

Corporate governance report 2017

The Volvo Group appreciates the value of sound corporate governance as a fundamental base in achieving a trusting relation with shareholders and other key parties. The Swedish Corporate Governance Code, which is applied by the Volvo Group, aims at creating a sound balance of power between shareholders, the board of directors and the senior management. Sound corporate governance, characterized by high standards when it comes to transparency, reliability and ethical values, has always been a well-established guiding principle within the Volvo Group's operations.

THE SWEDISH CORPORATE GOVERNANCE CODE

AB Volvo's shares are admitted to trading on the stock exchange Nasdaq Stockholm's main market. As a listed company, Volvo applies the Swedish Corporate Governance Code (the Code), which is available at www.corporategovernanceboard.se.

This Corporate Governance Report has been prepared in accordance with the Swedish Annual Accounts Act and the Code, and is separate from the Annual Report. The report has been reviewed by Volvo's auditors and includes a report from the auditors.

CORPORATE GOVERNANCE MODEL

At the General Meetings of AB Volvo, which is the Parent Company of the Volvo Group, the shareholders exercise their voting rights with regard to for example the composition of the Board of Directors of AB Volvo and the election of auditors.

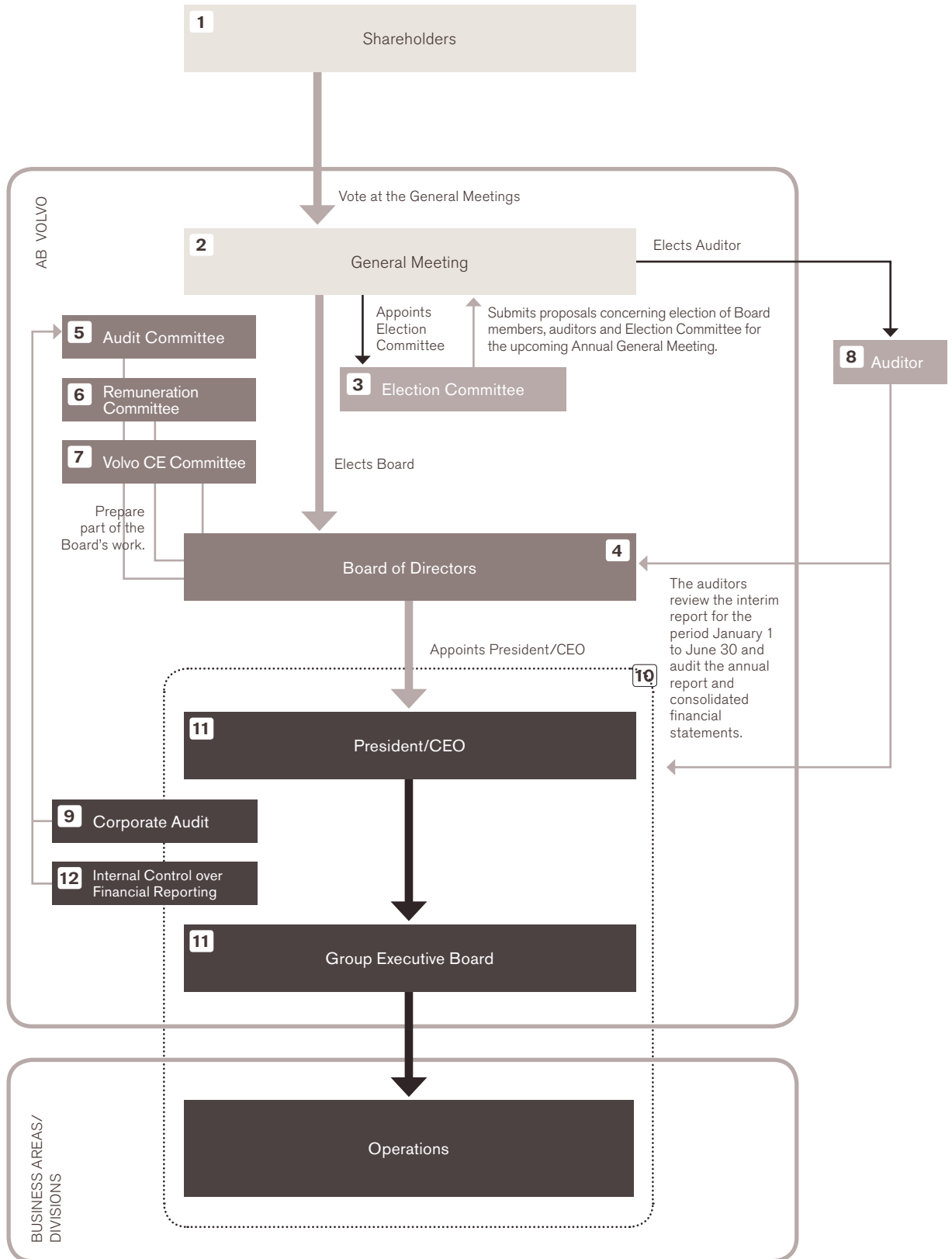
An Election Committee, appointed by the Annual General Meeting of AB Volvo, submits proposals to the upcoming Annual General Meeting concerning the election of Board members and Board Chairman as well as proposals for resolutions concerning remuneration of the Board. When applicable, the Election Committee also submits proposals for the election of external auditors and for resolutions concerning fees to the auditors.

The Board is ultimately responsible for Volvo's organization and the management of its operations.

In addition, the Board appoints the President and CEO of AB Volvo. The CEO is in charge of the daily management of the Group in accordance with the guidelines provided by the Board.



AB Volvo's Annual General Meeting 2017 was held on April 4 in Konserthuset, Göteborg, Sweden.



1 SHARES AND SHAREHOLDERS

AB Volvo is a CSD company, which means that the share register is maintained by Euroclear Sweden AB. On December 31, 2017, Volvo had 240,521 shareholders according to the share register. The largest shareholder, in terms of votes on that date was AB Industrivärden, with 23.1 percent of the votes based on the number of shares. Cevian Capital held 15.9 percent of the votes, Norges Bank Investment Management held 5.4 percent of the votes and Svenska Handelsbanken together with SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen 5.1 percent of the votes, based on the number of shares outstanding¹.

Volvo has issued two classes of shares: series A and series B. At a General Meeting, series A shares carry one vote and series B shares one-tenth of a vote. The two share classes carry equal rights to a share in the assets and earnings of the company. According to a special share conversion clause in the Articles of Association, holders of series A shares are entitled to request that their series A shares be converted to series B shares. Implementation of such conversions would entail that the total number of votes in the company decreased.

For more information about the Volvo share and its shareholders, refer to the Board of Director's Report on pages 109–111 of the Annual Report.

¹ According to a press release on December 27, 2017, Cevian Capital and Zheijiang Geely Holding Group ("Geely") have entered into an agreement regarding Geely's acquisition of Cevian's shares in AB Volvo. Geely has not yet entered the shares when this Corporate Governance Report was prepared.

2 GENERAL MEETING

General

The General Meeting is Volvo's highest decision-making body. The Annual General Meeting is held within six months of the end of the fiscal year, normally in Göteborg.

In addition to what follows from applicable law regarding shareholders' right to participate at General Meetings, under Volvo's Articles of Association shareholders must give notice of their attendance (within the time stated in the convening notice) and notify the company of any intention to bring assistants.

A shareholder who wants the Meeting to consider a special matter must submit a request to the Board in sufficient time prior to the Meeting to the address provided on Volvo's website, www.volvogroup.com.

Annual General Meeting 2018

Volvo's Annual General Meeting for 2018 will be held on Thursday, April 5, 2018 in Konserthuset, Göteborg. For further information about the Annual General Meeting 2018, please refer to the fold-out at the end of the Annual and Sustainability Report and Volvo's website, www.volvogroup.com.



AB Volvo's Annual General Meeting 2017.

3 ELECTION COMMITTEE

Duties

The Election Committee shall perform the tasks that are incumbent upon the Election Committee according to the Code. The main task is to prepare and present proposals to the Annual General Meeting on behalf of the shareholders for the election of Board members, the Chairman and Board remuneration and, when applicable, proposals for auditors and fees to the auditors.

In addition, the Election Committee, in accordance with prevailing instructions for Volvo's Election Committee, presents proposals for members of the Election Committee for the following year.

Composition

In accordance with the instructions for Volvo's Election Committee adopted by the 2017 Annual General Meeting, the Annual General Meeting shall elect five members to serve on the Election Committee, of whom four shall represent the largest shareholders in the company, in terms of votes who have expressed their willingness to participate on the Election Committee. In addition, one of the members shall be the Chairman of the AB Volvo Board. Additionally, the Election Committee can offer other major shareholders to appoint one representative as a member of the Election Committee. If such an offer is made, it should be directed in turn to the largest shareholder in terms of votes not already represented on the Election Committee. The number of members on the Election Committee may however not exceed seven.

In accordance with its instructions, Volvo's Annual General Meeting 2017 resolved to appoint the following individuals as members of the Election Committee:

- Carl-Henric Svanberg, Chairman of the Board,
- Bengt Kjell, representing AB Industrivärden,
- Lars Förberg, representing Cevian Capital,
- Yngve Slyngstad, representing Norges Bank Investment Management, and
- Pär Boman, representing Svenska Handelsbanken, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen.

The Election Committee appointed Bengt Kjell as Chairman of the Committee.

Due to Cevian Capital's divestment of its entire shareholding in AB Volvo, the Election Committee member Lars Förberg left the Election Committee in February 2018.

4 BOARD OF DIRECTORS

Duties

The Board of Directors is ultimately responsible for Volvo's organization and management of the company's operations. The Board is responsible for the Group's long-term development and strategy, for regularly controlling and evaluating the Group's operations and for the other duties set forth in the Swedish Companies Act.

Composition

During the period January 1, 2017 to April 4, 2017, AB Volvo's Board consisted of eleven members elected by the Annual General Meeting and three members and two deputy members appointed by employee organizations. According to the Articles of Association, the Board shall consist of not less than six and not more than twelve members elected by the General Meeting.

The Annual General Meeting 2017 re-elected Matti Alahuhta, Eckhard Cordes, James W. Griffith, Martin Lundstedt, Kathryn V. Marinello, Martina Merz, Hanne de Mora, Håkan Samuelsson, Helena Stjernholm, Carl-Henric Svanberg and Lars Westerberg as Board members and Carl-Henric Svanberg as Chairman of the Board. An account of each Board member's age, principal education, professional experience, assignments in the company, other significant assignments, their own and related parties' ownership of shares in Volvo as of March 6, 2018, and the year they were elected to the Volvo Board, is presented in the "Board of Directors" section on pages 196-197.

Prior to the 2017 Annual General Meeting, the Election Committee announced that it had applied the provisions of rule 4.1 of the Code as board diversity policy. The aim is that the Board as a collective should possess the required mix in terms of background and knowledge, whereby an even gender distribution is taken into particular account. The result of the Election Committee's application of the diversity policy is a Board that represents a mix of both professional experience and knowledge as well as geographical and cultural backgrounds. With the exception of the CEO, 40 percent of the Board members elected at the Annual General Meeting are women.

Independence requirements

The Board of Directors of AB Volvo is subject to the independence requirements prescribed in the Code.

Prior to the 2017 Annual General Meeting, the Nomination Committee presented the following assessment of the independence of Board members elected at the 2017 Annual General Meeting.

Matti Alahuhta, James W. Griffith, Kathryn V. Marinello, Martina Merz, Hanne de Mora, Håkan Samuelsson, Carl-Henric Svanberg and Lars Westerberg were all considered independent of the company and company management, as well as the company's major shareholders.

Martin Lundstedt, as President of AB Volvo and CEO of the Volvo Group, was considered independent of the company's major shareholders but not of the company and company management.

Eckhard Cordes and Helena Stjernholm were considered independent of the company and company management.

Since Cevian Capital Partners, prior to the Annual General Meeting 2017, controlled more than 10 percent of the votes in the company, Eckhard Cordes, due to his capacity as partner in Cevian Capital Partners, was not considered independent in relation to one of the company's major shareholders.

Since AB Industrivärden, prior to the Annual General Meeting 2017, controlled more than 10 percent of the votes in the company, Helena



Stjernholm, due to her capacity as President and CEO of AB Industrivärden, was not considered independent in relation to one of the company's major shareholders.

Work procedures

Every year, the Board adopts work procedures for the Board's work.

The work procedures outline how the Board's duties should be distributed, including the specific role and duties of the Chairman, instructions for the division of duties between the Board and the President and for the reporting of financial information to the Board. The Board has also adopted specific instructions for the Board's committees, which are linked to the work procedures.

The Board's work in 2017

The Board's work is mainly performed within the framework of formal Board meetings and through meetings in the respective committees of the Board. In addition, regular contact is maintained between the Chairman of the Board and the CEO in order to discuss ongoing business and to ensure that the Board's decisions are executed.

In 2017, there were nine regular Board meetings, one extraordinary meeting and one statutory Board meeting. The attendance of Board members at these meetings is presented in the table on page 195.

In 2017, the Board continued to focus on measures to increase the Group's profitability and to strengthen the balance sheet. In August 2017, as part of this process and within the framework of its annual review, the Board decided to introduce new financial targets for the Volvo Group and in July, the Volvo Group sold its entire holding in the German listed engine manufacturer Deutz AG, with a capital gain of approximately SEK 400 M.

The Board also decided on an overall financial plan and investment framework for the Group's operations, and to regularly monitor the Group's earnings and financial position. In addition, the Board focused on risk-related issues such as overall risk management and ongoing legal disputes and investigations.

The Board remains continuously up-to-date on the status and development of the Group's operations by devoting considerable time to business reviews of the Group's various truck divisions and business areas. In 2017, through a newly established Volvo CE Committee, the Board focused specifically on monitoring and evaluating the Volvo CE operations, which also included a specific follow-up of the profitability improvement program launched in 2016.

The Board also paid particular attention to the Group's strategic focus on disruptive technology trends, such as digitalization, electrification and automation. As an additional element of the Board's strategic focus, the Board visited the Group's operations in China and Thailand in October 2017, which contributed to a greater understanding of the Group's operations and joint ventures in Asia.

Finally, the Board decided to cancel the process initiated by the company in November 2016 to divest the Governmental Sales business area, since none of the offers received were considered to reflect the value of the business.

Evaluation of the Board's work

In 2017, the Board performed its yearly evaluation of the Board's work. The purpose of the evaluation is to further develop the Board's efficiency and working procedures and to determine the main focus of the Board's coming work. In addition, the evaluation serves as a tool for determining the competence required by the Board and for analyzing the competence that already exists in the current Board. By that, the evaluation also serves as input for the Election Committee's work with proposing Board members.

As part of the yearly evaluation, Board members were asked to complete a questionnaire and assess various areas related to the Board's work from their own perspective. The areas evaluated for 2017 included the Board's composition, the management and focus of Board meetings, Board support and how the Board addresses issues related to strategy, potential risks and succession planning. The areas covered by the evaluation may differ from one year to another to reflect the development of the Board's work and the Volvo Group.

Separate evaluations were conducted of the Board as a collective, of the Chairman of the Board, the Audit Committee, Remuneration Committee and Volvo CE Committee. The results of the evaluations of the Board as a collective and of the Chairman were discussed by the Board. The results of the evaluations of the committees were, or will be, discussed by the relevant committee. In addition, the results of the evaluations of the Board as a collective and of the Chairman are shared with the Election Committee.

Remuneration of Board Members

The Annual General Meeting resolves on fees to be paid to the Board members elected by the Annual General Meeting. For information about Board remuneration, as adopted by the Annual General Meeting 2017, please refer to Note 27 in the Group's notes in the Annual Report.

Remuneration of Board members, 2017 (from AGM on April 4, 2017)	SEK
Chairman of the Board	3,400,000
Board member	1,000,000
Chairman of the Audit Committee	350,000
Member of the Audit Committee	160,000
Chairman of the Remuneration Committee	140,000
Member of the Remuneration Committee	105,000
Chairman of the Volvo CE Committee	175,000
Member of the Volvo CE Committee	150,000

The Board's committees

5 AUDIT COMMITTEE

Duties

The Board has an Audit Committee primarily for the purpose of supervising the accounting and financial reporting processes and the audit of the annual financial statements.

The Audit Committee's duties include preparing the Board's work to assure the quality of the Group's financial reporting by reviewing interim reports, Annual Report and the consolidated accounts. The Audit Committee also has the task of reviewing and overseeing the Group's legal and taxation matters as well as compliance with laws and regulations that may have a material impact on financial reporting. Furthermore, the Audit Committee has the task of reviewing and overseeing the impartiality and independence of the company's auditors. The Audit Committee is also responsible for evaluating both internal and external auditors' work and, when applicable, handling the tender process for audit services. In addition, it is the Audit Committee's task to preapprove what other services, beyond auditing, the company may procure from the auditors. The Audit Committee also adopts guidelines for transactions with companies and persons closely associated with Volvo. Finally, the Audit Committee evaluates the quality, relevance and effectiveness of the Group's system for internal control over financial reporting, as well as with respect to the internal audit and risk management, and discharge any other duties of an audit committee.

Composition and work in 2017

At the statutory Board meeting following the Annual General Meeting 2017, the following Board members were appointed members of the Audit Committee:

- Lars Westerberg
- Hanne de Mora
- Helena Stjernholm

Lars Westerberg was appointed Chairman of the Audit Committee.

The Audit Committee met with the external auditors without the presence of management on four occasions in 2017 in connection with Audit Committee meetings. The Audit Committee also met with the Head of Corporate Audit in connection with Audit Committee meetings.

The Audit Committee and the external auditors, among other tasks, discussed the external audit plan and the view of risk management. The Audit Committee held nine regular meetings during 2017. The attendance of Board members at the Committee meetings is presented in the table on page 195. The Audit Committee reports the outcome of its work to all members of the Board on a regular basis, and the minutes of the Audit Committee meetings are distributed to Board members.



In October 2017, the Board visited the Group's facilities in Thailand.

» Board of Directors (cont.)

6 REMUNERATION COMMITTEE*Duties*

The Board has a Remuneration Committee for the purpose of preparing and deciding on issues relating to the remuneration of senior executives in the Group. The duties of the Committee include making recommendations to the Board on the Board's decisions regarding terms of employment and remuneration of the CEO and Deputy CEO of AB Volvo, policies for the remuneration, including pensions and severance payments, of other members of the Group Executive Team and the policies for variable salary, share-based incentive programs, pensions and severance payment for other senior executives in the Group.

The Remuneration Committee shall monitor and evaluate ongoing programs and programs concluded during the year for the variable remuneration of senior executives, application of the guidelines for the remuneration of senior executives on which the Annual General Meeting shall decide, and the current remuneration structures and levels in the Group.

The Board shall, no later than three weeks prior to the Annual General Meeting, present the results of the Remuneration Committee's evaluation on the company's website.

Composition and work in 2017

At the statutory Board meeting following the Annual General Meeting 2017, the following Board members were appointed members of the Remuneration Committee:

- Carl-Henric Svanberg
- Matti Alahuhta
- James W. Griffith

Carl-Henric Svanberg was appointed Chairman of the Remuneration Committee.

The Code sets the requirement that members of the Remuneration Committee, with the exception of the Board Chairman if being a member of the Remuneration Committee, shall be independent of the company and company management. The Election Committee's assessment of independence prior to the Annual General Meeting 2017 is presented under "Independence requirements" on page 191.

The Remuneration Committee held four meetings in 2017. The attendance of Board members at Committee meetings is presented in the table on page 195. The Remuneration Committee reports the outcome of its work to all members of the Board on a regular basis.

7 VOLVO CE COMMITTEE*Duties*

In connection with the Annual General Meeting 2017, the Board established a Volvo CE committee. The main duties of the Committee are to review and evaluate the development of the Volvo CE business and to monitor implementation of the performance improvement plan launched to increase the efficiency of Volvo CE.

Composition and work in 2017

At the statutory Board meeting following the Annual General Meeting 2017, the following Board members were appointed members of the Volvo CE Committee:

- Carl-Henric Svanberg
- Matti Alahuhta
- Eckhard Cordes
- James W. Griffith
- Helena Stjernholm
- Lars Ask
- Mari Larsson

Carl-Henric Svanberg was appointed Chairman of the Volvo CE committee.

The Volvo CE Committee held six meetings in 2017. The attendance of Board members at Committee meetings is presented in the table on page 195. The Volvo CE Committee reports the outcome of its work to all members of the Board on a regular basis.



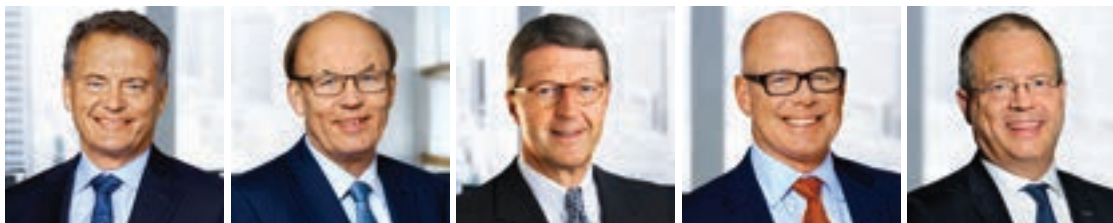
The Board's composition and attendance at meetings January 1, 2017 - December 31, 2017

Member	Board (11 incl. statutory)	Audit Committee (9)	Remuneration Committee (4)	Volvo CE Committee (6)
Carl Henric Svanberg	11		4	6
Martin Lundstedt	11			
Matti Alahuhta	11		4	6
Eckhard Cordes	10			5
Hanne de Mora	11	9		
James Griffith	11		4	6
Kathryn Marinello	10			
Martina Merz	11			
Håkan Samuelsson	10			
Helena Stjernholm	11	9		6
Lars Westerberg	11	9		
Lars Ask, employee representative	11			6
Mats Henning, employee representative	11			
Camilla Johansson, employee representative	11			
Mari Larsson, employee representative	11			6
Mikael Sällström, employee representative	11			
Total number of meetings	11	9	4	6



Board of Directors

BOARD MEMBERS
ELECTED BY THE
ANNUAL GENERAL
MEETING



Carl-Henric Svanberg
*Chairman of the Board,
Chairman of the Remuneration
Committee, Chairman of the
Volvo CE Committee*

Matti Alahuhta
*Member of the Remuneration
Committee, Member of the
Volvo CE Committee*

Eckhard Cordes
*Member of the Volvo
CE Committee*

James W. Griffith
*Member of the Remuneration
Committee, Member of the
Volvo CE Committee*

Martin Lundstedt
President and CEO

Education	MSc in Applied Physics, BSc Business Administration.	MSc, Dr Sc. Doctor of Science.	MBA and PhD, University of Hamburg.	BSc Industrial Engineering, MBA from Stanford University.	MSc.
Born	1952	1952	1950	1954	1967
Member of the Volvo Board	Chairman of the Volvo Board since April 4, 2012.	Since April 2, 2014.	Since April 1, 2015.	Since April 2, 2014.	Since April 6, 2016.
Position and Board memberships	Board Chairman: BP plc. Chairman of the Academy: The Royal Swedish Academy of Engineering Sciences (IVA).	Board Chairman: DevCo Partners Oy and Outotec Corporation. Board member: Kone Corpora- tion, ABB Ltd.	Partner in Cevian Capital and EMERAM Capital Partners. Member of the Executive Committee of Eastern Euro- pean Economic Relations of German Industry. Board Chairman: Bilfinger SE.	Board member: Illinois Tool Works Inc.	President and CEO of AB Volvo. Board Chairman: Partex Marking Systems AB and Permobil AB. Board Member: ACEA Com- mercial Vehicle and Concentric AB. Member of the Royal Swedish Academy of Engineering Sciences (IVA). Advisory Member of the Swed- ish National Innovation Council.
Principal work experience	Has held various positions at Asea Brown Boveri (ABB) and Securitas AB, President and CEO of Assa Abloy AB, Presi- dent and CEO of Telefonaktie- bolaget LM Ericsson, member of the External Advisory Board of the Earth Institute at Colum- bia University and the Advisory Board of Harvard Kennedy School.	Has held several management positions in the Nokia Group – President of Nokia Telecom- munications, President of Nokia Mobile Phones and Chief Strat- egy Officer of the Nokia Group, President of Kone Corporation between 2005–2014 and between 2006–2014 also CEO.	Started with Daimler Benz AG, where he has held several management positions, such as Head of the trucks and buses business, Head of Group Con- trolling, Corporate Development and M&A in AEG AG and CEO of Mercedes Car Group. Previously CEO of Metro AG, senior advisor at EQT and Board member of Air Berlin, SKF, Carl Zeiss and Rheinmetall AG. Since 2012 partner in Cevian Capital and EMERAM Capital Partners respectively.	Began his career at The Timken Company in 1984, where he has held several management positions, such as responsible for Timken's bearing business activities in Asia, the Pacific and Latin America and for the company's automotive business in North America. Until 2014 President and CEO at Timken Company.	President and CEO of Scania 2012–2015. Prior to that, various managerial positions at Scania since 1992. Co-chair- man of the UN Secretary- General's High-Level Advisory Group on Sustainable Transport 2015–2016.
Holdings in Volvo, own and related parties	700,000 Series B shares.	64,100 Series B shares.	None.	20,000 Series B shares.	75,624 Series B shares.

BOARD MEMBERS APPOINTED BY THE EMPLOYEE ORGANISATIONS



Lars Ask
*Employee representative, ordinary member
Member of the Volvo CE Committee*

Mats Henning
Employee representative, ordinary member




Mikael Sällström
Employee representative, ordinary member

Born	1959	1961	1959
Member of the Volvo Board	Deputy member from June 16, 2009–2016. Ordinary member since April 6, 2016.	Since May 9, 2014.	Since September 7, 2009.
Background within Volvo	With Volvo since 1982.	With Volvo since 1982.	With Volvo 1980–1999 and since 2009.
Holdings in Volvo, own and related parties	293 Series A shares, 250 Series B shares.	293 Series A shares, 500 Series B Shares.	293 Series A shares.

					
Kathryn V. Marinello	Martina Merz	Hanne de Mora <i>Member of the Audit Committee</i>	Håkan Samuelsson	Helena Stjernholm <i>Member of the Audit Committee, Member of the Volvo CE Committee</i>	Lars Westerberg <i>Chairman of the Audit Committee</i>
BA from State University of New York at Albany, MBA from Hofstra University.	BS from University of Cooperative Education, Stuttgart.	BA in Economics from HEC in Lausanne, MBA from IESE in Barcelona.	MSc.	MSc Business Administration.	MSc Engineering, Bachelor Business Administration.
1956	1963	1960	1951	1970	1948
Since April 2, 2014.	Since April 1, 2015.	Since April 14, 2010.	Since April 6, 2016.	Since April 6, 2016.	Since April 4, 2007.
President and CEO Hertz Global Holdings.	Board Chairperson: SAF Holland SA. Board Member: Deutsche Lufthansa AG (supervisory board), NV Bekaert S.A and Imerys SA.	Board Chairperson: a-connect (group) ag. Board Member: IMD Supervisory Board.	President and CEO of Volvo Car Group. Board Member: Volvo Car AB, China-Euro Vehicle Technology AB (CEVT), Zenuity AB, Teknikarbetsgivarna i Sverige and Teknikföretagen (Engineering companies).	President and CEO of AB Industrivärden. Board Member: AB Industrivärden, Sandvik AB and Telefonaktiebolaget LM Ericsson.	Board Member: SSAB AB, Sandvik AB and Stena AB.
Has held several management positions at Citibank, Chemical Bank New York (now JP Morgan Chase), First Bank Systems and First Data Corporation, Division President General Electric Financial Assurance Partnership Marketing and Division President General Electric Fleet Services, President and CEO of Ceridian Corporation and subsequently also Chairman, Board Chairman, President and CEO of Stream Global Services, Inc. Senior Advisor, Ares Management, LLC. Board Member of Nielsen and RealPage.	Until January 2015, CEO for Chassis Brakes International. Has, during almost 25 years held various management positions in Robert Bosch GmbH, most recently as Executive Vice President Sales and Marketing in the Chassis System Brakes division combined with responsibility for regions China and Brazil and previously CEO of the subsidiary Bosch Closure Systems, also member of the Board of Management of Brose Fahrzeugteile GmbH & Co.	Credit Analyst Den Norske Creditbank in Luxemburg 1984. Various positions within brand management and controlling within Procter & Gamble 1986–1989, Partner McKinsey & Company, Inc. 1989–2002, one of the founders and owners, also Board Chairperson of the global consulting firm and talent pool a-connect (group) ag since 2002.	Began his career in 1977 at Scania where he stayed for more than 20 years. He held leading positions within Scania's technical division before he joined the executive board in 1996. He brought his vast truck experience from Scania to MAN in 2000 when he became Chairman & CEO of MAN Nutzfahrzeuge AG. Chairman & CEO of MAN AG from 2005–2009.	Between 1998–2015, employed by the private equity firm IK Investment Partners (former Industri Kapital) where she held various positions. She was a Partner with responsibility for the Stockholm office. She was also a member of IK's Executive Committee. Prior to that she worked as a consultant for Bain & Company.	Has held various positions within ASEA 1972–1984. Served several executive positions at Esab AB 1984–1994 including CEO and President. CEO and President of Gränges AB 1994–1999. CEO and President of Autoliv Inc. 1999–2007 and Chairman of Autoliv Inc. 2007–2011. Previously Chairman of Husqvarna AB, Vattenfall AB and Ahlsell AB.
None.	4,500 Series B shares.	3,000 Series B shares.	106,000 Series B shares.	8,000 Series B shares.	30,000 Series A shares, 168,000 Series B shares.

DEPUTIES APPOINTED BY THE EMPLOYEE ORGANISATIONS

SECRETARY TO THE BOARD

		
Camilla Johansson <i>Employee representative, deputy member</i>	Mari Larsson <i>Employee representative, deputy member</i> <i>Member of the Volvo CE Committee</i>	Sofia Frändberg <i>Secretary to the Board</i> <i>Master of Laws</i>
1966	1978	1964
Deputy member since April 6, 2016.	Deputy member since May 22, 2015.	Secretary to the Board since April 1, 2013.
With Volvo since 1997.	With Volvo since 2004.	Executive Vice President Group Legal & Compliance and General Counsel.
643 Series A shares.	605 Series A shares.	1,738 Series A shares, 50,774 Series B shares.

8 EXTERNAL AUDITING

Volvo's auditors are elected by the Annual General Meeting. The auditors perform a review of the interim financial information and audit the annual financial statements and consolidated accounts. The auditors report the results of their audit of the annual financial statements and consolidated accounts and their review of the Corporate Governance Report in the Audit Report and in an opinion on the Corporate Governance Report, which they present to the Annual General Meeting.

The current auditor PricewaterhouseCoopers AB (PwC), was elected at the Annual General Meeting 2014 for a period of four years. Two partners of PwC, Peter Clemedtson and Johan Palmgren, are responsible for the audit of Volvo. Peter Clemedtson is Auditor-in-Charge.

In 2016 Volvo decided to start procurement of audit services to prepare for the election of external auditors at the 2018 Annual General Meeting.

For information about Volvo's remuneration of the auditors, refer to Note 28 "Fees to the auditors" in the Group's notes in the Annual Report.

9 CORPORATE AUDIT

Volvo's internal audit function, Corporate Audit, supports Volvo in enhancing and protecting organizational value by providing risk-based, independent and objective assurance, advice and insight. Corporate Audit helps the organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and to improve the effectiveness of risk management, control and governance processes.

Corporate Audit performs internal audits in selected focus areas, identified through an independent risk assessment process and approved by the Audit Committee. In addition, special assignments requested by management and the Audit Committee are performed. The audits cover, among other things, assessments on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks and evaluation of compliance with policies and directives.

Corporate Audit also assists in investigations of suspected breaches of the Code of Conduct and of suspected fraudulent activities within the organization and coordinates and provides oversight of other control and monitoring functions.

The head of Corporate Audit reports directly to the CEO, the Group's General Counsel and the Board's Audit Committee.

For additional information on internal control over financial reporting, see pages 204–205.

10 GOVERNANCE PRINCIPLES AND ORGANIZATIONAL STRUCTURE

Volvo's strategy

The Volvo Group's mission is to "Drive prosperity through transport solutions". The Group's products and services are continuously developed to support sustainable societies and the well-being and safety of people. With this mission in mind, the Volvo Group strives to achieve its vision to be the most desirable and successful transport solution provider in the world.

The Volvo Group's aspirations are to have leading customer satisfaction for all of its brands in each segment; to be the most admired employer in the industry and to have industry leading profitability. The Group's values – Customer Success, Trust, Passion, Change and Performance – are the cornerstone of the Group's company culture. In 2017, the Volvo Group launched a new Code of Conduct that clearly defines expectations on the way the Group runs its business – not just in a few places, but wherever the Group operates. The Code of Conduct summarizes what the Volvo Group stands for and what Volvo expects from its employees. Seven strategic priorities set the direction for the Group. They describe the key fundamentals of the Volvo Group strategy such as customer focus, decentralization, empowerment and P&L responsibility for its brand organizations, continuous improvements as well as the importance of utilizing the Group strengths to increase synergies, profitability and to take leadership in key technologies.

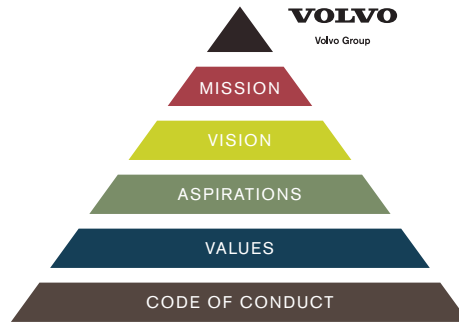
Based on the Group's strategic priorities, each Business Area defines its own operational plans. The long-term plans, such as the Group's industrial and technology plans, are also crucial parts of the Group's strategic direction. The follow-up of the Volvo Group strategy is managed by the annual Group Strategy Cycle.

Governance documents

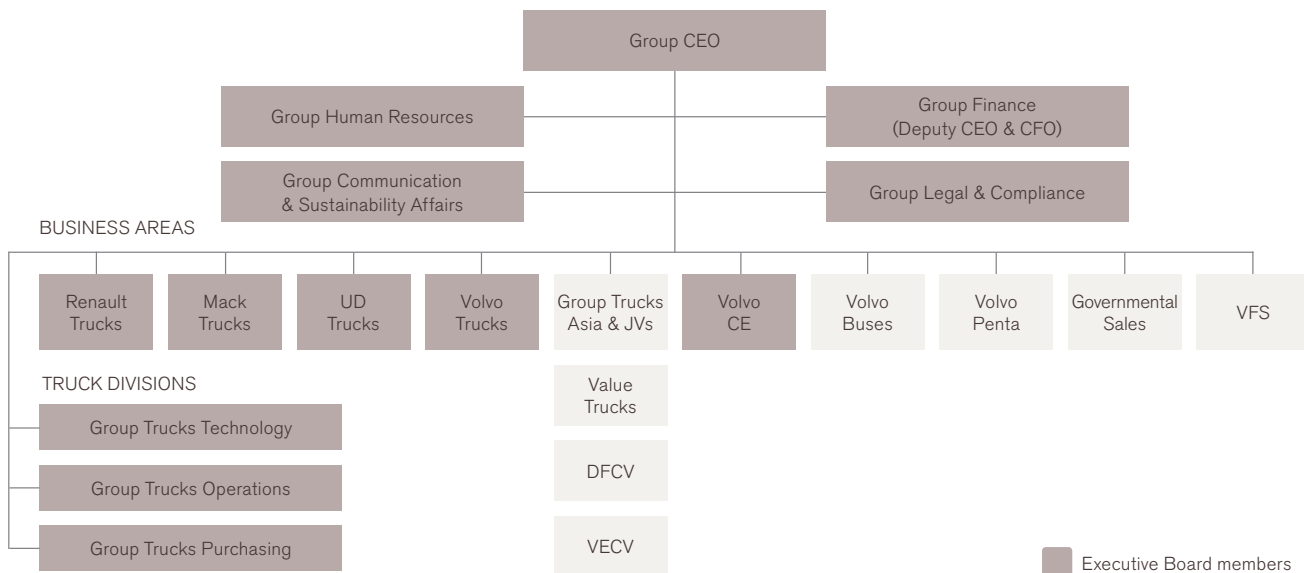
Another key component of the Group's governance is its policies and directives, such as the Code of Conduct and policies pertaining to investments, financial risks, accounting, financial control and internal audit, which contain Group-wide operating and financial rules for the operations, as well as responsibility and authority structures.

Organizational structure

The business of the Volvo Group is organized into ten Business Areas. Of these, five represent brand-specific Business Areas for trucks: Volvo Trucks, UD Trucks, Renault Trucks, Mack Trucks and Group Trucks Asia & JVs, each with profit and loss responsibility for their respective business. The other Business Areas are Volvo Construction Equipment, Volvo Buses, Volvo Penta, Governmental Sales and Volvo Financial Services (VFS).



VOLVO GROUP ORGANIZATION



» Governance principles and organizational structure (cont.)

The Trucks Business is further organized into three divisions: Group Trucks Technology (GTT), Group Trucks Operations (GTO) and Group Trucks Purchasing (GTP). GTT is responsible for product development of engines, transmissions and trucks. GTO is responsible for the production of trucks and the Group's engines and transmissions, as well as for the Group's spare parts supply and logistics operation. GTP has overall responsibility for purchasing for the Group's trucks, engines and transmissions operations as well as for the Group's purchase of indirect products and services.

In addition, there are four Group Functions: Group Human Resources, Group Finance, Group Communication & Sustainability Affairs and Group Legal & Compliance, tasked with supporting to the CEO and the Group Executive Board with expertise within each Group Function area and with developing standards for the entire organization through policies, directives and guidelines. In addition, there are Group Functions that provide services and/or products for the entire Group, such as Group IT and Accounting & Company Control.

With this governance model, Volvo can utilize the synergies of having global organizations for manufacturing, product development and purchasing, while maintaining clear leadership and responsibility for each truck brand to make sure that customer needs are met. The aim of the governance model is that all Business Areas are driven according to the same distinct business principles, whereby each Business Area can follow and optimize its own earnings performance in the long and short term.

11 GROUP MANAGEMENT

The Group Executive Board comprises 13 members.

In addition to the CEO, the Group Executive Board comprises the Executive Vice Presidents of the three Group Truck Divisions, the Executive Vice Presidents of the five Business Areas Renault Trucks, Mack Trucks, UD Trucks, Volvo Trucks and Volvo Construction Equipment, and the Executive Vice Presidents of the four Group Functions. The head of Group Finance is, besides CFO, also deputy CEO. The members of the Group Executive Board report directly to the CEO.

The Presidents of the Business Areas Group Trucks Asia & JVs, Volvo Buses, Volvo Penta, Governmental Sales and VFS also report directly to the CEO and are part of an extended Group Management Team together with the members of the Group Executive Board.

The CEO is responsible for managing the day-to-day operations of the Volvo Group and is authorized to make decisions on matters that do not require Board approval. The CEO leads the operations of the Group mainly through the Group Executive Board and the extended Group Management Team.

The Product Board is where key decisions are made related to the Group's offering and technology portfolio. The Product Board focuses primarily on R&D projects in the Group's truck Business Areas and Group-wide projects of significant size.

The Quality Board is where quality-related matters are addressed in order to support fast decision-making and customer focus in this area.

At special meetings for Sales & Operations Planning (S&OP), decisions are made regarding a production plan aimed at optimizing the Volvo Group's overall profitability. The purpose of the meetings is to balance demand with supply chain capabilities, drive capacity management and provide directions for the Group's sales and operations activities.

All of the above bodies affect control and monitoring of the Group's financial development, strategies and targets, and make decisions regarding investments and other matters.

Remuneration of the Group Executive Board

Every year, AB Volvo's Annual General Meeting resolves on a policy for remuneration of the Group Executive Board, based on a proposal from the Board. For information about the remuneration policy adopted by the Annual General Meeting 2017, refer to Note 27 "Personnel" in the Group's notes in the Annual Report.

Changes to the Group Executive Board







On January 1, 2018, Melker Jernberg joined the Group Executive Board and assumed the position as President of Volvo Construction Equipment. Melker Jernberg replaced Martin Weissburg, who will replace Dennis Slagle as President of Mack Trucks as per June 1, 2018.








On January 1, 2018, Kina Wileke joined the Group Executive Board and assumed the position as Executive Vice President Group Communications & Sustainability Affairs. Kina Wileke replaced Henry Sténson.



Martin Lundstedt, President and CEO, at the Annual General Meeting 2017.

Group Executive Board

						
	Martin Lundstedt <i>President and CEO</i>	Jan Gurander <i>Deputy CEO and CFO</i>	Claes Nilsson <i>Executive Vice President Volvo Group and President Volvo Trucks</i>	Bruno Blin <i>Executive Vice President Volvo Group and President Renault Trucks</i>	Dennis Slagle <i>Executive Vice President Volvo Group and President Mack Trucks</i>	Joachim Rosenberg <i>Executive Vice President Volvo Group and Chairman of UD Trucks.</i>
Education	MSc.	MSc.		MBA.	BS Accounting CPA.	MSc Industrial Engineering and Management, MSc Financial Economics, MSc Business and Economics.
Born	1967	1961	1957	1963	1954	1970
Principal work experience	President and CEO of Volvo and member of the Group Executive Board since October 2015. President and CEO of Scania 2012–2015. Prior to that, various managerial positions at Scania since 1992. Co-chairman of the UN Secretary-General's High-Level Advisory Group on Sustainable Transport 2015–2016.	CFO & Senior Vice President Finance Volvo Car Corporation 2011–2013. CFO MAN Diesel & Turbo SE 2010. CFO MAN Diesel SE 2008–2009. Group Vice President and CFO Scania AB 2001–2006. President of Business Unit Finance AB Volvo 1999–2001. Senior Vice President & Finance Director Scania AB 1998–1999. Member of the Group Executive Board since 2014. With Volvo 1999–2001 and since 2014.	President Volvo Trucks since 2016. Senior Vice President Volvo Group Trucks Sales Latin America 2015. Senior Vice President Volvo Group Trucks Sales, Europe North and Central 2013–2014. Senior Vice President Volvo Trucks 2011–2012. President Volvo Trucks, Europe Division 2007–2011 and International Division 2006–2007. Member of the Group Executive Board since 2016. With Volvo since 1982.	After having worked for several companies in the manufacturing, quality and purchasing areas, he joined Renault Trucks Purchasing in 1999. Has held several senior positions over the years until being appointed Senior Vice President of Volvo Group Purchasing. Has also served as Senior Vice President, Group Truck Sales South Europe January 2013–2016. Member of the Group Executive Board since March 2016. With Volvo since 1999.	Has held various executive level positions within Volvo Group Trucks Sales North America 2008–2016. President Volvo Construction Equipment North America 2000–2008. Member of the Group Executive Board since March 2016 and between 2008–2014. With Volvo since 2000.	Executive Vice President Group Trucks Sales 2015–2016. Executive Vice President Group Trucks Sales & Marketing APAC 2012–2014. President Volvo Group Asia Truck Operations 2007–2011. Vice President Volvo Group Alliance Office 2007. Vice President Volvo Powertrain 2005–2007. Consultant with McKinsey & Company 1996–2004. Member of the Group Executive Board since 2012. With Volvo since 2005.
Board memberships	Chairman of Partex Marking Systems AB and Permobil AB. Board Member of ACEA Commercial Vehicle and Concentric AB. Member of the Royal Swedish Academy of Engineering Sciences (IVA) and Advisory member of the Swedish National Innovation Council.				Volvo Group representative for National Association of Manufacturers (NAM).	Volvo Group representative for Japan Automobile Manufacturers Association (JAMA).
Holdings in Volvo, own and related parties	75,624 Series B shares.	26,143 Series B shares.	206 Series A shares, 21,488 Series B shares.	7,863 Series B shares.	85,047 Series B shares.	87 Series A shares, 59,996 Series B shares.

						
Melker Jernberg <i>Executive Vice President Volvo Group and President Volvo Construction Equipment</i>	Lars Stenqvist <i>Executive Vice President Group Trucks Technology</i>	Jan Ohlsson <i>Executive Vice President Group Trucks Operations</i>	Andrea Fuder <i>Executive Vice President Volvo Group Trucks Purchasing</i>	Sofia Frändberg <i>Executive Vice President Group Legal & Compliance and General Counsel</i>	Kerstin Renard <i>Executive Vice President Group Human Resources</i>	Kina Wileke <i>Executive Vice President Group Communication & Sustainability Affairs</i>
MSc Mechanical Engineering.	MSc Industrial Engineering.	MSc.	MSc and MBA.	Master of Laws.	BSc Sociology.	Degree in journalism, University of Gothenburg.
1968	1967	1953	1967	1964	1961	1974
CEO and President at Höganäs AB 2014–2017. Executive Vice President, Business Area EMEA at SSAB 2011–2014. Has held various positions at Scania AB since 1989, most recently as Senior Vice President Buses and Coaches at Scania AB 2007–2011. Member of the Group Executive Board since 2018.	Executive Vice President Group Trucks Technology and Volvo Group Chief Technology Officer since October 2016. Head of R&D and CTO at Volkswagen Truck & Bus 2015–2016. Senior Vice President Vehicle Definition R&D at Scania 2007–2015. Prior to that various senior positions at Scania since 1992. Member of the Group Executive Board since October 2016. With Volvo Group since October 2016.	Senior Vice President Powertrain Production Group Trucks Operations 2012–2016. 2001–2012 General Manager European Manufacturing Volvo Trucks. Member of the Group Executive Board since April 2016. With Volvo since 1979.	Has worked in Quality and Logistic and held various senior positions at Volkswagen's Purchasing organization since 1992. Head of Purchasing at Scania 2012–2016. Member of the Group Executive Board since 2017. With Volvo since 2017.	Responsible for Group Legal & Compliance and General Counsel of the Volvo Group since April 2013. Head of Corporate Legal at AB Volvo 1998–2013. Corporate Legal Counsel at AB Volvo 1994–1997. Member of the Group Executive Board since April 2013. With Volvo since 1994.	Senior Vice President Human Resources for the Volvo Group 2007–2011. Prior to that Senior Vice President Human Resources & Communication at Volvo Powertrain 2005–2006. Member of the Group Executive Board since 2012. With Volvo since 2005.	Responsible for Group Communications since 2018. With the Volvo Group since 2008, most recently as Senior Vice President Brand, Communication & Marketing Volvo Penta 2016–2017, Senior Vice President External Corporate Communication Volvo Group 2012–2016 and CEO Communication Volvo Group 2008–2012. Has held a number of positions in TV4 Group 1998–2008. Member of the Group Executive Board since 2018.
				Secretary to the AB Volvo Board since April 2013.	Board Member of Teknikföretagen (Engineering companies).	Board Member of Handelsbanken Regionbanken Västra Sverige.
2,000 Series B shares.	1,768 Series B shares.	32,154 Series B shares.	1,600 Series A shares, 2,100 Series B shares.	1,738 Series A shares, 50,774 Series B shares.	405 Series A shares, 43,375 Series B shares.	135 Series A shares, 5,651 Series B shares.

12 INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board is responsible for the internal controls according to the Swedish Companies Act and the Code. The purpose of this report is to provide shareholders and other interested parties with an understanding of how internal control is organized at Volvo with regard to financial reporting. The description has been designed in accordance with the Swedish Annual Accounts Act and is thus limited to internal control over financial reporting.

Introduction

Volvo has a function for internal control with the objective to provide support for management, allowing them to continuously provide solid internal controls relating to financial reporting. Work that is conducted through this function is primarily based to ensure compliance with directives and policies, and to create effective conditions for specific control activities in key processes related to financial reporting. The Audit Committee is continuously informed of the results of the work performed by the Internal Control function within Volvo with regard to risks, control activities and follow-up on the financial reporting.

Volvo also has an internal audit function, Corporate Audit, which among other things, independently monitors that companies in the Group follow the principles and rules that are stated in the Group's directives, policies and instructions for financial reporting. The head of the Corporate Audit function reports directly to the CEO, to the Group's General Counsel and the Board's Audit Committee.

Control environment

Fundamental to Volvo's control environment is the business culture that is established within the Group and in which managers and employees operate. Volvo works actively on communication and training regarding the company's basic values included in the Group's Code of Conduct, to ensure that good morals, ethics and integrity permeate the organization.

The foundation of the internal control process relating to the financial reporting is based on the Group's directives, policies and instructions, as well as the organization's responsibility and authority structure. The principles for Volvo's internal controls and directives and policies for the financial reporting are contained in the Volvo Group Management System, a group wide management system comprising, among other things, instructions, rules and principles.

Risk assessment

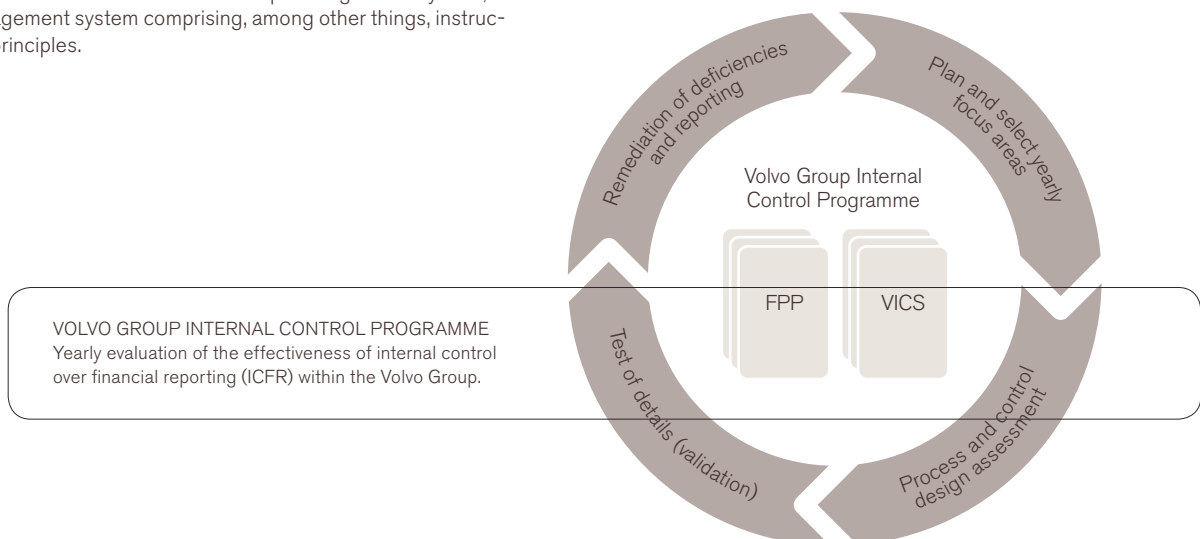
Risks relating to financial reporting are evaluated and monitored by the Board through the Audit Committee inter alia through identifying risks that could be considered as material, and through the mitigating control objectives. The risk assessment is based on a number of criteria, such as the complexity of the accounting principles, revaluation principles of assets or liabilities, complex and/or changing business circumstances, etc. The risks together with mitigating control objectives are collected in a framework for internal control over financial reporting, Volvo Internal Control Standard (VICS).

Control activities

In addition to the Board of Directors of AB Volvo and its Audit Committee, the management groups and other decision-making bodies in the Group constitute overall supervisory bodies. Business processes are designed to ensure that potential errors or deviations in the financial reporting are prevented, discovered and corrected by implementing control activities that correspond to the control objectives defined in the VICS framework. Control activities range from review of outcome results in management group meetings to specific reconciliation of accounts and analyses of the ongoing processes for financial reporting.

Information and communication

Policies and instructions relating to the financial reporting are updated and communicated on a regular basis from management to all affected employees. The Group's financial reporting function has direct operating responsibility for the daily financial reporting and works to ensure a uniform application of the Group's policies, principles and instructions for the financial reporting and to identify and communicate shortcomings and areas of improvement in the processes for financial reporting.



AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT

Follow-up

Ongoing responsibility for follow-up rests with the Group's financial reporting function. In addition, the Corporate Audit and the Internal Control function conduct review and follow-up activities in accordance with what is described in the introduction of this report. More specifically, the Internal Control function runs and coordinates evaluation activities through the "Volvo Group Internal Control Programme," with the purpose of systematically evaluating the quality of the internal control over financial reporting on an annual basis. An annual evaluation plan is established and presented to the Audit Committee. This evaluation program comprises three main areas:

1. Group-wide controls: Self-assessment procedure carried out by management teams at business area, Group Function and company levels. The main areas evaluated are compliance with the Group's financial directives and policies and the Group's Code of Conduct.
2. Process controls at transaction level: Processes related to the financial reporting are evaluated by testing procedures/controls based on the framework for internal control over financial reporting, Volvo Internal Control Standards (VICS).
3. General IT controls: Processes for maintenance, development and access management of financial applications are evaluated by testing procedures and controls.

The results of the evaluation activities are reported to Group management and the Audit Committee. During 2017, the Internal Control function reported three times to the Audit Committee regarding the annual evaluation plan, status on outstanding issues and final assessment of the control environment.

Göteborg, March 6, 2018

AB Volvo (publ)
The Board of Directors

To the annual meeting of the shareholders of AB Volvo (publ), corporate identity number 556012-5790

Engagement and responsibility

The Board of Directors is responsible for that the corporate governance statement on pages 188–205 has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Göteborg, March 6, 2018

PricewaterhouseCoopers AB

Peter Clemedtson
Authorized Public Accountant
Lead Partner

Johan Palmgren
Authorized Public Accountant
Partner