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Volvo Cars Carbon Offsetting Position Paper

Volvo Cars has the ambition to be a climate-neutral company by 2040. We recognize the scale and urgency of global warming and its far-reaching consequences for the planet and our society. As a contributor to climate change, we have a responsibility to take firm action. That's why climate action has the highest priority in our sustainability strategy, and we're reducing carbon emissions across our value chain. We're focused on taking concrete short-term action as we work towards our long-term vision. We view carbon offsetting as a last resort in achieving climate neutrality. Our focus is on reducing the emissions we can mitigate, either directly or indirectly.

Our climate ambitions include to:

- Reduce the total carbon footprint per car by 40% between 2018 and 2025. This includes reducing tailpipe emissions by 50% per average car, supply chain emissions by 25% and emissions from our own operations including logistics by 25%.
- Be a climate-neutral company by 2040, in line with the Paris Agreement 1.5°C target.

We acknowledge that:

- Any nation, business, organization and individual can take climate action by taking steps in the following priority:
 1. Measure the energy usage and the carbon footprint according to international standards¹.
 2. Reduce the need for energy, e.g. by improving energy efficiency and reducing waste.
 3. Shift from fossil to renewable energy.
 - a. Invest in renewable energy production to supply own energy consumption. This does not necessarily mean being operationally responsible.
 - b. Increase renewable energy supply by using different variants of power purchasing agreements (PPA).
 - c. Buy renewable energy using renewable energy certificates (RECs) or other approved energy attribute certificates.
 4. Offset unavoidable emissions to reach net zero greenhouse gas emissions. Various forms of offsetting are under rapid technical and regulatory development. Despite being part of the Paris Agreement, terms and conditions for its application have not yet been agreed.

By offsetting we mean:

An investment that should:

- Compensate for emissions of greenhouse gases by providing additional reductions of such emissions elsewhere.
- Demonstrate full data transparency.
- Meet our principles of business ethics.

'Additional' herein means that the reduction would not have been realized without funding from the offsetting program. The 'emissions reduction' can both be achieved by direct reduction or by avoidance of emissions happening elsewhere.

Our position is:

- Climate actions across the value chain (incl. suppliers and retailers) should be taken according to priority 1–4 above. This means that offsetting is only undertaken when other actions have been exhausted.
- To reach our corporate CO₂ targets for 2025, offsetting is not accepted. This means that all parts of our value chain (incl. suppliers and retailers) are to reach the 2025 targets without resorting to offsetting.
- We do not consider PPA or energy attribute certificates to be offsetting.

¹ The Greenhouse Gas Protocol is the most commonly used and most comprehensive.