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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 in light of its 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.

## 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 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 minerals from conflict-affected and high-risk areas (CAHRAs). Hence, supply chain due diligence<sup>1</sup> is necessary to ensure responsible sourcing.

## Volvo Cars position

Volvo Cars' ambition is to be a leader in responsible business. 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 recognizes a broad set of environmental, social, and governance (ESG) risks, including the [OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas Annex II risks](#), and we are committed to respecting and complying with international principles and frameworks such as the [United Nations Guiding Principles on Business and Human Rights](#), the [Universal Declaration of Human Rights](#), the [ILO core conventions](#), and the [OECD Guidelines for Multinational Enterprises](#). We develop and implement procurement practices in line with global standards and require our suppliers to also establish policies, management systems, and due diligence measures to adequately address risks.

Our suppliers, their employees and subcontractors through all tiers must comply with our [Code of Conduct for Business Partners](#) or similar principles, with all applicable laws and regulations, and with their contractual obligations to Volvo Cars. Lack of cooperation or violation may result in a reduction in business and ultimately termination of the business relationship. Volvo Cars acknowledges that supply chain due diligence<sup>1</sup> 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.

*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.*

## Volvo Cars actions

As a premium mobility provider, Volvo Cars has a unique opportunity to act as a catalyst for good within the supply chain. Through 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 and we evaluate new and existing suppliers' performance. 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 chains. Examples of activities to secure responsible sourcing:

- **Raw materials:** Volvo Cars has identified several minerals, metals, and bio-based materials associated with considerable ESG risks. We were the first OEM to apply blockchain technology to boost transparency and traceability throughout the Cobalt supply chain for our EV batteries. Volvo Cars also collaborates closely with its suppliers to secure use of [Responsible Minerals Assurance Process \(RMAP\)](#) conformant smelters for 3TG material.

**Training:** We offer training and other capacity building efforts for suppliers and employees to enhance engagement and awareness of the importance of sustainability and responsible sourcing.

- **Partnerships:** 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.
- **Audits and assessments:** Apart from our own assessments, we commission independent audits for more in-depth evaluations of suppliers' sustainability performance. These support continuous improvement, ensure that workers are treated with respect and dignity, and that business operations are environmentally and ethically sound.
- **Standards and certifications:** To promote responsible business behaviour across our supply chains we adopt relevant internationally recognized standards and certification schemes whenever possible. This allows us to benchmark suppliers' environmental and social performance, and promote a sustainable development.
- **Grievance mechanism:** The Volvo Cars [Tell Us reporting line](#) can be utilised for raising compliance, including supply chain, concerns. It is operated by an unaffiliated 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.
- **Communication:** Volvo Cars publicly discloses information regarding its approach to responsible sourcing and sustainable supply chain management on the [company homepage](#) and in the [annual report](#).