

# OUR CORPORATE GOVERNANCE

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A distinct purpose for our corporate governance is active and responsible ownership of our affiliates, proper distribution of responsibilities and good communication with all stakeholders.



# Corporate Governance Report

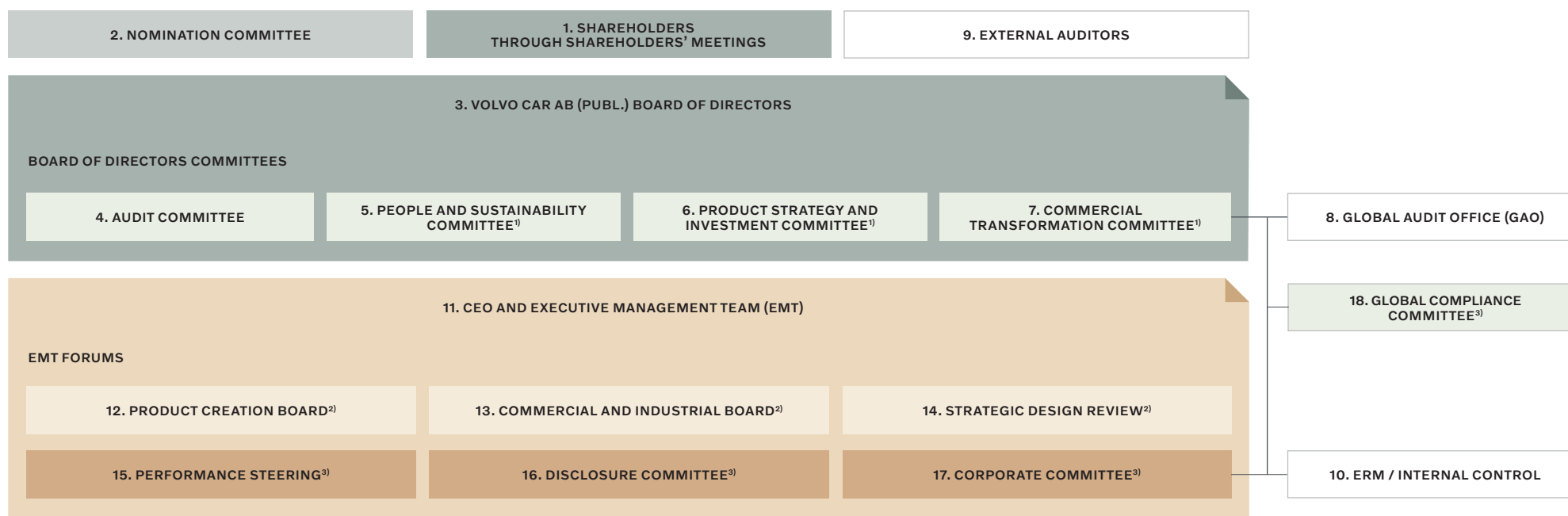
## Corporate governance within Volvo Car Group

The purpose of Volvo Car Group's corporate governance is to create a good foundation for active and responsible ownership, a proper distribution of responsibilities between the different company bodies, as well as good communication with all of the Group's stakeholders.

The corporate governance principles adhered to by Volvo Car Group are based on Swedish law, mainly the Swedish Companies Act and the Swedish Annual Accounts Act (Sw. årsredovisningslagen (1995:1554), the Swedish Code of Corporate Governance (the "Code") and Nasdaq Stockholm's rule-book for issuers as well as other relevant laws and

regulations. The Code is based on the "comply or explain" principle, meaning that companies are not obliged to at all times apply every rule in the Code, but are allowed the freedom to choose alternative solutions which they feel are better in their particular circumstances, provided they report every deviation, describe the alternative solution and explain

the reasons for the deviation. Volvo Car Group applies the principles of sound corporate governance and responsible business practice and the Code without any deviation with the exception of a deviation from the Code, rule 2.5, stipulating that the company is to announce the names of members of the nomination committee on its website no later



1) As of 10 February 2022, the Board decided that the People and Sustainability Committee's assignment shall only relate remuneration to the CEO and executive management. The Board also resolved that it will handle the work of the the Product Strategy and Investment Committee and Commercial Transformation Committee and that these committees will cease to exist.

2) Full EMT participation.

3) Selected members representing EMT.

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than six months before the Annual General Meeting. The members of Volvo Cars' Nomination Committee for the Annual General Meeting 2022 were appointed based on the ownership information as of 11 November 2021 and the names of the members were announced on 2 December 2021. The Annual General Meeting will be held on 11 May 2022 meaning that the names of the Nomination Committee members were announced later than six months before the Annual General Meeting. The reason for the deviation is that Volvo Cars was listed on Nasdaq Stockholm on 29 October 2021 and wanted the appointment of members to the Nomination Committee to be based on ownership information post listing. Next year the Company intend to comply also with the aforementioned rule 2.5 of the Code.

The Board of Directors of the Company (the "Board") is responsible for Volvo Car Group's organisation and the management of its business worldwide and is obliged to follow directives provided by the General Meetings. The Board may appoint committees with specific areas of responsibility and furthermore authorise such committees to decide on specific matters in accordance with regulations established by the Board. During 2021, the Board had the Audit Committee, the People and Sustainability Committee, the Product Strategy and Investment Committee and established the temporary Commercial Transformation Committee.

The Chairperson of the Board directs the work of the Board and monitors the Board's fulfilment of its obligations. A Vice Chairperson has been appointed to support the Chairperson as appropriate. The Board annually adopts regulations for the work of the Board, which set out the principles on governance of the Board and its committees.

The President of Volvo Car Group, who is also the Chief Executive Officer (CEO), is appointed by the

Board to handle the Group's day-to-day management and to lead the Executive Management Team (EMT) as overseen by the Board. The EMT's role is to assist the CEO in the operation of Volvo Car Group's business. The EMT has appointed its own boards (responsible for e.g. product strategies, sustainability, volume and production planning, corporate development, etc., as further outlined in the corporate governance model above) to assist in carrying out decisions and actions, but the CEO retains responsibility for the actions of the EMT boards.

### 1. Shareholders and General Meetings

The General Meetings, the Company's highest decision-making body, is where shareholders exercise their influence. The Annual General Meeting is held within six months after the end of the financial year. Decisions made by shareholders' at the General Meetings include (i) adoption of instructions for the Nomination Committee which nominates members to the Company's Board of Directors, (ii) determination of the number of Board members, composition of the Board (including the Chairperson of the Board) and remuneration of Board members, based on recommendations by the Nomination Committee, (iii) election of external auditors, (iv) determination of the distribution of dividends (v) confirmation of income statements and balance sheets and the disposition of the Company's profit or loss, (vi) discharge from liability of the Board of Directors and CEO as well as (vii) guidelines for remuneration to the CEO and other members of the Executive Management Team. In addition, the shareholders of the Company can resolve on other matters that are important to the Company at the General Meeting, for example changes to the Articles of Association.

In addition to the Annual General Meeting, Extraordinary General Meetings can be convened when required.

Notice of the Annual General Meeting, as well as an Extraordinary General Meeting at which the matter of amendment to the Articles of Association is to be addressed, shall be issued not earlier than six weeks and not later than four weeks prior to the General Meeting. Notices of other Extraordinary General Meetings shall be issued not earlier than six weeks and not later than three weeks prior to the Extraordinary General Meeting. Notice of General Meetings shall be published in the Swedish Official Gazette (Sw. Post- och Inrikes Tidningar) and on the Company's website. Simultaneously, an announcement with information that the notice has been issued shall be published in Dagens Industri.

### Right to attend General Meetings

All shareholders who are directly recorded in the Company's share register maintained by Euroclear Sweden six banking days prior to the General Meeting and who have notified the Company of their intention to participate in the General Meeting not later than the date indicated in the notice of the General Meeting, are entitled to attend the General Meeting and vote for the number of shares they hold.

In addition to notifying the Company, shareholders whose shares are nominee registered through a bank or other nominee must request that their shares are temporarily registered in their own names in the register of shareholders maintained by Euroclear Sweden, in order to be entitled to participate in the General Meeting. Shareholders should inform their nominees well in advance of the record date. Voting registrations made by nominees not later than four banking days prior to the General Meeting will be taken into account.

Shareholders may attend the Company's General Meetings in person or by proxy and may be accompanied by a maximum of two assistants. It will nor-

mally be possible for shareholders to register for the General Meeting in several different ways, as indicated in the notice of the meeting.

### Shareholder initiatives

Any shareholder of the Company who wishes to have a matter dealt with at a General Meeting must submit a written request to the Board of Directors to that effect. The matter will be dealt with at a General Meeting if the request has been received by the Company no later than seven weeks prior to the General Meeting, or after such date, if it still is in due time for the matter to be included in the notice of the General Meeting.

### Number of shareholders and ownership structure

The total number of shares in Volvo Car AB (publ.) amounts to 2,979,524,179 shares of series B which are listed on the Nasdaq Stockholm Stock Exchange. Volvo Cars largest shareholder is Geely Sweden Holdings AB holding approximately 82 percent of the total number of shares in the Company representing approximately 82 percent of the total number of votes in the Company. The remaining 18% of the shares are held by Nordic and international investors and approximately 190,000 other investors. For further information on the ownership structure, please refer to page 48.

### 2. Nomination Committee

Under the Code, a company listed on Nasdaq Stockholm shall have a Nomination Committee, the purpose of which is to make proposals to the General Meeting in respect of the Chairperson at General Meetings, number of Board members, elections of Board members, Chairperson of the Board and auditor, remuneration of each Board member (divided between the Chairperson of the Board and other



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Board members, and remuneration for committee work), remuneration to the auditor, and to the extent deemed necessary, proposals for amendments to the instruction for the Nomination Committee. At the Extraordinary General Meeting held on 17 October 2021, the current instruction for the Nomination Committee was adopted to apply until further notice.

The Nomination Committee prior to the Annual General Meeting 2022 consists of representatives of the three largest shareholders in terms of voting rights, as of 11 November 2021. Members of the Nomination Committee are:

- Eric Li, Chairperson of the Board of Volvo Car AB
- Hans-Olov Olsson, appointed by Geely Sweden Holdings AB, Chairperson of the Nomination Committee
- Yimin Chen, appointed by Geely Sweden Holdings AB
- Anders Oscarsson, appointed by AMF
- Ylva Wessén, appointed by Folksam

The Nomination Committee has adopted a framework for nomination of members to the Board, which stipulated that the composition of the Board shall be diverse in terms of gender, nationality, professional background and other competences. This to ensure that the Board has the appropriate balance of expert knowledge, which matches the scale and complexity of Volvo Cars, supports a sustainable development and meets the independency requirements of Volvo Cars. It is Volvo Cars' aim to have a balanced composition when it comes to gender and it is the ambition that each gender shall have a share of at least some 40 per cent of the Board members elected by the shareholders' meeting, an ambition not yet fully reached. The Unions represented in the Volvo Cars Board shall be encouraged to apply the corresponding goal when appointing their representatives.

### 3. Board of Directors

The Board of Directors, which is the highest decision-making body after the General Meeting, bears ultimate responsibility for Volvo Car Group's organisation, management and control of the Company's financial conditions. The Board of Directors shall further ensure that the Company applies the Code and complies with applicable laws and regulations, Nasdaq Stockholm's rulebook for issuers, the listing rules of the Luxembourg Stock Exchange's Euro MTF market, the Company's Articles of Association and the regulations for the work of the Board.

### Composition

At all times, the Board shall consist of a minimum of three and a maximum of twelve members and in addition thereto the number of employee representatives as required under Swedish law. No member of the Executive Management Team other than the CEO shall be a member of the Board. Each new Board member is provided with an induction programme to learn about the Volvo Car Group, the regulatory requirements and it is the Board's intention, during normal conditions, to visit a Volvo Car Group site other than the headquarters at least once a year.

In accordance with the Code, the regulations for the work of the Board stipulate that the majority of the Board members shall be independent of the Company and the EMT and at least two of these independent members shall also be independent of major shareholders. In order to determine whether a member of the Board is independent in relation to the Company and the EMT, an overall assessment must be made of all circumstances which might give reason to call into question the independence of the Board member, for example, if the Board member has recently been hired by the Company or an affiliate. Furthermore, in order to determine the independence in relation to major shareholders,

Name of the Board members	Independent of the company/senior management	Independent of the company's major shareholder	Board meeting attendance	Committee meeting attendance	Remuneration, Board and Committees <sup>1)</sup> , SEK
Li Shufu (Chairperson of the Board)	N	N	12/16	N/A	N/A
Lone Fønss Schrøder (Vice Chairperson of the Board)	Y	N <sup>2)</sup>	15/16	13/13	2,765,000
Håkan Samuelsson (CEO)	N	Y	16/16	5/5	N/A
Li Donghui	Y	N	14/16	3/13	N/A
Jonas Samuelson	Y	Y	16/16	4/4	1,025,000
Thomas Johnstone	Y	Y	15/16	9/10	1,178,000
Betsy Atkins	Y	Y	15/16	10/10	1,150,000
Michael Jackson	Y	Y	16/16	17/17	1,212,000
Xingsheng (Jim) Zhang	Y	Y	16/16	8/9	1,150,000
Winfried Vahland	Y	Y	15/16	5/5	1,050,000
Lila Tretikov <sup>3)</sup>	Y	Y	12/13	N/A	900,000
Diarmuid O'Connell <sup>4)</sup>	Y	Y	13/13	N/A	900,000
Winnie Fok <sup>5)</sup>	Y	Y	3/3	3/3	900,000 <sup>6)</sup>

1) Annual average remuneration of the Board and Committees as adopted by the Annual General Meeting in March 2021 valid for March–October 2021 and by the Extra Shareholders' Meeting in September 2021 valid for November 2021–April 2022.

2) Lone Fønss Schrøder is, as of 2020, a director in the board of Geely Sweden Holdings AB, the main owner of Volvo Cars.

3) Member of the Board from 18 March 2021.

4) Member of the Board from 18 March 2021.

5) Winnie Fok left the board in connection with the Annual General Meeting held on 18 March 2021.

6) Annual remuneration as adopted by the Annual General Meeting in March 2020.



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consideration must be given to the scope of the Board member's direct or indirect relationship to the Company's major shareholders. Pursuant to the Code, "major shareholder" means a shareholder who, directly or indirectly, controls 10 per cent or more of the shares or voting rights in the Company. The Nomination Committee's assessment of the independence of the Board members in relation to the Company, the EMT and major shareholders is presented below. Lone Fønss Schrøder, Daniel Li, Thomas Johnstone, Winfried Vahland, Betsy Atkins, Xingsheng (Jim) Zhang, Michael Jackson, Jonas Samuelson, Lila Tretikov, and Diarmuid O'Connell are deemed independent in relation to the Company and the EMT, and, among these members, Thomas Johnstone, Winfried Vahland, Betsy Atkins, Xingsheng (Jim) Zhang, Michael Jackson, Jonas Samuelson, Lila Tretikov, and Diarmuid O'Connell are also deemed independent in relation to major shareholders. The Company thereby satisfies the Code's independence requirement.

#### **Conflicts of interest**

Board members shall inform the Chairperson and/or the Vice Chairperson immediately if they find themselves in a conflict-of-interest situation. A Board member with a conflict of interest in relation to any matter to be dealt with by the Board may not participate in the discussions or decisions regarding such matter.

#### **Matters for the Board**

The Board is responsible for the organisation of Volvo Car Group and the management of its business worldwide. The Board continuously monitors Volvo Car Group's performance, evaluates Volvo Car Group's strategic direction and business plan as well as other aspects such as adherence to its Code of Conduct.

Sustainability is an integral part of Volvo Car Group's strategy and the Board monitors Volvo Car Group's efforts in that area. Certain matters that have not been expressly allocated to the Board are delegated to the Board's Committees or the CEO as set out in the regulations for the work of the Board.

The work of the Board follows an annual cycle in order to allow the Board to address matters within the scope of its responsibility on a yearly basis. To ensure that the Board has good visibility of the Group's operations, the President and CEO of the Volvo Car Group submits a report on the business, including reporting from the Group's strategic affiliates, where appropriate, at all Board meetings. The CFO also reports on the financials of Volvo Car Group, including relevant matters relating to treasury, hedging, risk management, insurance etc., as appropriate. In addition, the Board discusses specific strategic topics of relevance and the Board Committees report on their work. At each Board meeting the Board is also presented with a number of decision items for consideration and approval as set out in the regulations for the work of the Board.

#### **Authorisation for the Board to resolve on new issues of shares**

At the Extra General Meeting held on 17 October 2021, the shareholders resolved to authorise the Board to, on one or several occasions up to the next Annual General Meeting, resolve on new issues of common shares series B. The total number of shares that may be issued by virtue of the authorisation shall be within the limits of the articles of association and not exceed ten (10) per cent of the total number of shares in the Company at the time of the Board's resolution. The authorisation includes a right to resolve to issue new shares for cash consideration, by contribution in kind or payment by

set-off. Issues for cash consideration or for consideration by set-off may be made with deviation from the shareholders' preferential rights only for the purpose of financing acquisitions and provided that the share issue is made on market terms. The purpose of the authorisation is to enable payment though issuance of shares in connection with potential acquisitions that the Company may carry out, and to enable capital raises in connection with, and in order to finance, such acquisitions.

#### **Board meetings**

In accordance with the regulations for the work of the Board, the Board is expected to meet six to eight times per year at venues to be agreed by the Board. The Board has held sixteen meetings during 2021, of which eight were ordinary and eight extraordinary. The Board meets the statutory auditor at least once a year without the CEO or any other member of the EMT present. In addition, the Board occasionally holds non-executive meetings. The CFO and the General Counsel, who is the secretary of the Board, also attend Board meetings.

The table on page 64 shows the Board members' attendance to the Board meetings in addition to their independence according to the requirements of the Code in relation to (i) the Company and (ii) the major shareholder, and the remuneration to the Board members for Board and Committee work.

#### **Evaluation of the work of the Board**

The Board conducts an annual survey of its work performed during the year. The survey covers areas such as the climate at Board meetings and the allocation of time spent on different topics, the work of the Board committees, the efficiency of the work of the Board, Board leadership and relations with the Executive Management Team. Based on the result of the survey the Board will evaluate the perfor-

mance and identify possible areas of improvement. In addition to the annual survey, the Vice Chairperson conducts meetings with each individual Board member during the year.

#### **Board committees**

According to the Swedish Companies Act and the Code, the Board of Directors shall institute an Audit Committee and a Remuneration Committee. The Chairperson of the Board may chair the Remuneration Committee. The other members of the Remuneration Committee that have been elected by the General Meeting are to be independent of the Company and the Executive Management Team. A majority of the Audit Committee's members are to be independent in relation to the Company and its Executive Management Team and at least one of the members who is independent in relation to the Company and the Executive Management Team is also to be independent in relation to the Company's major shareholders. At least one member of the Audit Committee must also have accounting or auditing proficiency.

The Board has established three permanent committees, the Audit Committee, the People and Sustainability Committee (which fulfils the tasks of the Remuneration Committee pursuant to the Code) the Product Strategy and Investment Committee, and the temporary Commercial Transformation Committee.

The major tasks of these committees are of preparatory and advisory nature, but the Board of Directors may also delegate decision-making powers on specific issues to the committees. The issues considered at committee meetings shall be recorded in minutes of the meetings and continuously reported to the Board. The committees are appointed at the statutory Board meeting following election of Board members. The Board has also

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determined that issues may be referred to ad hoc committees dealing with specific matters.

#### 4. Audit Committee

The Board has assigned an Audit Committee to oversee corporate governance, financial reporting, ESG (Environmental, Social and Governance) reporting and risks and compliance with external and internal regulations.

The Audit Committee is responsible for identifying and reporting relevant issues to the Board within the Audit Committee's areas of responsibility. The Audit Committee's tasks are to monitor the integrity of Volvo Car Group's financial and ESG reporting system, internal controls, related-party transactions, operation procedure and the enterprise risk management framework, recommend to the Board the appointment, removal and remuneration of the statutory auditors (subject to approval at the shareholders' meeting) in accordance with the Swedish Companies Act, monitor the independence of the statutory auditors and review the effectiveness of the Internal Audit and Compliance and Ethics' function. The statutory auditors participate in the Audit Committee meetings. The Audit Committee has during the year met with the statutory auditors, without management present, to discuss management matters and related topics. The Internal Audit function reports directly to the Audit Committee and the Compliance and Ethics function has a direct reporting line to the Audit Committee for escalation. The Audit Committee has held thirteen meetings during 2021, four of which were ordinary and nine extraordinary interim meetings. Lone Fønss Schrøder (Chairperson), Donghui (Daniel) Li and Michael Jackson are the current members of the Audit Committee. The Audit Committee complies with the Swedish Companies Act's and the Code's requirements for independence as well as accounting and audit competence.

#### 5. People and Sustainability Committee

The Board has assigned a People and Sustainability Committee to prepare remuneration principles for the CEO and the EMT members. Furthermore, the committee support the Chairperson or Vice Chairperson of the Board, as applicable, with the approval of remuneration and benefits of the CEO and is responsible for preparing the remuneration report to be presented at the Annual General Meeting for its approval, and, in dialogue with the CEO, assist with or resolve on various other people and remuneration matters in relation to the EMT. The committee is also responsible for approval and monitoring of global incentive arrangements for the EMT and other key employees and necessary coordination of such incentives and the Volvo bonus to all employees, succession planning for the CEO in dialogue with the Chairperson or the Vice Chairperson of the Board, as applicable, as well as other EMT positions. The committee also approves the EMT members' engagements outside Volvo Car Group. The Company's performance in the sustainability area, including Volvo Car Group's progress in delivering on its sustainability ambitions is also on the agenda for the People and Sustainability Committee twice a year. The People and Sustainability Committee has held five meetings during 2021 which were ordinary and two meetings per capsulam. Thomas Johnstone (Chairperson), Betsy Atkins and Xingsheng (Jim) Zhang are the current members of the People and Sustainability Committee. The People and Sustainability Committee complies with the Code's requirements for independence.

As of 10 February 2022, the Board decided that the People and Sustainability Committee's assignment shall only relate remuneration to the CEO and EMT. From that date, People and Sustainability Committee will be named People Committee.

#### 6. Product Strategy and Investment Committee

The Board has assigned a Product Strategy and Investment Committee to oversee Volvo Car Group's product strategy and the investments linked to it. The purpose of the Product Strategy and Investment Committee is to review Volvo Car Group's product strategy, cycle plan and product programmes in order to confirm that the strategy, plans and programmes for the overall strategy meet customer demand and market development and address new technology and business opportunities in all segments relevant to Volvo Car Group. The responsibility of the committee is also to ensure that the long-term strategic product plan is reflected in the cycle plan as well as the business plan, to prepare decisions to be taken by the Board related to product programmes and investments associated therewith, to oversee the capital expenditures related to already approved programmes and to follow-up that approved programmes are executed within the investment frames set. The Product Strategy and Investment Committee has held five meetings during 2021, four of which were ordinary and one extraordinary. Winfried Vahland (Chairperson), Thomas Johnstone, Betsy Atkins and Håkan Samuelsson are the current members of the Product Strategy and Investment Committee.

As of 10 February 2022, the Board decided that going forward, the work of the Product Strategy and Investment Committee shall be transferred to the full Board and the Committee shall therefore no longer exist.

#### 7. Commercial Transformation Committee

In December 2020, the Board decided to establish a new temporary Commercial Transformation Committee with effect from January 1, 2021. The Board has assigned the Commercial Transformation Committee to oversee the implementation of Volvo Car

Group's Commercial Strategy and transformation plan, including the subscription offering, Global Online and direct sales, the transformation of the retailer relationship and overall sales development. The responsibility of the committee is also to ensure that Volvo Car Group's business plan and financial reporting reflect the financial implications of the different parts of the commercial transformation plan, to review the Company's capabilities, systems and processes required for the commercial transformation and to ensure that the commercial transformation plan and risks and opportunities associated therewith are assessed and presented to the Board. The Commercial Transformation Committee has held four meetings during 2021, of which all were ordinary. Michael Jackson (Chairperson), Diarmuid O'Connell, Jonas Samuelson and Xingsheng (Jim) Zhang are the current members of the Commercial Transformation Committee.

As of 10 February 2022, the Board decided that going forward, the work of the Commercial Transformation Committee shall be transferred to the full Board and the Committee shall therefore no longer exist.

#### 8. Global Audit Office

Volvo Car Group has an independent Internal Audit department referred to as the Global Audit Office with the assignment to determine whether Volvo Car Group's governance, internal control and risk management processes, as designed, operated and represented by management, are adequate and effective. The scope of the internal audit is determined by means of a risk assessment process and any additional requirements by the Board. The Audit Committee approves the internal audit plan which includes risks associated with the execution of the corporate strategy, business operations and processes. Audit results and status of implemented

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corrective actions by management is reported to the Audit Committee. The head of the Global Audit Office reports to the Audit Committee.

### Compliance and Ethics Office

The Compliance and Ethics Office supports the business operations in conducting business in a responsible and ethical manner, by developing, implementing and maintaining Volvo Car Group's Compliance and Ethics Programme focusing on the areas of anti-corruption, data protection, trade sanctions and export control and competition law. This Programme consists of ten programme elements designed on the basis of guidelines describing "effective compliance programmes" and "adequate procedures", such as the US Sentencing Guidelines and the UK Bribery Act Guidance (supporting the Foreign Corrupt Practices Act and the UK Bribery Act) as well as guidance from Anti-Trust Offices throughout Europe. Among these ten programme elements are: tone from the top, a regular risk assessment that leads to identification and prioritisation of the main risk fields to which Volvo Car Group is exposed, so as to tailor the programme; implementation of a Compliance and Ethics framework (Code of Conduct and Corporate Policies, Directives and Guidelines); training, awareness and communication; Internal reporting and investigations; and monitoring and assessment with a view to continuously improving the Compliance and Ethics Programme. Volvo Car Group's Code of Conduct (called Our Code – How We Act) reflects Volvo Car Group's culture and how it should act for doing business in a responsible manner, by placing the emphasis on Volvo Car Group's values and commitments in addition to focusing on the requirements set out in Volvo Car Group's corporate policies. The Compliance and Ethics office is led by the Chief

Compliance and Ethics Officer, who reports to the General Counsel and continuously reports on compliance issues to the Global Compliance Committee. The Chief Compliance and Ethics Officer also has a direct reporting line, and continuously reports, to the Audit Committee and ensures that compliance training is provided for the Board of Directors.

### Related Party Business Office

In order to specify the requirements that apply when Volvo Car Group is engaged in related-party transactions, the Board has adopted a related party directive. The directive also sets a framework for approval of related party transactions and to ensure that Volvo Car Group can fulfil legal regulations and disclosure requirements, shareholders' approval and reporting requirements related to such transactions. Moreover, Volvo Car Group has established the Related Party Business Office, a department established within the Group's finance department with global responsibility for logging and maintaining a record of all related party transactions and to ensure that the relevant evaluations and approvals are obtained before such transactions are entered into. The record of the related party transactions shall, among other things, include information on when agreements are approved and entered into or purchase orders have been issued, and if a transaction is deemed to be a significant related party transaction pursuant to the Swedish Companies Act, including record keeping of the value of the transactions with one and the same related party.

Under the related party directive, related parties include, for example, affiliates and joint ventures of Volvo Car Group and legal entities within the Geely ecosystem, i.e. legal entities that are directly or indirectly owned by, or affiliates to, Geely Holding

or otherwise ultimately owned or controlled as to 20 per cent or more by the Chairperson of the Board (other than Volvo Car Group). In practice, all types of transactions with related parties are covered by the directive, and all such transactions must be reported to the Group's Related Party Business Office and be approved as outlined in the related party directive. Pursuant to the related party directive, Volvo Car Group must enter into a written agreement for all related party transactions and all transactions between companies within and outside the Group shall be on arm's length terms, meaning that the price/consideration and other contractual terms and conditions must be in line with market practice and what would have been agreed with a third party without any connection to Volvo Car Group. The main rule is that terms and conditions and the agreed price/consideration in related-party transactions shall be supported by a third party valuation or a market benchmark. Furthermore, the related party directive sets out procedures for how certain transactions must be approved by the Board and that transactions meeting certain requirements pursuant to the Swedish Companies Act must be approved by the Company's General Meeting.

### 9. External auditors

The Company's auditors are appointed by the Annual General Meeting. At the Annual General Meeting held on March 18, 2021, Deloitte AB was re-elected as the Company's auditors, with Jan Nilsson as auditor in charge.

The external auditors discuss the external audit plan, audit findings and risk management with the Audit Committee. The auditors review one interim report per year and present the results of their work to Audit Committee. The results of their financial

year audit and the audit of the Annual Report of the parent company and the consolidated financial statements are presented to the Audit Committee and the Board of Directors at meetings after year-end. When Deloitte is asked to provide services other than the external audit, this is done in accordance with general independence rules. Deloitte provides an annual written assurance of its impartiality and independence to the Audit Committee in accordance with the Swedish Companies Act and ISA 260.

### 10. Internal control over financial reporting

According to the Swedish Companies Act, the Board is ultimately responsible for ensuring that an effective internal control system exists within the Group.

In order to assist the Board and the Executive Management Team in their internal control responsibilities, Volvo Car Group has implemented an internal control over financial reporting (ICFR) function, with the purpose of ensuring that the external financial reporting is reliable and that the financial reports follow generally accepted accounting principles. The Internal Control function reports to the Audit Committee on a periodic basis.

Volvo Car Group bases its internal control on the framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) consisting of five components; Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring.

### Control Environment

The foundation of Volvo Car Group's control environment is the Code of Conduct, which is the guiding principle for Volvo Car Group and the Group's



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corporate policies and directives. The foundation of the control environment is also based upon functional policies, directives and guidelines and the Delegation of Authority directive.

Control activities are the procedures that help to ensure that Volvo Car Group's policies, directives and instructions are implemented and documented in Volvo Car Group's Internal Control framework. Control activities are performed throughout the organisation, at all levels and in all functions, to manage risk and to detect and correct errors in the financial processes.

#### **Risk Assessment**

From an ICFR perspective, the outcome of the risk assessment will define the internal control reviews for the coming year. Each entity and function is responsible for identifying risks, which are then consolidated and reported according to the Enterprise Risk Management Directive. Additionally, every other year, the functions of Internal Control, Compliance and Ethics Office, Digital and Sustainability jointly perform a risk assessment to evaluate and determine risks that could hinder the achievement of Volvo Car Group's business objectives. The outcome from the joint risk assessment is reported to various EMT forums and to the functions having operational responsibility.

#### **Information and Communication**

The information and communication component within Volvo Car Group includes the systems and processes that support the identification, capture and exchange of information enabling personnel to carry out their responsibilities and ensure that financial reports are generated completely and accurately. Information concerning the planning, risk areas and results of the self-assessment and internal control reviews are communicated within

various fora and to the Audit Committee on a periodic basis.

#### **Monitoring**

In addition to the Internal Audit function described above, the separate Internal Control function performs internal control reviews and coordinates evaluation activities through the annual self-assessment programme. This assessment programme focuses on management and transaction levels as well as self-assessment of IT general controls through the Internal Control digital team. When control deficiencies are identified through self-assessment, regular operations or internal or external audits they are tracked and appropriate corrective actions undertaken to resolve these deficiencies. The head of Internal Control maintains regular contact with the CFO.

#### **11. CEO and the Executive Management Team**

The CEO is subordinated to the Board and is responsible for Volvo Car Group's everyday management and operations. The division of work between the Board and the CEO is set out in the regulations for the work of the Board and follows the Swedish Companies Act. The CEO is also responsible for the preparation of reports and compiling information to the Board meetings and for presenting such material at the Board meetings.

The CEO is further responsible for Volvo Car Group's financial reporting and consequently must ensure that the Board receives adequate information for the Board to be able to evaluate the Group's financial condition. The CEO regularly keeps the Board informed of the developments in Volvo Car Group's operations, the development of sales, Volvo Car Group's results and financial position, important business events and all other events, circumstances or conditions which can be assumed to be

of significance to Volvo Car Group's shareholders.

The CEO leads the work of the EMT, which is responsible for the overall business development and operations of Volvo Car Group. The EMT consists of the members of the Executive Management, save for the head of EMEA and the head of Communication, who, however, participate in EMT meetings when matters within their respective area are on the agenda. The EMT has weekly meetings addressing operational performance, including, volume and sales performance, corporate actuals, performance steering, including direct consumer business, and strategic transformation activities. In addition, at the meetings, the EMT discusses pre-announced topics and backlog from actions, sustainability review and affiliate updates.

#### **EMT forums**

In order to assist the EMT in carrying out decisions and actions related to certain topics, the EMT has established certain operational forums, namely a Product Creation Board, a Commercial and Industrial Board, a Strategic Design Review and a Performance Steering. Furthermore, a Corporate Committee, a Disclosure Committee and a Global Compliance Committee have been established to support with various corporate governance and compliance matters.

#### **12. Product Creation Board**

The EMT has established a Product Creation Board to be responsible for Volvo Car Group's product strategy and strategic business ownership matters. This also includes matters related to the development process of cars, digital products and solutions and services before launch and deployment, as well as sustainability product aspects. Certain design items approved by the Product Creation Board shall be brought to the Volvo Car Group Board for deci-

sion, as applicable. The full EMT participates in the Product Creation Board.

#### **13. Commercial and Industrial Board**

The EMT has established a Commercial and Industrial Board to decide on strategies and plans between industrial operations and quality, commercial operations as well as sales forecast and production programme, in both short and long-term. The Commercial and Industrial Board is also responsible for non-product industrial operations and quality investment as well as commercial operations investment. In addition, the board is the forum for reporting of quality and customer satisfaction status. Items approved by the Commercial and Industrial Board shall be brought to the Volvo Car Group Board for decision, as applicable. The full EMT participates in the Commercial and Industrial Board.

#### **14. Strategic Design Review**

The EMT has established a Strategic Design Review board to be responsible for demonstration and visualisation of cars, digital products and services. This includes the responsibility of Volvo Car Group's design strategy and directions. Items approved by the Strategic Design Review shall be brought to Product Matters Meetings for decision and thereafter to the Product Creation Board, as applicable. The full EMT participates in the Strategic Design Review.

#### **15. Performance Steering**

The EMT has established a Performance Steering board to review actual financial and operational performance as well as future performance. The Performance Steering is also responsible for deciding actions to secure that targets are achieved and has monthly meetings. Members of the Performance Steering board are the CFO, the head of Commer-

## CORPORATE GOVERNANCE REPORT

cial Operations, the head of Engineering and Operations, the head of Product Creation, the head of Corporate Functions and the Deputy CFO.

### 16. Disclosure Committee

Volvo Car Group is required to comply with certain disclosure obligations, under the listing rules of the Luxembourg Stock Exchange's Euro MTF market as well as the Nasdaq rulebook for issuers, including the Market Abuse Regulation (MAR). In order to ensure compliance with the relevant requirements, Volvo Car Group has established a Disclosure Committee and the Board of Directors has adopted a set of procedures for the Disclosure Committee. The Board and the Audit Committee are kept updated on the discussions and decisions of the Disclosure Committee by means of summary reports and access to the minutes kept at the committee meetings. The members of the Disclosure Committee are the General Counsel (Chairperson), the CFO, the head of Investor Relations, the head of Communication and the head of Legal (secretary). The Group Controller and the head of Accounting and Group Reporting are required participants in financial report review meetings, and other senior company representatives attend the meetings on an agenda-driven basis. The Disclosure Committee has been established to implement required disclosure controls and procedures, resolve whether or not information is to be categorised as inside information or not and consider whether there is reason to delay disclosure of inside information or whether immediate disclosure is required.

### 17. Corporate Committee

The EMT has established a Corporate Committee to oversee Volvo Car Group's corporate development and governance matters in a broad sense. This includes the responsibility for, among other

things, corporate development projects, ERM matters, internal audit and internal control matters, security risk, public affairs matters, people, organisation and culture as well as communication. In addition, the Corporate Committee is responsible for governance and structure matters as well as related party agreements and external projects. The Corporate Committee meets on a monthly basis. The General Counsel (Chairperson), the CFO and the head of Corporate Functions are permanent members of the Corporate Committee and other EMT members or senior company representatives attend the meetings on an agenda-driven basis.

### 18. Global Compliance Committee

The EMT has established a Global Compliance Committee to review and decide upon compliance cases reported by Volvo Car Groups Compliance and Ethics Office. The committee also receives status updates on the implementation and continuous improvements of the Group's Compliance and Ethics programmes, including updates from relevant parts of the organisations on how adherence to the programmes is ensured. Furthermore, the Global Compliance Committee when appropriate reviews compliance-related matters reported by the Internal Audit and Internal Control functions, respectively. The Global Compliance Committee meets four times per year. Ad hoc meetings may be called for if and when required. The General Counsel (Chairperson), the CFO, the Head of Corporate Functions, the Head of Engineering & Operations, the Head of Commercial Operations and the heads of APAC and Americas are permanent EMT members of the Global Compliance Committee. In addition, Volvo Car Group's Chief Compliance & Ethics Officer and head of Internal Audit participate at the meetings. Other EMT members or senior company representatives attend the meetings when relevant, in par-

ticular when a compliance case is reported within their region or area of business.

### Sustainability reporting

The 2021 report has been prepared in accordance with GRI Standards, accordance Core level. Volvo Cars reports on an annual basis, and this report covers the period January 1 to December 31, 2021 (except where otherwise stated). Volvo Cars' Sustainability Report has been prepared to meet the statutory requirements in accordance with the Swedish Annual Accounts Act, Chapter 6, section 11. The scope and content of the Sustainability Report is defined by the GRI Index, for more information see page 185 in this report. Definitions regarding boundaries as well as measurement techniques and calculations for each performance indicator are given in respect of the disclosure concerned. The eleven recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD) are introduced on page 185. As a signatory to the UN Global Compact, the Sustainability Report is also our Communication on Progress. In addition, we are in the 2021 report including World Economic Forum Core set of Stakeholder Capitalism Metrics. No significant changes occurred during the reporting period or from previous reporting periods. Deloitte AB has performed a limited assurance of the Sustainability Report in line with ISAE 3000, see page 188.

### AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in Volvo Car AB (publ) corporate identity number 556810-8988

### Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the financial year 2021-01-01–2021-12-31 on pages 62–76 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Göteborg, March 31, 2022  
Deloitte AB

Signature on Swedish original  
Jan Nilsson  
Authorized Public Accountant

This is a translation of the Swedish language original. In the event of any differences between this translation and the Swedish language original, the latter shall prevail.