

# MODERN SLAVERY STATEMENT

## 2019

### Structure, business and supply chain

Volvo Construction Equipment AB is a company based in Sweden which manufactures, markets and sells construction equipment globally. Volvo Construction Equipment AB is a large multi-site enterprise with in excess of 4 011 employees spread across five sites across the country.

Volvo Construction Equipment AB is a member of the Volvo Group. The Volvo Group is a publicly held company headquartered in Gothenburg, Sweden. The Volvo Group is one of the world's leading manufacturers of trucks, buses, construction equipment and marine and industrial engines and also provides complete financing solutions. In 2019, the Volvo Group's sales amounted to about SEK 432 billion (EUR 40,8 billion). The Volvo Group brands include Volvo Trucks, Volvo Construction Equipment, Volvo Buses, Volvo Penta, UD Trucks, Renault Trucks, Mack Trucks, Terex Trucks, Prevost, Novabus and Arquus. Volvo is in the process of transferring its ownership in UD Trucks to Isuzu Motors and the intention is to form a strategic alliance within commercial vehicles with Isuzu Motors. The Volvo Group also has a number of strategic partnerships and joint ventures, including Dong Feng, Eicher and Shandong Lingong Construction Machinery (SDLG).

The Volvo Group employs 104,000 people worldwide, has production facilities in 18 countries and its products are sold in more than 190 countries. The major production facilities are located in Australia, China, Belgium, Brazil, France, Germany, India, Japan, Mexico, Poland, Russia, South Africa, Sweden, Thailand, the United Kingdom and the United States.

The Volvo Group has around 51,000 Tier 1 suppliers, of which 6,000 supply automotive product components. In 2019, the Volvo Group made purchases of goods and services totalling SEK 299,6 billion (EUR 28,3 billion). Purchases were made from suppliers in Europe (64%), North America (21%), South America (7%) and Asia-Pacific (8%). The supply chain is complex and there are in general several tiers of suppliers between the manufacturing entities and the supplier of raw material.

### Human Rights Governance

The Volvo Group's mission is to drive prosperity through transport solutions. Hence, respect for human rights is fundamental for the Volvo Group and the Volvo Group is committed to respect human rights. This applies not only in relation to our own operations, but also in relation to our supply chain, our business partners and in relation to others potentially impacted by our operations or the use of our products and solutions.

The Volvo Group has been a signatory of the UN Global Compact since 2001 and we strive to align our human rights related work to the UN Guiding Principles on Business and Human Rights ("UNGP"). This is a continuous journey and we have adopted a risk-based approach where we prioritize and focus on the areas where we consider that we have the highest risks for adverse human rights impacts.

To further strengthen our human rights governance we have established a Human Rights Board, composed of relevant members of our Executive Board. The Human Rights Board is supported by a cross-functional reference group and a working group with members from relevant Group functions, truck divisions and business areas. It is our firm belief

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that responsible governance of human rights related matters is key to the long-term business success of the Volvo Group.

### **Policies including statements relating to modern slavery**

#### *Volvo Group Code of Conduct*

Zero tolerance against forced labor and child labor has been part of the Volvo Group Code of Conduct since 2003. The current version of the Volvo Group Code of Conduct, sets out our zero tolerance approach to all forms of modern slavery. Practices that constitute forced labor, including debt bondage, human trafficking and other forms of modern slavery, are not accepted in any part of the Volvo Group. The Code of Conduct includes examples of modern slavery related practices such as confiscation of identity papers or passports, withholding of wages, not conferring an official employment status, subjecting someone to physical and sexual violence, debt bondage, imposing excessive recruitment fees, and restriction of movement. The Volvo Group Code of Conduct is publicly available on [Volvogroup.com](http://Volvogroup.com).

#### *Supplier Code of Conduct*

Since 1996, our Sustainable Purchasing Program has consistently increased supplier requirements on environmental performance, business ethics and human rights. In 2019 a new Supplier Code of Conduct was launched and suppliers should commit contractually to comply with the Supplier Code of Conduct. The Supplier Code of Conduct sets out that the Volvo Group adopts a zero tolerance approach to all forms of modern slavery in its supply chain, including but not limited to forced, bonded or compulsory labor and human trafficking. It is further stated that suppliers

and their recruitment agencies may not engage in or tolerate, restrictions of movement, excessive recruitment fees, confiscation of identity documents and/or passports, withholding of wages, abusive working conditions, debt bondage, violence or any other kind of exploitation or abuse.

Suppliers are required by the Supplier Code of Conduct to ensure that their own organization and its direct suppliers comply with the Supplier Code of Conduct's minimum requirements. It is further stated that suppliers are expected to perform human rights due diligence of their supply chains and suppliers are encouraged to work proactively in their supply chains beyond direct suppliers to implement standards that correspond to the standards of the Supplier Code of Conduct. The Supplier Code of Conduct is publicly available at [Volvogroup.com](http://Volvogroup.com).

### **Risk assessment, due diligence and effectiveness**

Modern slavery, including forced labor and human trafficking, may materialize not only in our own organization and operations, but also through our business relationships and in other parts of our value chain. Modern slavery related risks are assessed within the framework of the Human Rights reviews undertaken in relation to our own operations and through our Sustainable Purchasing Program (see below). In these reviews we prioritize the countries and segments where we believe that we have the highest risks for adverse human rights impacts.

#### *Own Operations - Human Rights reviews*

Based on our risk-based approach in the prioritization of the Human Rights reviews of

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our own operations, we are gradually performing Human Right reviews across our own operations. These also cover on-site service providers. Following each Human Rights review, action plans for identified improvement areas are created with clear ownership and anchoring with the local management team. The results of the Human Rights reviews and the action plans are shared with selected members of the Volvo Group Executive Board (from now on the Human Rights Board) and followed up on a regular basis.

In 2019, we finalized a Human Rights review of our operations in Mexico. No adverse findings relating to modern slavery were identified in connection with this review. We are currently in the process of evaluating our Human Rights review process, with the aim of further strengthening the process and its methodology and to ensure further alignment with the UNGPs.

### *Suppliers – Sustainable Purchasing Program*

During 2019 an updated and improved Sustainable Purchasing Program has been implemented, which in addition to the launch of our new Supplier Code of Conduct and trainings (see below) includes various due diligence activities in relation to our suppliers:

- Supplier Self-Assessments: New suppliers should conduct a self-assessment against the requirements in the Supplier Code of Conduct and share the results with the relevant Volvo Group entity. During 2019, 92% of the spend came from sustainability self-assessed suppliers. In high-risk countries the figure was 98%.
- Sustainability Audits: As part of the supplier selection process, new suppliers above a

certain spend in high risk countries and segments are to be assessed through on-site sustainability audits. Further, sustainability audits of existing suppliers are made of selected suppliers in connection with the Human Rights reviews of our own operations and on an ad hoc basis if a specific need is identified. During sustainability audits, suppliers' facilities are visited by trained Volvo Group personnel to assess, among other aspects, labor rights, working conditions, health and safety, and modern slavery related risks.

- Sustainable Minerals Program: In our Sustainable Minerals Program we perform supply chain mapping and due diligence of our supply chain for conflict minerals, including tin, tantalum, tungsten and cobalt, with the tools provided through the Responsible Mining Initiative (RMI). This is an important initiative with the aim of mitigating human rights related risks at the bottom of our supply chain, including but not limited to, modern slavery related risks.

During 2019, 55 suppliers have been audited in China, India, Mexico, South Africa, Thailand, Belarus, USA, United Arab Emirates and Malaysia. No adverse findings relating to modern slavery were identified in connection with these audits.

In 2018 we identified a need for improvement actions in relation to some of our on-site service providers employment of foreign migrant workers in Malaysia. During 2019 we have further reviewed and strengthened our internal procedures and contractual terms for onsite service providers in Malaysia and have followed-up on agreed action plans.

### *Business Partners*

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In addition to our own manufacturing entities, the Volvo Group collaborates with truck assembly partners and bus body builders, some of which are located in high risk countries from a human rights perspective. In 2019, we performed an onsite review and engaged in dialogue focusing on the employment conditions of workers for two truck assembly partners in Malaysia. We identified development areas related to the employment of foreign migrant workers. Our business partners have initiated action plans and at the same time, we are further considering how to strengthen our contractual terms and overall due diligence on corporate responsibility and human rights at truck assembly partners and bus body builders.

### **Training and capacity building**

During 2019 the Volvo Group performed several training initiatives, both for employees and suppliers. All employees with access to computers are required to complete a Volvo Group Code of Conduct e-learning each year and for employees in the production environment or without access to computers, managers are required to lead mandatory Volvo Group Code of Conduct training sessions. The e-learning is available in 15 languages and in 2019, 50,000 employees with access to computers completed the Code of Conduct e-learning and 2,800 managers held face-to-face training sessions for employees in the production environment or without access to computers.

Volvo has an e-learning for all Volvo Group staff working with suppliers, outlining the concept of sustainable purchasing. Further, during 2019, the Volvo Group has conducted various trainings on more detailed Sustainability topics

connected to specific segments and connected risks.

Through our membership in DRIVE Sustainability (see below) the Volvo Group has nominated global suppliers for sustainability trainings performed by CSR Europe in Poland, Mexico, South Africa, Malaysia and Brazil.

### **Grievance mechanisms**

The Volvo Group offers various channels to internal and external stakeholders to report on potential ethical concerns or violations of the Volvo Group policies, including our whistle-blower process, the "Volvo Whistle", which is publicly available on [Volvogroup.com](http://Volvogroup.com). The Volvo Group does not tolerate any retaliation against whistle-blowers. No issues relating to modern slavery were reported through the Volvo Whistle during 2019.

### **Partnerships**

During 2019, the Volvo Group continued as a Lead Partner in DRIVE Sustainability. DRIVE Sustainability is a global network with the mission to drive sustainability in the supply chains of the automotive industry. We believe that a joint industry approach is one of the best ways to drive sustainability in our supply chains. One example is the Responsible Trucking project, which was initiated by CSR Europe/DRIVE Sustainability during 2019 and aims to improve social standards in road transport logistics. This is done together with other OEMs, transport companies and consumer goods companies.

During 2019, Volvo Group continued its membership with the Responsible Minerals Initiative (RMI), an organization which holds valuable knowledge within the mining industry

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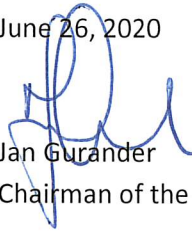
and provides important tools used within our Sustainable Minerals Program.

Equipment AB and applies for the period January 1, 2019 to December 31, 2019.

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The statement is made in accordance with Section 54 (1) of the UK Modern Slavery Act 2015. The statement has been approved by the Board of Directors of Volvo Construction

June 26, 2020



Jan Gurander  
Chairman of the Board