

SUSTAINABILITY REPORT 2021



SUSTAINABILITY REPORT

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

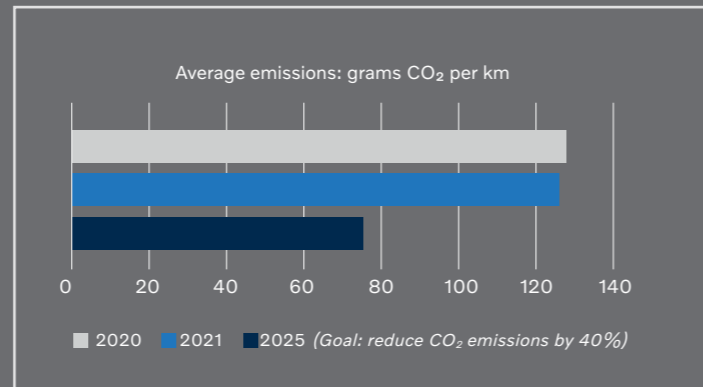
The bank's business model also includes card operations aimed at both private and corporate customers in addition to vehicle financing. In business area Fleet, the bank acts as an advisor to the customer regarding choices, vehicles and design of the vehicle policy. The bank strives to establish sustainability as a natural part of its business activities. The goal is to develop products with a focus on sustainability and to shoulder responsibility in the transition to a fossil free Sweden. Sustainability is incorporated in all new products as it is a requirement of the bank's approval process. For further information on the bank's business model and segments, refer to the Directors' Report and Note 4.

POLICY

The bank's sustainability policy seeks to create a common approach within the organisation in respect of sustainability issues, and to guide sustainability efforts. For the bank, sustainability constitutes a responsibility toward its customers, partners, employees, society and the environment. Our basic strategy involves combining business benefit with being a healthy operator in a healthy market. The policy is divided into four areas: economy, ecology, social sustainability and responsible corporate governance. It is supplemented with the company's other policies covering anti-money laundering, credit, bribery and anti-corruption, and diversity.

GUIDELINES

In accordance with the Paris Agreement, the bank will promote the transition to sustainable and accessible mobility in society. The bank will take a number of steps to follow the UN's principles for responsible banking operations (UNEP FI PRB). In 2015, UN member states adopted Agenda 2030, which includes 17 goals aimed at abolishing extreme poverty, reducing inequality and injustice and solving the climate emergency. In our efforts to have a positive effect on the world around us, the bank has selected five sustainability goals (UN SDG), namely Health and well-being (3), Equality (5), Sustainable cities and settlements (11), Sustainable consumption and production (12) and Combating climate change (13).



THIS MEANS THE BANK HAS TO:

- assume its share of responsibility for making sustainable mobility available in society
- have a long-term sustainable business strategy that optimises risks and ensures good finances
- reduce its direct and indirect environmental impact by actively conducting environmental efforts focused on sustainable development
- assume social responsibility by showing consideration for employees, diversity and gender equality
- act transparently with regard to the above.

Together, the above form the basis for prioritising sustainability work.

How the bank helps achieve the selected sustainability goals:

- Common to goals 3, 11, and 13 is the fact that a reduction in the bank's carbon dioxide emissions will have a positive effect on the sustainability goals. By measuring carbon emissions, the bank is able to monitor its own goals of reducing carbon emissions by 40% by 2025 and contributing to the goals in the Paris Agreement. The chart above shows the average carbon emissions for agreements managed by the bank in 2020 and 2021, and the vision for 2025.
- To contribute to goal 5, the bank has set its sights on providing all employees with the same opportunities regardless of gender.
- The bank contributes to goal 12 by reducing the number of fossil-fuelled vehicles and replacing them with EVs and hybrid vehicles. For example, the proportion of rechargeable vehicles in business area Fleet must reach at least 70%.

RISKS

Each section below describes the most significant risks that the bank has identified, linked to sustainability in the operations. The risks are of a strategic and operational nature; as a bank, we provide capital adequacy for all risks, including strategic and operational. During the year, the bank began work on assessing sustainability in the credit granting process, and thus also monitors credit risk as a risk related to sustainability. The bank has chosen to voluntarily abide by the Financial Stability Board's framework Task Force on Climate-related Financial Disclosures (TCFD) in order to determine the risks considered most apt from a climate-related risk perspective. Work concerning TCFD will be developed in the years ahead.

The environment

As far as technically feasible and financially reasonable, the bank must take long-term environmental responsibility aimed at reducing its ecological footprint. This work must characterise the entire organisation. The automotive industry is a sector undergoing change, and even though it affects our climate, there is a belief in a future where we are able to switch to a fossil-free vehicle fleet. Volvofinans Bank seeks to be a driving force behind this transition by helping its partners, customers and employees make better, smarter choices for the future with regard to mobility and life on the move. Developing digital solutions such as CarPay is one part of this, e-billing and e-signing another. Technological solutions also drive change in the automotive industry and are an important factor for reducing 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 eco-friendly fuels, such as petrol and diesel. In connection with this, the bank sees a long-term risk for a downgraded rating and borrowing ability if lending is insufficiently sustainable.

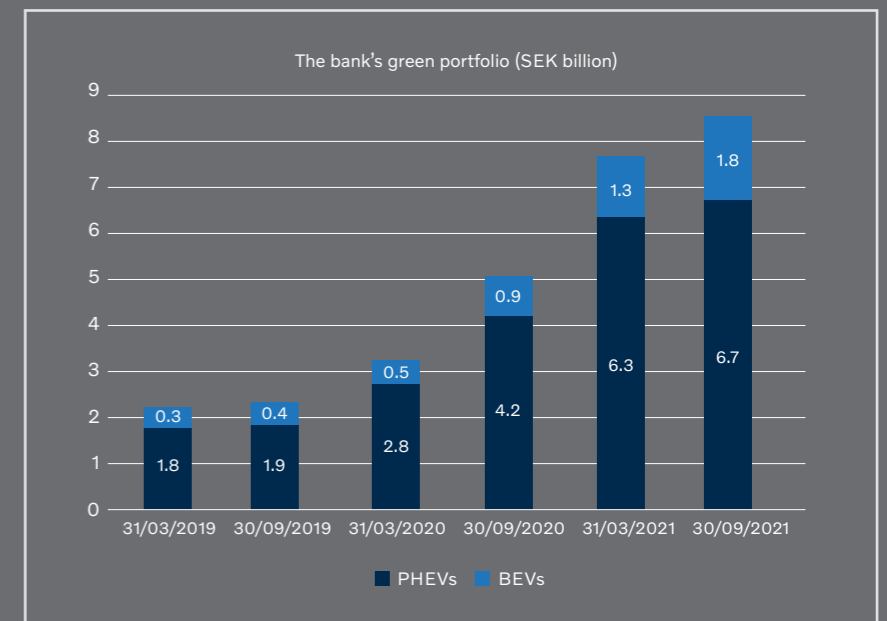
The bank also sees a risk of reduced lending volumes and the risk of major changes in residual values due to the transition to electrified vehicles. Regulation in the automotive industry such as changed Bonus Malus thresholds in recent years is aimed at reducing environmental impact, thus further driving transition. Electric vehicles are rapidly gaining in popularity – both fully electric vehicles with no internal combustion engine and hybrids, which have an internal combustion engine but which are able to run on electricity alone. Such vehicles are charged from a grid which in Sweden transmits electricity from sources that generate relatively few CO₂ emissions. Thus Sweden's emissions are reduced every time a vehicle is replaced by a rechargeable alternative. 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. Moving forward, the bank expects to see an increase in the financing of hybrids and especially purely electric cars. Volvo Cars enjoys a leading position on the Swedish market with

regard to hybrid vehicles. Volvo Cars has launched the XC40 and C40 models as purely electric cars. The bank also finances Polestar on the Swedish market. The bank's CarPay Fleet business area is developing new solutions with a sustainability focus and helping its customers make smart, long-term choices for their businesses. In the case of business sales, more than 68% of the vehicles sold in 2021 were rechargeable. Also, the bank has collaborations regarding eco-friendly fuels such as gas and HVO biodiesel.

In 2021, the bank issued two green bonds with a total value of SEK 1.1 billion, thereby increasing the volume of green bonds to SEK 3.3 billion by year-end. Both issues attracted great interest from investors and demand far exceeded issue volume. In June 2021, the bank published an investor report concerning the green bonds so far issued; according to the report, the loan portfolio contributes to an annual CO₂ reduction of 5,400 tonnes. This type of bond is something in increasing demand on capital markets, especially among investors with green credentials. Because the bank's green portfolio continues to grow rapidly, the bank has good opportunities for issuing further green bonds in the future.

Part of the bank's sustainability goal is the continued reduction of direct environmental impact through e.g. electricity usage and paper consumption. In comparison to 2020, there was a reduction in paper invoices to customers by 4 percentage points in 2021, and the bank only uses renewable electricity with the 'Good Environmental Choice' label. Because electricity consumption in 2020 is not indicative given the extraordinary circumstances concerning Covid-19 and our office upgrades, it is not reported.

Consumable category	2021	2020	Change
Paper invoice to customers (%)	52	56	-4
Electricity consumption (kWh)	142,571	N/A	N/A



Personnel and social conditions

In 2021 Volvofinans Bank implemented a number of measures as part of our sustainability strategy to facilitate a healthy year.

During the spring, and in collaboration with external fitness coaches, the bank introduced live-streamed fitness sessions during lunch breaks twice a week. The sessions focused on mobility, strength and YinYoga. We also introduced presentations such as 'Ergonomics and housework' to make sure personnel enjoy wellness even during household chores.

During the autumn, the bank also launched a major activity challenge, **VFB around the World**. We created this challenge as a playful way to encourage personnel to prioritise their health. VFB around the World was not about training or keeping active, but rather about encouraging our personnel to establish good, healthy habits in a fun way and on their own terms. For a 6-week period there were a variety of challenges on a range of themes such as sleep, recovery, food or activities that together boost a sense of well-being. The competition was conducted in teams, and everyone took part on their own terms.

At the end of the year, we announced the opportunity to participate in Vasaloppet 2022, which is celebrating its 100th anniversary. The bank's employees were given the opportunity to compete in the Vasaloppet relay race, and 3 teams from the bank took part.

At the end of the year, all employees were offered specially designed jackets to encourage movement during the Christmas holidays and to create pride and team spirit in the bank. The jackets were designed in collaboration with Haglöfs, which became climate neutral in 2021.

Its personnel play an important part in the bank's profitability,

and a good work environment is essential as it provides stimulation for good performance and personal development. The bank has identified two risks that stand out distinctly in this area:

- Risk of becoming dependent on key employees
- Risk of recruitment errors

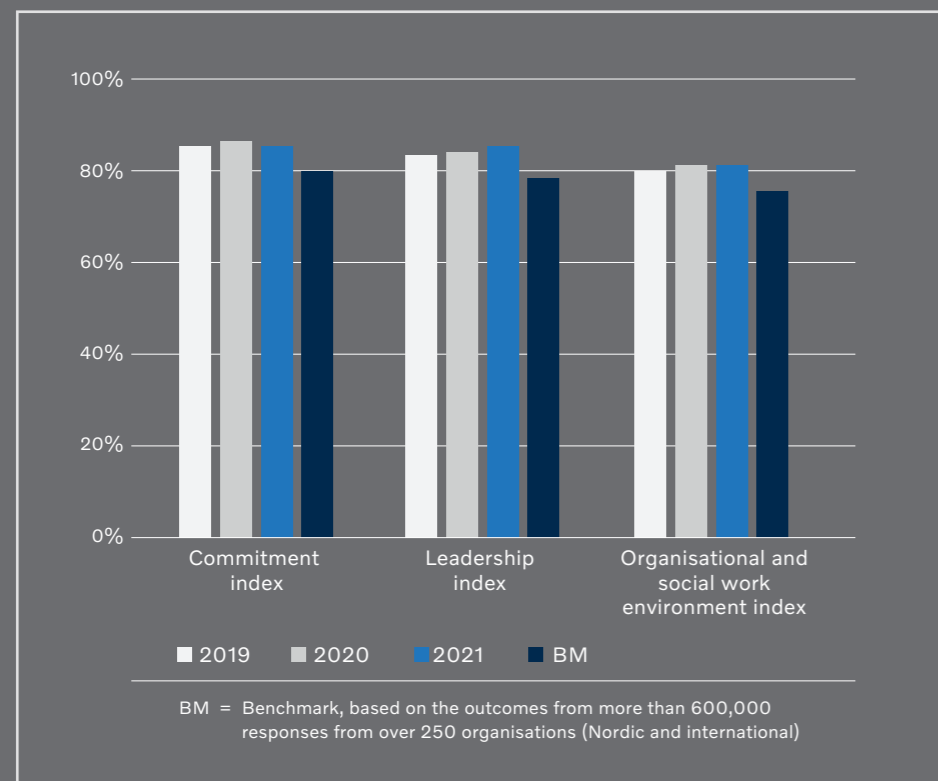
To retain the right skills, the bank makes sure it continues to provide a good physical and psychosocial work environment. A good work/life balance is an essential condition for a strong performance at work. The bank takes a proactive approach to employee health and implemented a number of wellness programmes during the year. It also subsidises massage and fitness fees for all employees.

Working conditions, including the physical and psychosocial work environments, must be suitable for both women and men. In line with personal policy, the bank helps all employees combine work and parenthood. The bank is continuing its work on promoting a gender balance in various positions and working groups through training, skills development and other proactive measures. It is also important for the bank to apply the same principles for setting rates of pay for women and men, regardless of age and ethnic origin.

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

Respect for human rights and combating corruption

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



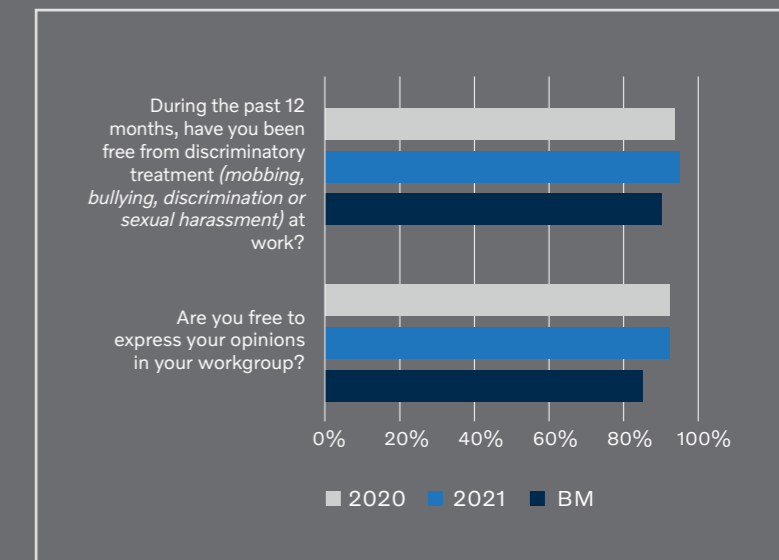
Anti-corruption

The bank has a well-functioning whistleblower procedure and conducts ongoing training in issues relating to security, ethics and money laundering. No whistleblower incidents were reported in 2021.

Significant risks related to anti-corruption:

- Risk of the bank failing to comply with the banking rules and regulations governing the bank's operations
- Risk of the bank failing to fully comply with money laundering regulations
- Risk of internal irregularities

The bank's compliance officer carries out regular monitoring to minimise the risk of non-compliance with the bank's rules and regulations. The bank also has to assess and minimise the risk of its operations being exploited for money laundering or terrorist financing. By always checking the purpose of the transaction, the identity and the true principal of corporate customers, we prevent the risk of the bank being exploited for terrorist financing and money laundering. Because the bank operates in Sweden and only offers products in this market, it considers the risk of money laundering and terrorist financing to be low.





Auditor's opinion on the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 22–25 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

We conducted our review 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 significantly narrower in 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 10 June 2021. KPMG AB or auditors working at KPMG AB have been the company's auditor since 1983.

Gothenburg 24 March 2022
KPMG AB

Mikael Ekberg
Authorised Public Accountant

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