Group's sustainability efforts through our representation in the CSR and Sustainability Steering Group as well as by coordinating specific issues on Group functions level.

## **Cutting CO<sub>2</sub> in internal logistics**

As well as our broader efforts to help move our sector towards sustainable, low-carbon transport through innovative products



## THE SHE STANDARD

We take a systematic approach to safety, health and the environment (SHE), all to encourage a culture of continuous improvement to eliminate waste and respect each individual. Within the Scania Production System and the Scania Retail System (covering our sales and services operations), employees are encouraged to identify areas for improvement and innovate together to achieve common goals.

### Locally owned, globally supported

Although our standardised approach to SHE underlines overall objectives, local managing directors and line management have responsibility for defining priorities, setting targets, implementation and evaluation. Each Business Area Board reviews performance. These help drive improvements on all levels in an integrated and cross-functional approach.

### Monitoring and assessments

The SHE Blue Rating monitors safety, health, environment and diversity performance. This tool for both internal audits and self-assessments helps ensure that Scania facilities continuously improve their operations, as well as gauge their ability to avoid related risks. Blue Rating audits are conducted among global units within industrial operations and in R&D. Performance is reported quarterly in the line organisation and annually to top management.

and partnerships, we are also tackling our sector's biggest impact – CO<sub>2</sub> emissions – within our own operations. Scania has targets in place to halve energy use in industrial operations by 2020 compared to 2010, and reduce CO<sub>2</sub> emissions in transport by 25 percent by 2020, compared to 2012.

We have increased the use of virtual meetings by 63 percent in one year, from some 206,000 to 335,000 meetings. At the same time, we reduced air travel spend during the period by SEK 17 m. Our efforts to encourage virtual meetings were recognized in 2014 by the Global Business Travel Association's Project ICARUS.

On the social side, Scania understands that a qualified, dedicated and diverse workforce is vital for the success of our global organisation and delivering long-term growth with profitability. For this reason, we are developing a program to make sure we have the right skills, build on the competencies of existing employees, and attract new talent. A key goal is to maintain healthy attendance levels at 97 percent, and reduce work-related injuries to 5 per million hours worked.





# GOVERNANCE FOR ACCOUNTABILITY

Transparent governance based on law, policies and Scania's values helps us anticipate risks and opportunities, and embed ethical business practices for shared benefit.

Good governance brings value to our business by clarifying roles and responsibilities.

## Values guide actions

Scania promotes clarity in governance for sustainability and ethical business practices. Our core values of customer first, respect for the individual and quality emphasise the importance of taking personal responsibility in all situations.

## Policies and guidance

Our Annual Report describes how we address financial reporting, transparency, auditing, remuneration of directors and conflicts of interest. It also describes Scania's board structure and directors' responsibilities.

Scania's core document "How Scania Is Managed" gives guidance on integrating sustainability into our business model and is supported by the Corporate Governance Manual (CGM) and the Financial Manual. Our standard on Safety, Health and Environment and policies on environment, health and safety, communications and competition law are available companywide. Our employee guide, 'Doing things right', is based on the ten principles of the UN Global Compact. The Dealer Operating Standard ensures that Scania's values are shared with 1,000 dealerships and workshops, which are audited regularly.

## Identifying risks

Business strategies are reviewed continuously, timed to coincide with Executive Board meetings. In addition, an annual Corporate Strategy Process provides an overview for decision-making about the long-term strategic direction of the Scania Group.

The Corporate Governance Board ensures that Scania complies with the corporate governance framework. Group Internal Audit conducts audits based on the content of the CGM to maximise alignment among all Scania entities.

## Monitoring risks

Group Internal Audit carries out yearly risk-assessments. A risk universe is developed and circulated for both top-down and bottom-up feedback regarding impact and probability against these risks. This provides important input to the annual Internal Audit Plan.

The Audit Plan is designed to check how well companies throughout the Scania Group manage identified risks. It is flexible year-on-year, taking into account key messages from Corporate Unit heads and responding to the changing operating environment. In 2015 our audits will continue to focus on compliance, particularly in emerging markets where our presence is growing. In 2014 we performed around 45 percent of our audits in countries with a Transparency International index below 50, compared to around 35 percent in 2013.

Throughout the year we will be working closely with the Volkswagen Group to learn from each other, identify differences and similarities in our corporate governance systems, and develop a joint approach.



*"How Scania Is Managed" gives guidance on integrating sustainability into our business model.*

## DOING THINGS RIGHT



Growing our business globally is a critical part of Scania's strategy, an ambition we'll deliver with our values intact. Scania's commitment to ethics is the responsibility of each and every individual. To further support employees in living up to that expectation, we are rolling out a global programme to provide hands-on ethical business guidance for all employees. The aim is to provide the understanding and tools for handling situations which may present ethical challenges.

### Scenario-based learning

The employee guide, 'Doing things right', and our related e-training programme uses scenarios to provide clarity on ethical business practice to employees across our global operations. Topics include gifts and entertainment, competition and antitrust, bribery, fraud and conflicts of interest. To illustrate possible approaches, we present a possible scenario around a set of dilemmas and pose questions to help guide actions.

Our aim is to ensure that people know where to look for guidance and feel comfortable about openly addressing concerns with their manager or another appropriate individual within the organisation.

During 2014 we completed training for our purchasing organisation and in 2015 we will roll out the programme globally.

*Employees are encouraged to raise ethical concerns.*



# OPERATING EFFICIENTLY

For Scania, continuously reducing our environmental impacts is a central aspect of how we work.

## Priorities and objectives

Although energy efficiency and the responsible use of chemicals continued to be particular focus areas in 2014, Scania-wide, our long-standing priorities within environmental performance lie in:

1. Efficient use of water and energy in facilities and operations.
2. Reducing use of raw materials and chemicals.
3. Reducing air and wastewater emissions.
4. Eliminating waste and increasing reuse.
5. Reducing risks for accidents and spills and effectively managing them if they occur.

Production and logistics operations defined a 2020 target to halve energy use across Scania's global operations per manufactured vehicle, using 2010 as the baseline and encompassing both facilities and production processes.

Two thirds of our total energy use derives from electricity consumption, of which production and logistics are responsible for 84 percent. R&D activities are responsible for the remaining 16 percent. Although meeting the target is primarily dependent on efficiency gains that emerge from increased production rates, it also requires an increased focus on behavioural change and some investments in equipment that optimises energy use. We are on track to meeting the target.

## Monitoring and certifications

All Scania production facilities are certified according to ISO 14001 and ISO 9001. All these units report on indicators for energy, waste and water consumption and costs on an annual basis. Environmental training is available to all employees, including specialised training tailored to specific operations and functions.

## Energy use

Consuming 658 GWh of energy this year, Scania used almost the same amount of energy in 2014 as in 2013 (657 GWh). This is an increase of 0.5 percent in a year, and a reduction of 0.7 percent over five years, even with a production volume increase of 21.6 percent.

uring 2014 for two reasons. The Oskarshamn factory, representing 13.5 percent of our energy consumption, has been operating two production lines in the installation of a new paintshop. Increased engine testing at R&D facilities is also the source of added emissions compared to 2013; to 83,100 (81,700) tonnes.

## Greenhouse gases

Almost all greenhouse gases (GHG) emitted by our operations is CO<sub>2</sub>, derived from direct and indirect energy use. Scania does not use landfills that risk methane leakage, nor does it have any other types of methane-deriving operations. For those facilities that use F-gases for cooling, the F-gas is regularly maintained and refilled if necessary. In 2014, 68 kg HCFC and 661 kg HFC was refilled, resulting in GHG emissions of 733 tonnes CO<sub>2</sub>, accounting for their respective GHG factor.

Use of fossil fuels (excluding vehicle testing) accounts for 23 (22) percent of total energy use. Direct emissions have increased more than 3 percent compared to 2013. Indirect emissions (electricity, district heating) have decreased with 2.5 percent.

## Flouro- and hydroflourocarbons

Although hydrofluorocarbons (HFCs) are only used in small amounts, they have high global warming potential. HFCs are used in air-conditioning units in truck cabs and in facilities for cooling plants. Refrigeration trailers lie outside the scope of our product offering. No CFC is used at any of Scania's production facilities and no new investments in HCFC-based equipment are being made.

## Water

Production facilities have been mapped to identify our impacts in water-scarce areas. With the exception of some regions in South America, Scania does not manufacture in areas with water constraints, nor is Scania regarded as having water-intensive operations: close to 80 percent of our water use derives from staff consumption, in our restaurants and restrooms.

In 2014, Scania used about 534,000 (576,000) cubic meters of water or 6.5 m<sup>3</sup>/vehicle, a reduction of 7 percent in a year and of 49 percent as measured per vehicle produced over five years. About half of our total water use derives from groundwater.

With increased awareness of constraints, our challenge continues to be to map our impacts on water in Regional Product Centres and the 1,600 sales and service workshops.

### Responsible chemicals use

Hazardous substances are used to meet complex technical performance requirements of today's vehicles, but their use must be carefully managed. Scania's exposure to chemicals use exists both during production and when the vehicle is being serviced. The Environmental Policy underlines the importance of the Precautionary Principle, which is particularly relevant for handling chemicals. In turn, the SHE standard defines criteria for managing them.

### Material procurement

As part of the Production Parts Approval process, it is mandatory to report to the International Material Data System (IMDS). The IMDS is primarily intended to meet EU's REACH legislation and to provide transparency on materials used. This reporting simplifies the due diligence process and enables a structured

way for identifying and substituting prohibited and restricted substances in our products.

### Use of solvents and other emissions

Painting operations are both cost- and resource-intensive, and new technological solutions enable us to improve performance on both counts. Since 2004, all new investments in painting systems are adapted to waterborne paints. However, there are specific applications where the switch to waterborne paints is not possible. Emissions of Volatile Organic Compounds (VOCs) per vehicle produced in 2014 amounted to 3.8 (4.0) kilograms, or 314 tonnes. Investments in new painting technologies continued with installations in Sweden and in Brazil, which are expected to result in long-term reductions in VOCs.

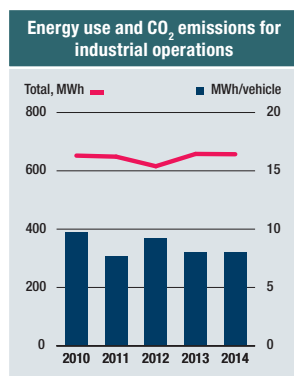
### Managing waste

Over the past 10 years our recycling rate has remained stable. Material reuse in 2014 was 62,000 tonnes and waste sent for energy recovery was 7,000 tonnes. During 2014, 13,000 (12,000) tonnes of hazardous waste were sent for off-site disposal. In 2011, waste was redefined in data collection, affecting comparability.

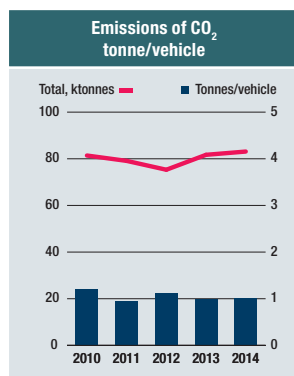
For more information on our environmental performance, visit [scania.com/sustainability](http://scania.com/sustainability)

## CO<sub>2</sub> and other emissions

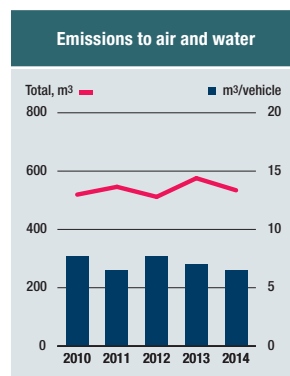
In 2014, Scania produced some 82,000 vehicles, a decrease of 0.6 percent in one year and 21.6 percent since 2010. All Scania performance indicators are set in this context. Performance data covers all industrial operations.



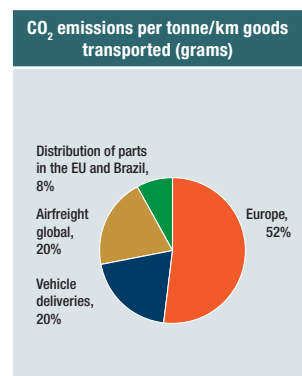
Total energy use was at the same levels as 2013, to 657,000 MWh, with the same production volume. Energy use per vehicle produced was also at the same levels as 2013 (8.0 MWh).



In 2014, Scania's CO<sub>2</sub> emissions from industrial operations totalled 83,100 (81,700) tonnes, a two percent increase compared with 2010, and a 16.1 percent reduction per vehicle. Total emissions have increased by 1.7 percent (8.4) in one year. On a per-vehicle basis they increased by 2.4 percent.



Most production processes have closed systems and consumed industrial wastewater is treated before drain off. Only minor drain off is made directly to the sewage system, such as wastewater from cooling towers.



In 2014, Scania's goods transport-related emissions totalled 158,000 tonnes (179,000). The changes from year to year follow production volume and country of delivery.



# CO<sub>2</sub> REDUCTIONS IN TRANSPORT

Within our inbound transport, we are improving our logistics flow and developing stricter standards for suppliers.

In 2014, Scania set a target to achieve a 25 percent CO<sub>2</sub> reduction for inbound logistics in Europe by 2020, with 2012 as the baseline.<sup>1</sup> We are on track to achieving this goal.

In total, 74 percent of our global transport spend is incorporated in the target. The target is approached by improving the logistics flow and stricter standards for suppliers of inbound transport. Through NILE, our inbound logistics operations in Europe, 16 percent more goods are now transported per tonne CO<sub>2</sub> and CO<sub>2</sub> emissions deriving from goods transported have decreased by 12 percent. Lower production volumes in 2014 substantially impacted this outcome.

## Streamlined logistics

Double trailers allowing for an increased fill rate enable greater efficiency. Some Nordic countries allow 25.25 metre-long vehicles, considerably longer than in other European countries. In a trial launched in 2014, we began transporting cargo in Sweden using double semi-trailers 32 metres long and weighing 78 tonnes on specially designated routes. Tests will continue in 2015.

<sup>1</sup> The target as reported last year was revised in order to apply a more robust methodology for measuring performance.

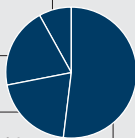
### Transport-related direct CO<sub>2</sub> emissions

Distribution of parts in the EU and Brazil, 8%

Airfreight global, 20%

Vehicles deliveries, 20%

Transport to and from Scania's production units, 52%



Scania's transport-related CO<sub>2</sub> emissions include transporting goods to production and between production units, as well as vehicle and spare parts delivery. Scania emits about as much carbon dioxide through its logistics system as through energy use in facilities.

## Co-modality yields results

Truck, rail or boat (and in exceptional cases, air cargo) comprise Scania's inbound transport mix.

A share of our goods is currently being transported by rail between Sweden and the Netherlands, France and Italy. Truck to rail co-modal transport has generated significant cost savings and a 26 percent reduction in CO<sub>2</sub>, or 1,540 tonnes per year. Backup road transport helps ensure that reliability risks with rail do not disrupt supply. Although we have a long-term objective to increase use of rail and ship, challenges around capacity and reliability inhibit extensive use.

## Meeting rising expectations

Our ambition is to raise the bar on transport suppliers' vehicle fleet. All new contracts must meet or exceed Euro 5 criteria according to our sustainable sourcing standard. Today, 80 percent of our transport is conducted via Euro 5 trucks or higher, a 15 percent rise from 2013. All carriers must demonstrate an annual 3 percent reduction in CO<sub>2</sub> and are required to report on performance. Additionally, all transporters must be ISO 14001 certified, have safe, fuel-efficient driver training, and follow the UNGC's 10 principles or equivalent. Euro 5 and Euro 6 are EU emissions limits set for heavy commercial vehicles that are the world's toughest emissions standards. Scania was the first to introduce Euro 6 technology in early 2011, ahead of legislation.

## Our laboratory is on the road

Scania Transport Laboratory, a Scania subsidiary that supplies 10 percent of our inbound transport, was established with the aim of providing insight into our customers' challenges. Their input allows us to test and evaluate vehicle properties and performance on the road. Through concerted efforts to reduce CO<sub>2</sub> through driver training, and a focus on fill rate and efficient vehicles, the Laboratory reduced its CO<sub>2</sub> emissions by 50 percent between 2008 and 2014, calculated per tonne of goods transported. We believe this is an approach that can also be used by our customers.







# CAPTURING SKILLS FOR SUCCESS

As we expand globally, we focus on securing the right skills base, anchoring our core values wherever we operate, and seizing the opportunities of global mobility.

To succeed as a business and be a leader in sustainable transport means understanding the competencies we need today, in 2020 and beyond. That's why we focus our efforts on finding and developing employees with the right skills and motivation and a diverse range of backgrounds.

## Global talent focus

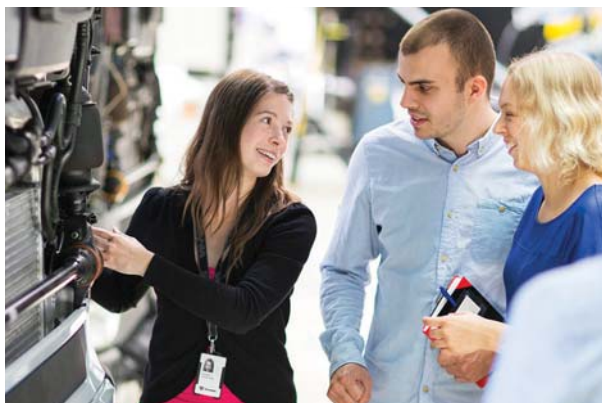
In 2014 we set up a new group called Labour Affairs Development to focus on Scania's role as an employer worldwide. Our aim in 2015 is to hold workshops with management teams throughout Scania to promote approaches that successfully capture skills from all types of people. Our emphasis is on equal opportunity regardless of gender, background or geography. With two thirds of our employees outside Sweden, our outlook is global.

## Scania Academy

We identify competency needs and ensure that the right skill sets are developed for every part of our business. We administer each role description centrally to avoid duplication and promote synergy between business units. Scania Academy, our learning hub, is trialling new methods to ensure gaps in competence requirements are accurately identified. The staff of nearly 100 in Södertälje and 40 in São Bernardo do Campo, Brazil and regional academies in the Benelux countries, Russia, India and Poland provide hundreds of thousands of hours of training each year for employees at all levels. Increasingly, training is conducted using e-learning and blended learning techniques. Training during 2014 was 23 hours per employee compared to 19 hours in 2013 and 25 hours in 2010.

## A world of opportunities

As we expand globally, it is essential that we anchor and share our core values and learn from each other. This cross-fertilisation is growing as more employees take advantage of global mobility opportunities every year – to the benefit of both Scania and the employees themselves.



Scania's Graduate Trainee Programme employs students for a 14-month period. It includes a six-week introduction, practical experience and work abroad.

In 2014 some 300 people from all regions chose to gain international experience through expatriate contracts, up from 250 in 2013. The trend will continue as we work more closely with the Volkswagen Group.

## Employee engagement

Scania receives feedback on staff experiences via the annual employee survey, tailored surveys, employee planning and development conversations and exit interviews for managers.

In 2015 we will launch a global employee barometer. It includes 12 employee satisfaction questions on topics such as pride in Scania and adequacy of training. It will allow us to compare and communicate employee opinion and provide a tool for improvement at Scania and throughout the Volkswagen Group.

*More employees are taking advantage of global mobility opportunities every year.*

## A DEDICATED AND MOTIVATED WORKFORCE

Scania employs about 42,000 (41,000) people in 100 countries. In 2014 our internal employee turnover rate was 5 percent (5) and our external employee turnover rate 9 percent (10).

### Mutual understanding

We work with unions in countries where we operate. In Sweden, representing one-third of Scania's workforce, all our blue and white-collar employees, both permanent and flexible, are covered by collective bargaining agreements. Scania holds regular information and co-determinations meetings with all unions. In Brazil, representing a further 10 percent of our workforce, 90 percent (92) of blue- and white-collar workers are covered by union agreements. The slight change is due to a higher share of managers in the workforce. This employment category lies outside union agreements.

### European perspective

Our flexible workforce strengthens our response to changing market demands. As we globalise, so does our workforce. Since 1988 Scania's European Committee has been a forum for exchange between employee representatives across Europe and Scania management. The full European Committee met twice in 2014. In 2015 Scania and union representatives will strengthen and broaden its responsibilities to include competence from the larger units globally.

## STRENGTH THROUGH DIVERSITY

Ensuring that Scania's workforce features a good balance of gender, ages, backgrounds and experience is crucial to our on-going success.

### Expanding the talent pool

Diversity strengthens our company and supports our strategies towards 2020. By capturing skills from a diverse pool, we hope to boost our ability to attract and retain talent and be recognised as an employer of choice. As one sign of moving towards this goal, in 2014, of the more than 970 people who applied for 24 places in our graduate training scheme, 32 percent were women, and 52 percent of successful applicants were female.

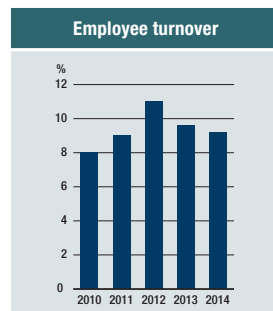
Employees with a range of backgrounds and experiences increase our knowledge base, improve our ability to address customer needs and strengthen our market position. In 2015 we initiated a network of Swedish companies called the 'Diversity Practice and Workforce Sustainability Learning Hub'. Our first meeting, in February 2015, gathered a range of companies from different industry sectors. We will share best practice and challenge each other in the area of sustainability.

### View from the top

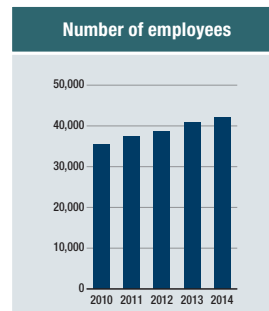
Our successful gender diversity programme helped boost progress on female representation. Today 1.5 percent more women are in management positions than in 2010. Two years ago only one nationality was represented among the 26 most senior members of management; now there are six. Diversity figures are reported to the Board every quarter and in Sweden our Diversity Plan is updated annually.

### Employment

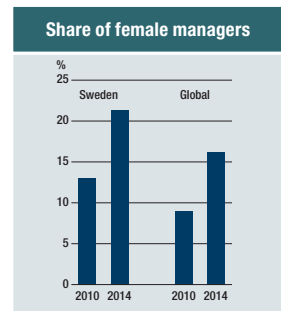
Employee data encompasses all operations within Scania, including industrial and R&D operations, as well as sales and services.



The external employee turnover rate has remained between 8 and 10 percent, signalling that Scania is a stable employer.



The number of employees has increased as Scania has invested for future growth. During 2014, Scania employed more people in marketing, sales and services and research and development.



A number of projects have been initiated to increase the share of women among executive officers. This is one important parameter of diversity.



## WELLBEING AND SAFETY AT THE CORE

Strong focus on health and safety is critical in a business that carries a number of safety risks. High productivity hinges on employee well being.

Core to our value Respect for the individual, we aim to have active and engaged personnel, with high healthy attendance. The strategic plan for Safety, Health and Environment (SHE) addresses issues such as ergonomics, safety equipment, chemicals handling, mental and social wellbeing, first aid and crisis support, rehabilitation and road safety.

### Taking individual responsibility

Shared ownership is our approach. Our commitment to the well being of our employees is reflected in our support organisation, which continually raises the safety bar. Launched in 2014, this new safety & health organisation incorporates both industrial and sales and services operations and is responsible for training and awareness raising, data collection and sharing best practice. At the same time, every Scania manager must monitor progress against objectives and indicators as well as benchmark performance. But our approach is only successful if it visibly impacts the behaviour of every employee. Each individual has to take responsibility for his or her own workplace.

### A Scania-wide approach

Expansion in emerging markets poses new challenges around safety. Sales and services operations have 18,000 employees whose workplaces are in workshops and vulnerable situations alongside highways. For this group of employees, we have broadened priorities, including roadside safety, proper risk assessments and revising safety and logistics procedures. To address these, we have sharper focus on SHE training of sales and services managers. Since 2012 some 2,500 of their managers underwent training, including 1,200 in 2014.

All Scania employees must undergo regular health- and safety-related training, comprising both e-learning modules and workshops. With sales and services operations, and in 2014, we conducted on-the-job training for service technicians. Some 1,900 employees, primarily technicians, have undergone ergonomics training.

Joint management-worker meetings help monitor and advise on progress, addressing all issues relating to the working environment and worker well being. This dialogue is outlined as mandatory in our management procedures and in the policy for working environment. Although committees cover the entire workforce in some geographic areas, most represent production staff.

### Along the value chain

As reported last year, Scania expects our suppliers to live up to high health and safety standards and communicate the same priorities to their suppliers.

Scania also helps promote the health of our customers' drivers. Scania Driver Care is a programme that has been developed to provide drivers with advice on health, diet, exercise and working environment.



Supported by a management system and training, each individual has responsibility for safety within his or her own workplace.

## SAFELY ON THE ROAD



Scania Assistance is available in some 50 countries around the world, in some of the world's most dangerous traffic environments.

Our service technicians' job is to come to the aid of drivers facing roadside breakdowns. On a daily basis, they have to contend with heavy traffic, accident-prone stretches of road or difficult weather conditions. To ensure their own, our customers' and other road users' wellbeing, they must rely on

the right equipment and support, good judgement, and above all, a safety-first mentality.

As one of five priority Health and Safety areas for our sales and services operations, Scania Assistance launched a strengthened, global policy for roadside assistance procedures in 2014.

Rolled out to all business units, we have also developed a model for assistance on the road and a communications plan to visualise its key components.

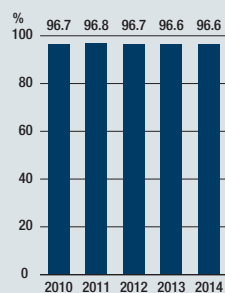
To raise awareness among service technicians, our new roadside safety model will be highlighted in the 2015 Scania Top Team Competitions, where regional finalists from 62 countries will be introduced to our safety procedures.

Scania Top Team encourages the development of personnel as both individuals and members of a team. In this way, the program contributes to increased professionalism; proficiency and teamwork.

### Health and safety

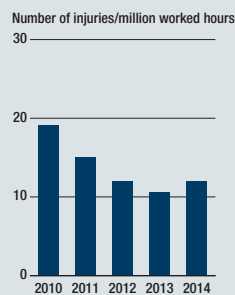
Scania-wide, we measure progress within health and safety based on industry standards and tailored measurements. During 2014, one serious accident was reported at a workshop in Luxembourg. No fatalities occurred within Scania during the year.

Healthy attendance



Our target is to achieve 97 percent healthy attendance. We have consistently attained over 96 percent since 2008.

Accidents per million hours worked\*



Work-related injuries within industrial operations have steadily declined over the past few years – from close to 18 per million hours worked in 2010 to 12 per million hours in 2014. The target for industrial operations is five per million hours, considered best practice in the industry.

\* Occupational accidents leading to sick leave.

# HUMAN RIGHTS ACROSS THE VALUE CHAIN

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Proactive relationships with suppliers and collaboration in sector-wide initiatives are all tools that help minimise risks of human rights issues.

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In an increasingly transparent marketplace, our suppliers must meet the same standards we demand of ourselves. With over 1,500 direct, and 10,000 indirect suppliers, robust and comprehensive management of human rights risk is a challenge, but essential.

In 2014, we launched our Responsible Sourcing programme in line with the UN Global Compact's 10 Principles, which cover non-complicity in human rights abuses as well as labour practices, freedom of association and discrimination. Our updated Sustainability in the Supply Chain Standard is a core component.

## Purchasing strategy

We focus our purchasing spend – some 70 percent – on Sweden, Germany and other Western European countries to keep quality high and business risk low. Therefore our exposure to human rights risk is low or medium by most measures, including Maplecroft's Human Rights Index. But we remain vigilant and ensure that robust processes are in place globally. The proportion of spending in India and China is increasing.

## Stronger together

In April 2014, Scania joined the European Automotive Working Group on Supply Chain Sustainability, facilitated by CSR Europe. One of its outcomes is a shared approach to supplier self-assessment. Together with a Tier 1 supplier, we are developing a programme on platinum sourcing.

## Supplier requirements

All new suppliers are screened using human rights criteria. Without exception, all suppliers must agree to our Supply Chain Standard which includes achieving ISO 14001 certification. We also require information on material composition to enable

detailed tracking and due diligence. Suppliers are expected to communicate our standards to their own suppliers and sub-contractors.

## Audits

Our quality checks and supplier assessments have long included a sustainability element, and in future we plan to strengthen existing sustainability assessments and conduct third-party sustainability audits. In partnership with the Volkswagen Group, we will pilot third-party audits of suppliers in Brazil, Poland, and India in 2015.

## Talking the walk

We also trained all purchasing staff in our business ethics programme 'Doing things right', and the new Sustainable Sourcing Standard. In 2015 we will continue to train our buyers and supplier quality analysts to further embed our approach. In 2014, together with the Volkswagen Group, we held training sessions in Brazil and Argentina with suppliers to share best practice and outline the Volkswagen Group's expectations. In 2015 we plan to hold similar events in India and China as well as for the logistics sector in Europe.

## Assessing downstream non-financial risks

Scania initiated a process to evaluate non-financial risks downstream regarding sales of vehicles to organisations that, through their activities, may pose human rights risks. The process was developed in dialogue with other Swedish exporting companies and includes a toolbox for Scania's sales organisation to assess risks, and a forum for evaluating these risks and taking necessary actions. In 2015, Scania will launch the process and intensify efforts with other Swedish export companies and Swedish credit export institutions.



## WORKING TOGETHER ON SUPPLY CHAIN SUSTAINABILITY

In the automotive sector, a deep and complex supplier base is typical, and many suppliers provide components and services for multiple companies.

With a mutual desire for a responsible, shared approach to sustainability performance throughout their value chains, nine automotive companies formed the European Automotive Working Group (EAWG) on supply chain sustainability. Scania joined in 2014.

Facilitated by CSR Europe, the EAWG built the Guiding Principles, guidelines outlining expectations of suppliers on key responsibility issues. Working collaboratively saves time and money and ensures that strong common messages reach suppliers.

### Self-assessment

Building on the Principles, the EAWG developed a common Self-Assessment Questionnaire (SAQ) for suppliers covering social and environmental impacts, business conduct and compliance, and supplier management. The SAQ benefits both manufacturers and suppliers by streamlining information flow – one set of shared core questions saves time on both sides – and manufacturers can add further requests as needed.

### Building supplier capacity

The EAWG runs supplier training sessions in countries chosen by members. Capacity building is a key objective with the further aim of encouraging local supplier learning networks.

In 2014, training and events were organised in Poland and Turkey and in 2015 joint visits are planned for China, South Africa and India.

*In 2014, we launched our Responsible Sourcing programme in line with the UN Global Compact's 10 Principles.*

## PARTNERSHIP APPROACH FOR PLATINUM

The rare metal platinum is a key element of catalytic converters, essential in reducing harmful vehicle emissions of hydrocarbons and oxides of nitrogen. Rather than buying platinum directly from mining companies, Scania obtains catalytic converters from a Tier 1 supplier whose contract with us requires it to uphold the Global Compact's ten principles, including respect for human rights, throughout its supply chain.

### Platinum mining concerns

In October 2013, research by the Swedish NGO Swedwatch identified safety concerns at platinum mines in Africa and revealed dissatisfaction among local communities, who felt their concerns around the right to adequate housing, wages and clean water were not dealt with properly.

### Proactive response

As well as requiring our supplier to address the Swedwatch concerns, we engaged proactively, for example introducing them to the European Automotive Working Group guidelines on supply chain sustainability and following up the outcomes of their ISO 26000 gap analysis. We schedule quarterly meetings focused on sustainability to give further inputs to their initiatives. At our request the supplier, a member of the IPA (International Platinum Group Metals Association), initiated a dialogue to develop a harmonised sustainability auditing standard for the platinum industry as a whole.

# SUPPORTING ECONOMIC GROWTH

By delivering people and goods with efficient, low-carbon transport, Scania can help spur economic growth, especially in fast-growing cities.

Economic growth depends on better and more efficient transport for goods and people. Scania vehicles, products and low-carbon solutions can make an important contribution to tackling this challenge in an expanding global economy.

Sustainable transport solutions for cities enhance the mobility that is the lifeblood of urban economies. Our solutions and services span the globe. From Johannesburg, South Africa to Guayaquil in Ecuador and Jiangsu Province in China, BRT systems use dedicated lanes with priority over other traffic and combine comfort and reliability with cost-efficient transport and low emissions.

## Innovative customer-focus

To promote sustainable transport and help customers get the maximum benefit from our products and services, we tailor solutions and packages to suit their business needs.

- Our service solutions to maximise uptime and efficiency are gaining traction especially in South Africa, Hong Kong, Australia, Malaysia, Thailand and Korea.
- On-premises maintenance workshops to bus and coach companies help keep their own service offering smooth, reliable and efficient.
- Enhancing customers' understanding of Total Operating Economy – the cost and revenue per kilometre, taking into account uptime and distance capability of vehicles – helps increase recognition of the value of premium Scania vehicles to their business. This is especially important in China.
- We offer rental solutions through which lifetime cost is divided into monthly payments to include repairs and maintenance.

## Global and local economic impact

Our operations located in emerging markets provide customer insights as well as local employment.

To ensure we have skilled staff wherever we operate, Scania collaborates with universities such as the Stockholm Royal Institute of Technology and builds education centres such as

Scania Transport Academy in Iraq, China Dragon School and an upcoming Vocational Training Centre in Ghana.

Wherever we work, partnership with governments, businesses and local communities is essential to our success in promoting sustainable transport and economic efficiency.

## MODERNISING TRANSPORT IN CHINA

China's 2014-2020 Logistics Development Plan, together with market reforms, is expected to bring economic and environmental benefits to transport in China. This is part of China's stated aim to redefine the role of government, open markets to competition, improve efficiency and create a level playing field by enforcing legislation.

With a share of 18 percent of GDP, China's transport costs are twice that of Europe. In 2014, China announced the plan to modernise transport and reduce costs to 16 percent of GDP by 2020.

### Lending industry insight

Reports and other inputs to the Plan provided by Scania through the European Automobile Manufacturers Association, the European Chamber of Commerce and the Swedish Embassy provided important reference points.

The ambition to create fair competition has given momentum to the mass and dimensions standard, the so-called GB1589. Due for launch in 2016, the new standard sets physical compliance limits for logistics operators' vehicles to maximise efficiency and safety, modelled on the 96/53 EU Directive. Flexible modular trailer systems, a sustainable logistics solution promoted by Scania to be piloted during 2015, may be included in the new standard.

## STRONG STANCE ON ANTI-CORRUPTION

Scania's commitment to ethical business is essential to earning stakeholder trust. We aim to combine an open culture with a systematic approach to mitigating ethics-related risks.

Scania has zero tolerance for corruption and bribery, and our first priority is to ensure we are in compliance with all relevant laws and regulations wherever we do business. As a signatory to the UN Global Compact, Scania adheres to its ten principles, including anti-corruption. Our manuals on Corporate Governance and How Scania is Managed provide clear guidance on topics such as gifts, entertainment, contracts and working with agents. To engage employees around potential ethical dilemmas and give further guidance, we provide e-learning around a range of business scenarios, described in our employee guide, 'Doing things right'. The Executive Board carries ultimate responsibility for anti-corruption at Scania.

### Assessing risk

We assess bribery and corruption risk carefully using assessments from Transparency International among others.

Group Internal Audit follows the risk assessment approach outlined by the Committee of Sponsoring Organizations of the Treadway Commission. This is a joint initiative of five private-sector organisations dedicated to providing thought leadership and guidance on enterprise risk management.

In at-risk countries, we ensure that either the chief financial officer or the managing director of the local business unit is a carrier of Scania values, typically due to having years of experience working with Scania in Sweden. We avoid "tandem relocations" of a managing director and chief financial officer partnership to avert the possibility of complicity.

### Local responsibility

Local management is responsible for ensuring employees' understanding of ethical business practices. The local board checks that all contracts with agents are formal. Our controllers are aware of all big contracts such as significant bus sales to a municipality. Payments to agents must be accurately documented, with a written contract specifying services carried out and the corresponding compensation.

The standard audit process starts with assessing, planning, scoping and fieldwork and continues with reporting and follow-up. In at-risk countries, auditors interview local management about how they approach and address business ethics issues. Based on the auditor's report, local business units develop action plans to correct any deviations identified.

In 2014 we carried out corruption awareness audits within Global Purchasing. Following a risk assessment, these may become standard for at-risk countries. In 2015 our audits in at-risk countries will include a strong anti-corruption focus.

### Whistle-blowing

Everyone at Scania has access to the Volkswagen Group's whistle-blowing procedures. In addition, Scania has its own established channels for reporting on suspicions of non-compliance. These channels are available to the entire organisation through the global intranet.

*Scania has zero tolerance for corruption and bribery.*

## MAKING A DIFFERENCE ON THE GROUND

As a major employer in all the places where we operate, we support local communities in a variety of ways, from vocational training to education and health initiatives.



In South Africa, Scania supports the Soweto Kliptown Youth Centre (SKY), a non-profit organisation focused on at-risk children.

At Scania headquarters in Södertälje, Sweden, we employ 10,500 people in a diverse community of 90,000 people, in which 45 per cent are from countries outside Sweden. Among the activities, we support local sports teams in which athletes spend two or three evenings a year promoting diversity and integration by befriending young people in the city.

We partner with the Swedish Workplace HIV/AIDS programme in a regional approach to HIV/AIDS across Southern Africa. Prevention, treatment and care strategies are aimed at protecting employee rights, creating a productive working environment and maintaining healthy workforces for the companies involved.

In South Africa we support the Soweto Kliptown Youth Centre (SKY), a non-profit organisation focused on at-risk children. It offers residential care to 45 children, and for many more acts as a second home where children can do homework, practise dancing and sport, and enjoy a nutritious meal.

### COMMUNITY ON BOARD IN ACCRA

At first sight, it seems the technical challenges of implementing Accra's new Bus Rapid Transit (BRT) system – including cashless ticketing and service workshops – would be Scania's overriding concern. But it is also clear that nurturing the social relationships around the project is just as important to its long-term success.

During 2015 Scania West Africa will employ 40 people in Ghana and is partnering with government, business and education stakeholders to ensure that benefits from the BRT, and the knowledge transfer to keep it running, are felt throughout the community.

#### Vocational training centre

Skilled technicians and well-trained drivers are essential for an efficient, fully functioning BRT. Scania is working with a local technical training centre to provide places for 80 student technicians per year, some of whom we will employ when they graduate. In parallel we are training all future BRT bus drivers. In the first stage, we will be working with about 600 drivers from the minibus companies currently operating in Accra.

With local businesses playing an essential role, Accra can look forward to a clean, fast BRT by the end of 2015 – which aims to help end to their unbearable 2–3 hour cross-city traffic jams.







## ADDRESSING LOCAL CONCERNS IN INDIA

Building supportive relationships with the communities where we operate helps build support for our operations, encourages a healthy workforce and long term, builds our talent pool. That's why, when Scania set up the factory in the Narasapura area near Bangalore, India in 2012, we organised a baseline study to find out how best to work with nearby villages.

In 2014 the research we carried out included interviews with local politicians, journalists, doctors, teachers and village residents around our factory. They revealed the key issues of concern to the community: access to drinking water, education, unemployment, women's health and domestic violence.

We are already working with the fresh water supply to promote better health in the local population and with primary level education, hoping to reduce the number of early drop-outs. To further develop our recruitment base, we also aim to support secondary and vocational schools in the near future. Women's wellbeing and safety is also a topic on our agenda.

A pupil pours safe drinking water, provided on a daily basis at the school.



In 2014 Scania:

- Provided spoken English lessons in schools near our factory
- Renovated toilets and installed rain water harvesting for hand washing at Jodikrishnapura
- Tested water for pollution – and educated children on this topic
- Distributed safe drinking water to schools daily.

# ABOUT THIS REPORT

The aim of this report is to provide transparency on how we measure and manage our sustainability priorities. We also wish to engage others in our journey towards greater sustainability by giving insight into the challenges and opportunities Scania faces going forward.

## How Scania reports

Scania has two primary channels to report sustainability information. To highlight how central sustainability is to our business, in 2014 our Annual Report addresses sustainability issues and how it impacts our business, long-term organisational strategy, risks, and opportunities. Content is written for business partners, employees and other organisational stakeholders.

More in-depth sustainability performance reporting is provided in this Sustainability Report. By containing Standard Disclosures from the Global Reporting Initiative's (GRI) Reporting Guidelines, we aim to fulfil the "In accordance – Core" criteria of its 4.0 framework. Written for employees, partners, CSR specialists and other engaged stakeholders, the report is also aligned with the Volkswagen Group guidelines on sustainability reporting, and is self-declared.

## Report scope, indicators and boundaries

By building this report on the 14 areas most relevant to our business, as defined by our materiality process, our report is designed to reflect Scania's significant economic, environmental and social impacts and the issues that substantively influence the assessments and decisions of stakeholders.

Unless otherwise indicated, the report covers all operations that can affect Scania's performance and our employees, wholly owned subsidiaries globally during our financial year from 1 January 2014 to 31 December 2014. For more detailed information about reporting boundary, limitations and changes, see the Annual Report. Unless stated, franchise operations are not included. A list of Scania's operations and where they are located is available on p. 3.

Environmental data for transport includes all transport relating to production units as well as delivery to sales and services

operations with the exception of Tucumán, Argentina. The CO<sub>2</sub> emissions from transport are calculated using the methodology developed by NTM (Network for Transport and Environment).

Scania is involved in developing tools for emission calculations, including cooperation with NTM. Information gathering for certain labour indicators is decentralised, and reporting is function- or country-specific. Data collection for these indicators is becoming more co-ordinated and we expect to increase our global reporting next year.

Where possible, performance data were compared over a five-year period – from 2010 to 2014. Scania's latest report was published in April 2014.

There is no requirement for Scania to complete an additional sector supplement.

## GRI Index

The GRI Index leads readers to information about GRI's Standard Disclosures with reference to G4 categories, aspects and indicators. The index refers to pages where these issues are addressed in our annual and sustainability reporting or other channels of information within the public sphere.

The GRI index is available online at: [scania.com/Sustainability/gri-index-2014.aspx](http://scania.com/Sustainability/gri-index-2014.aspx)

## External assurance

This report is not third-party assured. Key performance indicators relating to energy, water, carbon, and other emissions, healthy attendance, sales and production-related data have also been published in the 2014 Annual Report. All facilities that comply with ISO 14001 are certified by a third party.

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