

An aerial, high-angle photograph of a two-lane asphalt road winding through a dense forest of tall evergreen trees. The road is wet, reflecting the ambient light. A white car is driving away from the viewer in the distance, and a dark grey car is visible in the immediate foreground, also driving away. The text 'SUSTAINABILITY REPORT 2019' is centered over the road. At the bottom, the text 'VOLVOFINANS BANK' is visible.

SUSTAINABILITY REPORT
2019

VOLVOFINANS BANK

SUSTAINABILITY REPORT

The bank has a unique business model for the industry, whereby vehicle dealers – following creditworthiness assessment – sell vehicles to the customer and then transfer the contract to Volvofinans with collateral in the item. The dealers bear the credit risk, while Volvofinans borrows on the market, thus providing the dealers with access to the financial markets. The bank finances the dealers' loans and leases.

In addition to car financing, the bank's business model also includes card operations aimed at both private and corporate customers. The bank strives to establish sustainability as a natural part of its business activities. The goal is to develop products with a focus on sustainability. Sustainability forms an integral part of all new products since it is a requirement of the bank's approval process. For further information on Volvofinans' business model and segments, see the Directors' Report and Note 4.

POLICY

The bank's Sustainability Policy guides the work on sustainability, and for the bank sustainability means a responsibility towards customers, partners, employees, society and the environment. The basic strategy is to combine business value with being a healthy player on a healthy market. The policy is divided into three areas: economy, ecology and social sustainability. It is supplemented with the company's other policies that address anti-money laundering, credit, bribery and anti-corruption, as well as diversity.

GUIDELINES

The bank has adopted the UN Sustainable Development Goals (UN SDGs) and has strategically opted to focus on Good Health and Well-being (3), Gender Equality (5), Sustainable Cities and Communities (11), Responsible Consumption and Production (12) and Climate Action (13). The Bank's sustainability policy is also based on the UN Global Compact. The bank has conducted a GAP analysis against ISO 26000 in order to identify strengths and weaknesses and has conducted an analysis of stakeholders. These have together provided the basis for establishing priorities for sustainability efforts.



RISKS

In each section below, the most significant risks that the bank has identified are described, linked to sustainability in the company's operations. The risks are of both a strategic and operational nature; as a bank, we provide capital adequacy for all risks, including strategic and operational ones.

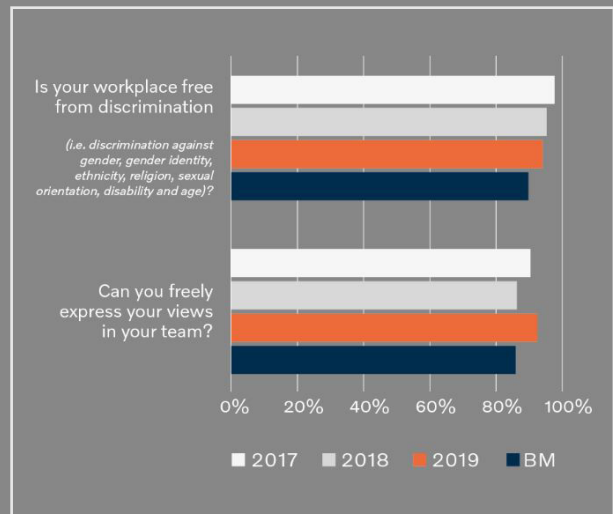
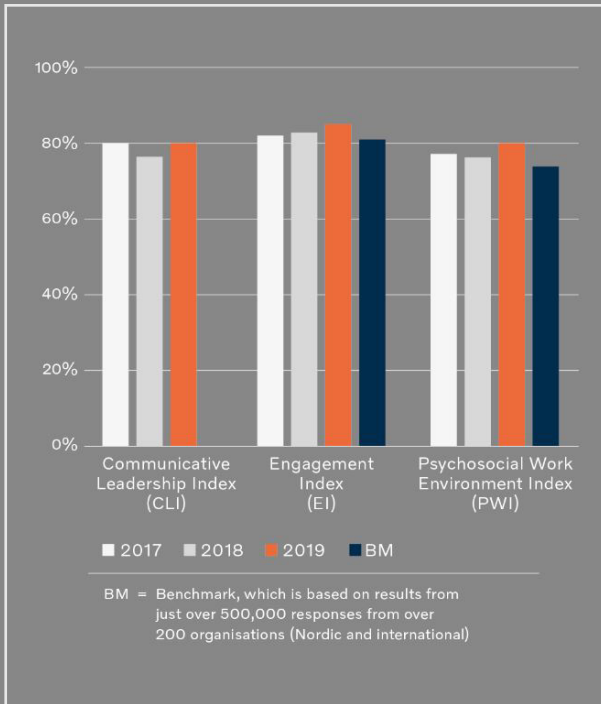
Environment

The car industry currently has a major impact on our climate, but it is also an industry that is undergoing change. Volvofinans Bank wants to be a driving force behind this change by helping its partners, customers and employees to make better, smarter choices for the future with regard to mobility and living a life on the move. Developing digital solutions such as CarPay is one part of this. Technological solutions are also a driver of change in the car industry and are an important factor reduced dependence on fossil fuels. The risk in the area of the environment thus arises mainly from the fact that the bank's business is to finance vehicles, which largely run on less environmentally friendly fuels, such as petrol and diesel. In connection therewith the bank also sees a risk of reduced lending volumes as a result of further regulations in the automotive sector, such as Bonus Malus, which came into force on 1 July 2018 and which seeks to reduce the environmental impact. Electric cars are rapidly gaining in popularity – both fully electric vehicles with no combustion engine and hybrids which have a combustion engine but which can only run only on electricity. These cars are charged in a grid which in Sweden transmits electricity from sources generating relatively minor CO2 emissions. Emissions in Sweden are thus decreasing for every car that is replaced by an electric vehicle. The bank is working closely with Volvo Cars, Polestar, Renault and AB Volvo to drive sales and financing of electric cars and electric and hybrid buses. Going forward, the bank expects to see an increase in financing of both hybrids and pure electric cars, not least due to the changed bonus-malus thresholds that were introduced on 1 January 2020.

In 2020, Volvo Cars will be launching a pure electric version of its XC40 model and, as mentioned, Volvofinans also finances Polestar in the Swedish market. The bank's CarPay Fleet business area is working to develop new solutions with a sustainability focus and help its customers make smart, long-term choices for their businesses. The bank also has a partnership with E.ON where all Volvo card customers are offered the opportunity to choose Biogas100 when they fill up at any of E.ON's refuelling stations. When a customer chooses Biogas100, an equal amount of renewable biogas is produced. The Bank's partners in other transport fuels have a high proportion of HVO biodiesel.

In 2019, the bank published an investors' report for the green bond, which was issued in 2017. According to the report, the green loan portfolio contributes to an annual CO2 reduction of 2,700 tonnes. This type of bond is something that is increasingly being demanded in the capital market, especially by investors who prioritise green investments, which the bank can see through the increase in the loan portfolio of green cars.

The bank's sustainability goals still include lowering the direct environmental impact of both electricity and paper consumption. In 2019, paper invoices to customers decreased by three per-



tage points in comparison with 2018, and Volvofinans uses only renewable electricity bearing the “Good environmental choice” label. Electricity use in 2019 is not representative, as one office underwent a major renovation.

Consumption category	2019	2018	Change
Paper invoices to customers (%)	61	64	- 3

Personnel and social conditions

The bank is one of the main sponsors behind Number 10, a football scholarship established by the Swedish Football Association and Volvo Car Sweden that is handed over by Swedish footballer Zlatan Ibrahimović. In just three years, the prize, which is aimed at promoting and developing Swedish football, has received considerable attention by highlighting issues like locker room talk (2017) and everyone’s right to play football (Grunden Bois 2018). This year’s winner, Gatans Lag (Street Team), was established in Gothenburg in 2008 to provide an alcohol- and drug-free environment for its members. Today, Gatans Lag has both men’s and women’s teams in Stockholm and Gothenburg and thousands of players have been part of and played for the team over the years. Many have never played football before and have used the sport and the dedication of Gatans Lag to break free from destructive patterns and re-enter society. The bank also has a partnership with Childhood Foundation.

It is the staff who drive the bank’s profitability, and a good work environment is of great importance as it provides stimulation for good performances and personal development. The bank has identified two risks that emerge particularly clearly in this area:

- Risk of the bank becoming dependent on key employees
- Risk of wrong recruitment

In order to preserve the right skills, the bank is keen to ensure that it continues to provide a good physical and psychosocial work environment. A good balance between work and free time is essential to strong performance at work. The bank takes a proactive approach to employee health and implemented a number of fitness programmes during the year. The bank also offers subsidised sport and fitness fees and massage for all employees.

Working conditions, including both the physical and psychosocial

work environment, must be suitable for both women and men. In line with staff policy, the bank shall facilitate combining work and parenthood for all employees. Through education, skills development and other active measures, the bank continues to work to promote a gender balance in various positions and working groups. It is also important to the bank that the same principles for setting pay rates apply to both women and men, irrespective of age and ethnic origin.

The bank conducts an annual employee survey where employees rate such things as the bank’s work environment, how attractive the bank is as an employer and more.

Respect for human rights and fighting against corruption

The bank has not identified any significant risks in this area. The bank only exists and operates in Sweden, where it complies with laws and its own diversity policy.

Anti-corruption

The bank has a well-functioning whistleblower function and conducts continuous training in issues relating to security, ethics and money laundering. During 2019, no whistleblower incidents were reported.

Significant risks related to anti-corruption:

- Risk that the bank does not comply with the banking rules and regulations governing the bank’s operations
- Risk that the bank does not fully comply with the money laundering regulations
- Risk of internal irregularities

In order to minimise the risk of not complying with banking rules and regulations, the bank’s Regulation Compliance Manager performs regular monitoring. The bank also has an obligation to assess and minimise the risk of its operations being used for money laundering or the financing of terrorism. By always verifying the identity, the purpose of the business and the actual principal of business customers, the risk of the bank being used to the financing of terrorism and money laundering is prevented. As the bank only operates in Sweden and offers products on this market, the bank considers that the risk of money laundering and the financing of terrorism is reduced.





Auditor's opinion on the statutory sustainability report

The Board of Directors is responsible for the Sustainability Report on pages 22–23 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

We conducted our audit in accordance with FAR's auditing standard RevR. 12 The auditor's opinion regarding the statutory sustainability report. This means that our review of the Sustainability Report has a different aim and is of significantly smaller scope than the aim and scope of an audit in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides sufficient grounds for our opinion.

A sustainability report has been prepared.

KPMG AB, PO Box 11908, SE-404 39, Gothenburg, was appointed as the auditor for Volvofinans Bank AB (publ) at the Annual General Meeting on 12 June 2019.

KPMG AB or auditors working at KPMG AB have been the company's auditor since 1983.

Gothenburg, 29 March 2020

KPMG AB

Mikael Ekberg

Authorised Public Accountant

VOLVOFINANS BANK

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