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Purpose Circular Economy	Approved	Issue Date 2020-09-22	Page 1
Issuer (Dept., name, CDSID) 50130 Global Sustainability, Anders Kärrberg, akarrber	Issue 1	Security class Public	

Circular Economy Position Paper¹

Volvo Cars recognizes the growing threat from global warming and the ever-increasing extraction of finite resources. If unaddressed, there will be severe consequences for the planet and our society. As a company, we can help tackle these challenges by making much better use of materials and our products. This will both reduce our carbon footprint and support out profitability.

Therefore, we will adopt the circular economy, with the ambition to be a circular business by 2040. We will achieve this through designing for value retention, resource efficiency and by eliminating waste. We will also develop offers optimizing the usage of our products and components. Embracing the Circular Economy is one of the three focus areas of our sustainability strategy, alongside Climate Action and becoming an Ethical and Responsible business.

We acknowledge that:

- 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 2050².
- 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 them³.
- The global economy is currently only 8.6% circular. Only two years ago it was 9.1% – the global circularity gap is widening. This is a major concern 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 adaptation⁴.
- 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 demands for materials, water and energy.
- Transitioning to a circular economy can significantly contribute to mitigating potentially devastating environmental, business and social impacts.

We recognize that:

- 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 waste⁵ 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.

¹ Valid until 2021-12-31.

² From article; "The world needs a circular economy. Help us make it happen" as part of World Economic Forum Annual Meeting, January 2020.

³ Conclusion from Ellen MacArthur Foundation publication "Completing the picture – how the circular economy tackles climate change", September 2019.

⁴ Conclusion from World Economic Forum report; "The Global Risks Report 2019 14th Edition".

⁵ Eliminate waste – here refers to material that cannot be recirculated into reuse.

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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.

We will work to achieve our ambitions through:

- 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 and services to end users in ways that enable them to support the transition to a circular economy.
- Working closely with partners to create new circular processes and solutions.
- Being an innovation leader through 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 with third parties.
- Ensuring that our lobbying efforts are in line with the above ambitions.