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Volvo Cars Position on Circular Economy

Purpose of this document

The overall intention of Volvo Cars' position papers is to provide clarity to stakeholders in areas of high relevance to the company in light of its ambitions and long-term strategies. This paper addresses the growing threat from global warming from the ever-increasing extraction of finite resources and how Volvo Cars can help tackle these challenges by making much better use of materials and our products through circular economy and, eventually, through focus on biodiversity and water.

Background and challenge

- Around 50% of the world's current greenhouse gas emissions result from the extraction and processing of natural resources, with demand for raw materials under a 'business-as-usual' scenario predicted to double by 2050¹.
- Adoption of the circular economy is key to meeting global climate targets; 55% of global greenhouse gas emissions can be tackled with a shift to renewable energy, but the remaining 45% can only be tackled by changing the way we produce things and utilize them².
- In 2020 the global economy was only 8.6% circular, a decrease from 9.1% in 2019. In 2017 humanity breached two major milestones, for the first time the world consumed more than 100 billion tonnes (Gt) of materials per year and was 1-degree warmer compared to pre-industrial levels³. These are major concerns as increased natural resource extraction could lead to greater biodiversity loss, ecosystem collapse, large-scale involuntary migration and the failure of climate-change mitigation and adaptation.
- Society in general, and we as a company, are largely linear where 'take-make-waste' is still the predominant model.
- Financial growth needs to be de-coupled from demand for materials, water and energy, as well as carbon impact.
- Transitioning to a circular economy can significantly contribute to mitigating potentially devastating environmental, business and social impacts.

1. From article; "The world needs a circular economy. Help us make it happen" as part of World Economic Forum Annual Meeting, January 2020

2. Conclusion from Ellen MacArthur Foundation publication "Completing the picture – how the circular economy tackles climate change", September 2019

3. From The Circularity Gap Report 2021, [CGR 2021 \(circularity-gap.world\)](https://circularity-gap.world)

Volvo Cars position

- We have a significant influence on the environmental and economic performance of our products across the entire value chain, including the usage of our cars, our supply chain and production operations, as well as end-of-life processing.
- Our transitioning into a circular economy will require us to:
 - minimize extraction and the use of primary raw material
 - keep materials, components and products in use
 - eliminate waste and pollution
- Customers, employees, policymakers and investors are increasingly expecting businesses to be more sustainable and produce more sustainable products.
- The circular economy will support our profitability, through generating cost savings and creating new revenue streams.
- It is only possible for us to become truly circular through extensive collaboration with current and new business partners, both within and outside of our industry.
- Water and biodiversity footprints are significant parts of being a resource efficient company and operating within the planetary boundaries and will be incorporated into our strategies.

Our ambitions are to

- Be a circular business with circular products by 2040.
- Generate annual CO2 savings of 2,5Mtons and 1 BSEK of cost savings by 2025 through our adoption of circular economic principles.

Volvo Cars actions

- Strong corporate leadership enabling our circular effort.
- Designing our new generation of products, packaging and services according to the principles of a circular economy, including offers which significantly enhance the longevity and intensity of use of our products.
- Developing our manufacturing and logistics systems to support the circular transformation.
- Producing our products with energy and material efficient technologies.
- Offering attractive products, usage models and services to consumers in ways that enable them to support the transition to a circular economy.
- Working closely with partners to create new circular processes and solutions.
- Pioneering new circular solutions.
- Being transparent about our transition journey to become a circular business.
- Engaging our suppliers, customers and users in the transition to a circular economy.
- Validating our ambitions through third parties and assessment tools, eg the Circulytics tool by Ellen MacArthur Foundation.
- Ensuring that our lobbying efforts are in line with the above ambitions.
- Assessing our water and biodiversity footprints, including deforestation, and formulating targets and roadmaps.

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