

## **Jim Rowan – Chief Executive**

### **Speech at the Annual General Meeting 11<sup>th</sup> May 2022**

Welcome to Volvo Cars' AGM for 2022. I am proud to speak to you today as the new CEO of Volvo Cars at our first AGM since listing on the NASDAQ in Stockholm in October last year.

I have now been at Volvo Cars for almost 2 months. I have met many colleagues, journalists and business partners in that time, and this feels like a great opportunity to introduce myself to all of you.

We meet today in the shadow of a terrible war in Ukraine. I would like to take a moment to recognise the impact this has had on many of our colleagues, families and friends.

Allow me to reiterate our commitment to doing all that we can to help those most affected.

- So far, we have donated 10 million SEK to organisations that are delivering humanitarian support to affected families and children, split between Save the Children and UNICEF Sweden.
- We have also opened up a fast-track recruitment process for people fleeing Ukraine, offering where possible a speedy relocation to Sweden.
- We continue to monitor the evolving situation in the country and will continue to evaluate how best we can support humanitarian efforts both in Ukraine and surrounding regions.

Good leadership also brings about a great leadership team and it's never about just one person but about collective talent that share a collective vision.

The continued performance of the executive management team and to the entire workforce at Volvo Cars, despite today's unprecedented global challenges, is a testament to them, and I'd like to take a moment to recognise all of our people. I'm proud to join you.

One of my first objectives after joining the company was to get onto the shopfloor. I started my career on the factory floor and I know how important it is that everyone in the company understands and aligns to our vision. I have also prioritised meeting many of the sales teams

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and dealerships in our markets as they are the ones that talk directly to our customers on a daily basis.

Our factory workers and our salespeople are critical parts of our Company and our DNA. It's where we build in the quality that sets us apart, where we talk to customers and where we identify improvements and make suggestions that continually drive us forward. And the best way to do that is through open and unfiltered two-way communication with all the brutal truths.

I have been inspired by what I have seen and humbled by the very authentic welcome I have received. Not only from Eric Li and the Board of Directors, but also the Executive Management Team, all our employees, and our wider partners. So, from me, it's a very heartfelt thank you.

Perhaps I can take this opportunity to share a little bit about me personally. I grew up in Glasgow, in Scotland, in a blue-collar family where my parents stressed that education, work ethic and treating people with respect were key factors in getting the best from yourself. You may know that I join a rich tradition of Scots who have been welcomed to Sweden, not least our now-board member, Glasgow-born Tom Johnstone, who led industrial company SKF for many years.

I feel very at home in Gothenburg, with its many similarities to Glasgow: both are harbour towns, with an industrial heritage that used to be rooted in shipbuilding, but when shipbuilding reduced, they both had to re-invent themselves, keeping the industrial work ethic and adding new technology and new skills as accelerators to success. It also has a very similar climate to Glasgow; in fact I might be one of the few people who work for Volvo that come from a city where it rains more Gothenburg.

I've spent a good part of my career among the world's largest consumer electronics and technology companies, like Dyson and Blackberry, and before that at Flextronics, a company with over 200 thousand employees focused on manufacturing complex products for some of the world's largest high technology electronic and software companies.

I started working in technology just as the internet started to go mainstream. I've been fortunate enough to have seen its transformative potential first-hand and how those who understand and react fastest during industry transformations are the ones that come out on top.

I'm also a supply-chain obsessive and have spent significant time studying how robust supply chains and logistics architectures can add long term value and be a real differentiator versus

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the competition. Of course, this is very topical at the moment, but good supply chain management has always been critical to well-run, product-based businesses.

But why Volvo Cars? For me to be able to join Volvo Cars as CEO is very inspiring, for three main reasons: Volvo's brand, the opportunity to be part of the fundamental transformation of an industry, and the critical importance of sustainability that will not only impact our generation, but generations to come.

So let me start with the **Volvo brand**. For almost 100 years, Volvo Cars has been regarded the world-over as a company with purpose. Its heritage is steeped in the protection of life by making mobility safe for everyone. The same heritage that built cars that were strong enough and safe enough for Swedish roads back in the 1920s and made the three-point safety belt as standard in the 1950s that has gone on to saved millions of lives, will help us to develop Volvo Cars into a company that is a leader in next-gen mobility.

That is why our strategy is to combine almost a century of delivering quality products with cutting-edge investments in technology, to deliver a new experience that is built on a purpose and values that continue to guide us.

Another compelling reason for me to join Volvo Cars was the opportunity to be part of the **transformation** of a hugely important and global industry. This transformation has two distinct areas. On one side we have the technical transformation. The move from petrol to electrical propulsion, and from human to autonomous driving are at the very core of this.

However, it's the underlying technology enabled by a central core-compute architecture that enables real-time connectivity, next level active safety and the real possibility for zero collisions.

At the same time, we are in the midst of a profound commercial transformation. One which will enable direct and constant engagement with our customers. This transformation will also enable different business models that will allow us to attract new loyal Volvo customers at a younger age than ever before.

This combination presents a fundamental shift in the industry that will shape the future for billions of people around the world for years to come.

The future of mobility is one that is fully connected, sustainable, safe and personal. Just as your phone gives you an integrated experience; from shopping to messaging, listening to music to answering your emails, from taking photos to booking hotels, the car will be a new platform, a new device, which will connect seamlessly to your lifestyle.

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And then finally, but not any less important, is **sustainability**, and building a future car that is both safe for us to drive in, but also safe for the environment. Taking mobility carbon-free and being responsible for ensuring that transition happens is extremely motivating. It's not just the right thing for Volvo, but more importantly, it is the right thing for society.

Our approach to 100% electrification and a safe introduction to autonomous driving through our pioneering approach to standardising LiDAR excites the whole company, and I'd like to think none more so than me.

This combination of profound transformation would be a challenge at any company.

However, we have a huge advantage working in our favour. We have a razor-sharp focus on the future of Volvo and what that looks like. We will be a fully electric car company by 2030, and halfway towards that goal by 2025. There is no ambiguity about this, no if, but or maybes.

Our direction of travel is crystal clear for all of our people, dealerships, partners and suppliers. This means that every decision we make on our investments, the skills we need for the future, and the design choices for our vehicle, are grounded in a clarity of purpose which is extremely helpful when facing the profound changes that our industry will undergo in the coming years.

Our people are united by a shared culture of trust, drive, and collaboration, so such ambitions are entirely possible.

That's why I am here. Now, I have spoken about the great people we have in our company from the EMT to the factory floor and everywhere in between. But as a leader and new CEO of Volvo Cars, what do I bring to the table?

Over the last ten years Håkan and the team have put in place the solid foundations upon which we can build. But build we must. Standing still is not an option. The competition is intense; many of our competitors are larger than us, with much deeper pockets and greater market share. Therefore, we need to accelerate our new product development while at the same time building a strong technology roadmap that will allow us not only to compete but to really become leaders in the premium sector of fully electric cars.

We started out well in the race towards electrification, but others have caught up. The task in hand is to prioritise the items that add the most value, decide what technologies we will develop in-house and where we will partner and, perhaps most importantly, flawlessly execute on those tasks. Our execution engine needs to perform better, and I believe that I can help bring this focus to the company.

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We tend to use the word electrification as a description towards next generation mobility, but electrification is only the tip of the iceberg. The much more profound transformation emanates from changing to a core compute architecture, because this will fundamentally shift how the car is designed, built, updated, sold and serviced. It will also enable many more key features to be added but to do so it requires much deeper knowledge of a broad base of technology; including silicon and chip design, connectivity, sensor technology, radar, LiDAR, high resolution cameras, battery and e-motor technology. Of course, all of these will be enabled via a much deeper understanding and a much higher capability of software, but more on that another time.

My background is in high technology consumer products where many of these technologies are already widely used. In the fast-paced high-tech industry the make versus buy decisions are as complex now as they are in next generation automotive, but the pace of change is quicker. I believe that the many years spent as a COO and as a CEO in the tech industry will be helpful in charting our path towards a technology and e-commerce led future where digital commerce capabilities allow direct engagement with the end customer.

Therefore, as we move ahead, we will remain:

**Rooted in Safety.**

**Focused on Personal.**

**Anchored in Sustainability.**

All of this means we will become even more:

- Tech Enabled
- People Powered
- Purpose Led

Collaboration both internally and externally is the key to turbo charging both our development as well as our performance. We don't need to do everything ourselves, but we must be extremely thoughtful in why we partner, where we partner and who we partner with.

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From an operational and financial perspective, let me offer a short recap of 2021. It was certainly a year for the team to be proud of, with:

- All-time high revenue of 282 billion SEK, 7% up on previous year
- Profitability of 20 billion SEK, also 7% up
- Continued strong demand despite constrained supply
- Commitment to full electrification by 2030 and halfway there by 2025
- C40 launched to compliment XC40 BEV
- Growth of Recharge/BEV sales
- Aurobay set up to harness ICE technology assets
- JV established with Northvolt on battery development and production in Sweden
- Successful IPO of Volvo Cars, where we welcomed new owners to Volvo Cars, many of you are with us today as a result
- Launch of Family Bond paternity leave for employees

All of that sits in the context and leads us towards our mid-decade ambitions, which include:

- Becoming the fastest transformer towards BEV in the premium sector
- 50% electric
- 50% online sales
- 40% CO2 emission reduction
- 8-10% EBIT
- 1.2m cars sold

As we step into 2022, we see a world that is dramatically changing. We see extended lockdowns in China, component shortages, War in the Ukraine, rising raw materials prices as well as underlying inflation. We are adapting quickly to cope with these new challenges but there is more to be done. As we recently shared, the combination of these changes will result

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in slower growth this year than we had planned but we remain committed to reach our mid-decade and 2030 ambitions. But we need to increase the original growth gradient to meet that ambition so will place more focus on clarifying our priorities and of course our operational execution.

In closing, I'd like to thank everyone who is part of the Volvo Cars' family not only for the warm welcome, but also for their continued commitment to the journey we are on. In our long history, this is surely the most exciting time to be a part of that family - but it is also the most critical. Our foundations are in place: a good track-record, a focused vision and a robust roadmap for the future. But the task before us is also existential: our vision is not an aspiration, but a necessity, for Volvo Cars and the world. We have great people who are clear about our future plans and are committed to the cause, and we'll grow together, bring in new colleagues and partners where needed to accelerate our impact.

Together, we will create a future that aligns with our core purpose that creates the freedom to move in a personal, sustainable and safe way - FOR LIFE! For the life on the planet today, but perhaps most importantly, for the life of the future generations yet to come.

Thank you.