

# Green Financing Report

## The Green Financing Framework

In 2020, Volvo Cars introduced its first Green Financing Framework. To better reflect our ambitious sustainability strategy and the integration of market practices and standards, the framework was subsequently updated in May 2023. The framework defines how green financing instruments are used by Volvo Cars to financially accompany its sustainability journey. The updating of the framework included alignment with the 2021 ICMA Green Bond Principles (including the updated Appendix I from June 2022) and the 2023 LMA, LSTA, APLMA Green Loan Principles. We aim to, where feasible, transfer all outstanding debt into green or sustainability-linked funding by 2025 and diversify the source of external debt.

Volvo Cars has issued bonds linked to the Green Financing Framework but also entered into bilateral and multilateral credit facilities referencing the Green Financing Framework. Not all our facilities are referred to as green by our lending counterparties, but are in fact solely financing Eligible Projects in accordance to the Green Financing Framework.

Our framework has been reviewed by CICERO Shades of Green, now part of S&P Global, an independent research-based assessment company of green finance frameworks. Our updated framework received the highest possible rating, Dark Green, as did our first version in 2020. Included in the overall rating is an assessment of Volvo Car Group's governance structure and processes, which are rated as excellent.

For more information about our Green Financing Framework and Cicero's statement, click here: <https://investors.volvocars.com/en/debt-information/green-financing>

## Financing under the Green Financing Framework

In February 2023, Volvo Cars issued SEK 1,500 m in SEK bonds. The issuance was well received by investors and marked another milestone in our transition to full electric car production by 2030 and net-zero emissions by 2040. All the capital raised will fund the development of our next-generation, all-electric vehicles platforms. The bond issuance was divided into a fixed and a floating rate tranche of SEK 650 m and SEK 850 m, respectively. All Volvo Cars' bonds are listed on the Luxembourg Stock Exchange.

A new bilateral 10-year loan agreement of EUR 250 m was entered into in late 2023, with the purpose to finance investments that meet the eligibility criteria set out in the Green Financing Framework. The loan facility remains undrawn as per end of 2023.

Moreover, in November 2023, a drawdown of EUR 200 m was made under an existing bilateral loan facility entered into in 2022 and maturing in 2030.

Use of Proceeds and Allocation as per 31 December	Green Bonds			Loan Facilities <sup>1)</sup>		
	Oct 2020	May 2022	Feb 2023	May 2022	Dec 2022	Dec 2023
<b>Issuance/Date of signing</b>	Oct 2020	May 2022	Feb 2023	May 2022	Dec 2022	Dec 2023
<b>Maturity</b>	Oct 2027	May 2028	Mar 2026	May 2030	Dec 2030	10Y tenor
<b>ISIN</b>	XS2240978085	XS2486825669	XS2593141604 XS2593137917	N/A	N/A	N/A
<b>Currency</b>	EUR	EUR	SEK	SEK	EUR	EUR
<b>Amount Issued (mn)</b>	500	500	1,500	1,000	200	250
<b>Amount drawn (mn)</b>	N/A	N/A	N/A	1,000	200	0
<b>Unallocated<sup>2)</sup> (%)</b>	<b>0.0</b>	<b>3.2</b>	<b>0.0</b>	<b>0.0</b>	<b>10.0</b>	<b>0.0</b>
<b>Allocated<sup>3)</sup> (%)</b>	<b>100.0</b>	<b>96.8</b>	<b>100.0</b>	<b>100.0</b>	<b>90.0</b>	<b>0.0</b>
<b>Finance (%)</b>	<b>4.4</b>	<b>67.2</b>	<b>70.0</b>	<b>65.0</b>	<b>52.5</b>	<b>0.0</b>
R&D	2.7	45.7	70.0	65.0	52.5	0.0
Manufacturing <sup>4)</sup>	1.8	21.5	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
<b>Refinance (%)</b>	<b>95.6</b>	<b>29.6</b>	<b>30.0</b>	<b>35.0</b>	<b>37.5</b>	<b>0.0</b>
R&D	31.2	29.6	30.0	0.0	37.5	0.0
Manufacturing <sup>4)</sup>	33.1	0.0	0.0	35.0	0.0	0.0
Other <sup>5)</sup>	31.2	0.0	0.0	0.0	0.0	0.0

	2023	2022	2021
<b>Share of green debt or sustainability-linked financing of assets eligible under the Green Financing Framework as percentage of Outstanding Debt<sup>6)</sup> (%)</b>	<b>52.3%</b>	<b>41.6%</b>	<b>20.2%</b>

1) Refers to facilities with the purpose of financing projects meeting the eligibility criteria under the Green Financing Framework.

2) Refers to total amount of unallocated proceeds invested in cash and/or cash equivalent and/or other liquid marketable instruments earmarked for Eligible Green Projects as of 31 December 2023.

3) Refers to total amount of allocated proceeds in Eligible Green Projects as of 31 December 2023.

4) Includes tooling and facilities.

5) Equity injection in Polestar.

6) See Note 21 – Financial Instruments and Financial Risks for definition of Outstanding Debt. For more information about the Green Financing Framework, please see <https://investors.volvocars.com/en/debt-information/green-financing>.

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### Allocation Report and Use of Proceeds

The net proceeds from any issuance of either loans linked to our Green Financing Framework or green bonds will be used to finance and/or refinance, in whole or in part, new or existing projects, assets and activities according to the Eligibility Criteria (“Eligible Green Projects”) outlined in our framework.

The table in previous page outlines all such outstanding debt, the share of financing and refinancing and sets out the respective allocation of proceeds to the respective category of Eligible Green Projects (R&D, Manufacturing or Other), as of 31 December 2023. The balance of unallocated net proceeds is

held in cash, cash equivalents and/or invested in other liquid marketable instruments until these are allocated.

Approximately 99 per cent of the funds from the green bonds have been allocated. For our loans that finance investments that meet the eligibility criteria in the Green Financing Framework, 93 per cent of the proceeds have been allocated (with the remaining net proceeds being held in cash, cash equivalents and/or invested in other liquid marketable instruments until these are being allocated).

### Impact Report

The environmental impact and benefits of the Eligible Category Clean Transportation are estimated and evaluated using the selected impact indicators listed in the Impact Report table. As the estimated impact of the allocated proceeds will be realised over several years and be dependent on manufacturing and sales volumes of fully-electric vehicles, it is not possible to precisely attribute the share of allocated proceeds to the specific indicators. Therefore, we have selected the annual corporate performance of these impact indicators as representative of the environmental

impact of the allocated proceeds. In our view, the positive development of these indicators over time will be the best indication that the allocated proceeds are producing the environmental benefits of clean transportation that are expected and contribute to climate-change mitigation. New projects are vetted against the company’s ERM assessment of ESG risks and EU Taxonomy alignment. For definitions and calculation methodology of the indicators, see the Sustainability Report on page 192–195.

Impact Report	2023	2022	2021
Fully electric vehicles (BEVs) sold	113,419	66,749	25,727
Fully electric vehicles (BEVs) sold (%)	16.0	10.9	3.7
Total CO <sub>2</sub> tailpipe emissions avoided, kilo tonnes <sup>1,9)</sup>	3,060	1,870	750
Tailpipe CO <sub>2</sub> emission reduction per average vehicle <sup>1,9,10)</sup> (baseline 2018) (%)	-38.5	-31.5	-21.6

For further definitions and reporting principles see page 192–195.



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