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Volvo Cars Position on Responsible Sourcing

Purpose of this document

The overall intention of Volvo Cars' position papers is to provide clarity to stakeholders on areas of high relevance to the company considering our ambitions and long-term strategies. This paper addresses the challenges linked to responsible sourcing and describes how Volvo Cars works to manage related risks within our global supply chains. Furthermore, this paper outlines our aim to ensure that the materials used in our products are sourced responsibly and do not contribute to armed conflict, human rights abuses, or environmental degradation and loss of biodiversity.

Background and challenge

The acceleration of electric vehicle (EV) production is crucial for the transition to a low-carbon economy. However, a typical electric car requires more critical material inputs (meaning materials with high economic importance and high supply risk) compared to a conventional car. Material extraction, processing, trade, and transportation may cause or contribute to adverse impacts for people and planet, for example child or forced labour, money laundering, pollution, and deforestation. Risks are especially prevalent for materials from conflict-affected and high-risk areas (CAHRAs). Hence, risk-based supply chain due diligence is necessary to enable responsible sourcing¹.

Volvo Cars position

Volvo Cars aim to protect and improve people's lives in our value chain and wider society. We continuously monitor and assess risks to verify that Volvo Cars' business operations and products do not induce human rights abuses, unethical business conduct, environmental harm, or provide funding to conflicts and armed groups. Volvo Cars has identified several minerals, metals, and bio-based materials associated with considerable environmental, social, and governance (ESG) risks, which we refer to as "Raw Materials of Concern" (RMoC). Targeted due diligence efforts are rolled out gradually for these supply chains to enable responsible sourcing practices. Volvo Cars recognises a broad set of ESG risks, including but not limited to:

- The [OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas Annex II risks](#); and
- the risks related to materials in the Annex X.1 of the [EU Batteries Regulation 2023 \(EU-Batt-R\)](#), the social and environmental risk categories stipulated in its Annex X.2, and the international instruments covering these risks, as referenced in the EU-Batt-R Annex X.3.

We are committed to respecting and complying with international instruments, principles and frameworks such as the [United Nations Guiding Principles on Business and Human Rights](#), the International Bill of Human Rights including the [Universal Declaration of Human Rights](#), the [ILO core](#)

1. According to the OECD Guidelines for Multinational Enterprises, due diligence is a process during which companies can identify, prevent, mitigate, and account for how they address their actual and potential adverse impacts as an integral part of business decision-making and risk management systems.

conventions, the OECD Due Diligence Guidance for Responsible Business Conduct, and the OECD Guidelines for Multinational Enterprises. We develop and implement procurement practices using a risk-based approach in line with global standards and require our suppliers to also implement and maintain appropriate policies, management systems, and due diligence measures to identify, prevent and mitigate any adverse impacts linked to their business via their own operations or via their relationships with third parties. Our approach to human rights due diligence is detailed in our Human Rights Statement.

Our Business Partners shall implement the standards and principles set out in our Code of Conduct for Business Partners or same principles, with all applicable laws and regulations, and with their contractual obligations to Volvo Cars, including our Sustainability Requirements, throughout its organisation and extend the requirements to its value chain, ensuring that its Employees, subcontractors and other relevant third parties comply with said standards and principles. Violation or lack of cooperation, failure to address violations or take timely actions may lead to claims, a loss of business and ultimately to the end of the business relationship with Volvo Cars.

Volvo Cars acknowledges that supply chain due diligence is an ongoing, proactive, and reactive process, and that information and risk monitoring systems will progressively be improved over time as a result from constructive engagement with suppliers and other stakeholders.

Conflict minerals:

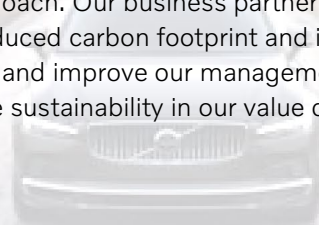
Volvo Cars is committed to conflict-free sourcing, and to responsible sourcing of tin, tantalum, tungsten, and gold (referred to as “3TG minerals”), which have been identified as potential conflict minerals. Volvo Cars require our suppliers to conduct supply chain due diligence so that the 3TG minerals used in the products they supply are sourced from conflict-free origins, and do neither directly nor indirectly finance or benefit armed groups in conflict-affected and high-risk areas as defined by international standards, including the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

Battery raw materials:

Volvo Cars acknowledges the complexity of battery supply chains and is committed to adhere to the requirements stipulated in the EU-Batt-R, and to ensure that our management systems are aligned with recognised international due diligence frameworks, as we are advancing our electrification program. This includes following the 6-step due diligence cycle and ensuring that we have systems of control and transparency in place relating to the supply chain of high-risk materials used in batteries. It also entails working with our supply chain partners to responsibly source materials associated with social and environmental risks, and to participate in our specific programs targeting the supply chains of batteries, which include but are not limited to audits, assessments, and training.

Volvo Cars actions

As a premium mobility provider, Volvo Cars has a unique opportunity to act as a catalyst for good. By working with our suppliers to improve their sustainability performance we can help drive positive change across multiple industries and sectors. Our ESG requirements form an important part of the sourcing process. We evaluate new and existing suppliers' performance, and our due diligence efforts are prioritised using a risk-based approach. Our business partners are critical to help Volvo Cars reach its sustainability targets, including reduced carbon footprint and increased recycled material content in our vehicles. We continuously review and improve our management systems, processes, and tools to implement best practice and promote sustainability in our value chain. Activities to secure responsible sourcing are for example:



- Traceability and transparency:** Volvo Cars is committed to ensuring supply chain traceability and transparency through a range of initiatives and activities. We were the first OEM to apply blockchain technology throughout the Cobalt supply chain for our EV batteries, and the first to launch an EV battery passport recording the origins of key raw materials, components, recycled content, and carbon footprint. Volvo Cars also collaborates closely with its suppliers to secure the use of [Responsible Minerals Assurance Process \(RMAP\)](#) conformant smelters for 3TG material. All suppliers must provide a completed [Conflict Minerals Reporting Template \(CMRT\)](#), annually or upon request by Volvo Cars, disclosing the sources of 3TG minerals in their supply chain.
- Audits and assessments:** Apart from our own assessments, we commission independent audits for more in-depth evaluations of suppliers' sustainability performance to identify potential and actual impacts. These support continuous improvement and aims at ensuring that workers are treated with respect and dignity, and that business operations are environmentally and ethically sound.
- Training and capacity building:** Volvo Cars offers training and other capacity building efforts for suppliers and employees. This to enhance engagement and awareness of the importance of sustainability and responsible sourcing, to promote continuous improvement and prevent and mitigate potential and actual impacts of the business.
- Grievance mechanism:** The Volvo Cars [Tell Us reporting line](#) can be utilised for raising compliance, including supply chain related, concerns. It is operated by an independent third party, enables reporting in more than 60 different languages, and is available 24/7, 365 days per year. All reports will be treated as confidential, and all concerns are taken seriously. Appropriate actions will be taken on each report.
- Rightsholder engagement:** As part of our due diligence activities, Volvo Cars engages with affected rightsholders and communities, directly or through their legitimate representatives, to inform our understanding of risks as well as potential and actual impacts.
- Standards, certifications and partnerships:** To promote responsible business behaviour across our supply chain, Volvo Cars adopts relevant internationally recognised standards and certification schemes. This allows us to benchmark suppliers' environmental and social performance and promote a sustainable development. Volvo Cars actively participates in initiatives aiming to reduce negative ESG impacts, increase raw material traceability, and improve working and living conditions in local communities. In addition, we are joining forces with other end-users to increase the supply of low and zero carbon material, particularly from carbon-intensive sectors. For these purposes, we collaborate with actors both within and outside of the automotive industry for example through the [Responsible Business Alliance](#) and [Drive Sustainability](#), as well as the [Better Mining](#) and [SteelZero](#) initiatives.
- Communication and reporting:** Volvo Cars publicly discloses information regarding its approach to responsible sourcing and sustainable supply chain management on the [company homepage](#), in the [annual report](#) and in its [Human Rights Statement](#). The annual report provides more details our due diligence efforts in specific risk areas, including efforts related to 3TG materials and battery supply chains.