THE SCANIA REPORT 2021

Annual and
Sustainability Report

SCANIA

THE YEAR AT A GLANCE

Following a year of global disruption caused by the pandemic, 2021 saw strong recovery in demand for transport but also ongoing supply chain problems and an unpredictable economic outlook. Highlights during the year included the launch of our new powertrain range and continued strong progress on our electrification journey, both crucial to accelerate the shift towards sustainable transport.

Scania 130 years

Ever since 1891, Scania has developed transport of both goods and people. In 2021, 130 years later, there has probably never been a more interesting and challenging time to be part of the ecosystem of transport and logistics.

New powertrain range launched

November saw the launch of our new powertrain Scania Super – a major sustainability milestone for Scania, and a move that secures our leading position in our industry. Delivering at least eight percent fuel savings for our customers, and backed up by a range of services to improve efficiency, uptime and safety, the powertrain will be key to reaching our climate targets.

8%

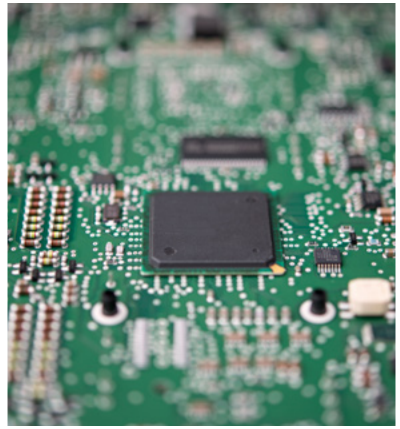
additional fuel savings compared to our already highly-efficient current engine range.

COVID-19 and the new normal

2021 saw Scania and our customers learning to live with COVID-19. Broad vaccination coverage and safety protocols allowed for the gradual return to the workplace in many of our locations, while the widespread adoption of digital tools have created more flexible, efficient ways of working. However the outlook remains uncertain, and the pandemic is continuing to cause disruption in global supply chains.

Semiconductor crisis hits production

COVID-19-related factory closures, extreme weather and surging demand created a severe shortage in the supply of semiconductors, with the automotive industry particularly affected by the crisis. The shortage led to production delays for Scania, and knock-on impacts for our customers. Although we are working hard to get production back on track, the crisis remains an ongoing challenge for our industry, with some disruption likely to continue for the foreseeable future.



Investment in electrification ramps up

Scania invested heavily in electrification projects in 2021, building an end-to-end electrification competence in the Stockholm region. Construction continued on our new 18,000 square metre battery assembly plant in Södertälje. Carried out in partnership with our battery supplier Northvolt, the project is financed through proceeds from Scania's Green Bond.

To intensify battery testing and tailored deployment, Scania also has a new battery laboratory at our research and development facilities in Södertälje.

Scania is a founding member of First Movers Coalition

Scania is a founding member of the First Movers Coalition, a new initiative designed to increase low carbon purchases in areas considered hard to decarbonise, such as steel and transport. It means that we commit to purchasing significant amounts of green steel, and set hard targets ensuring that the goods transport we purchase for our inbound and outbound logistics operations is more sustainable.

Heavy vehicle charging network in the pipeline

The TRATON GROUP teamed up with Daimler Truck and Volvo Group in a joint venture aimed at rolling out a high-performance public charging network for electric long-haul and regional trucks and coaches across Europe. The plan will enhance customer confidence in switching to electric vehicles.

Thought leaders gather for the Sustainable Transport Forum

On 19 May, some of the world's most influential sustainability thought leaders gathered with decision makers across the transport sector for Scania's Sustainable Transport Forum, broadcast as a live event from Stockholm. Showcasing action-orientated transport initiatives, the forum welcomed Sir Richard Branson as the keynote speaker.

Fifth Green Truck triumph

For the fifth year in a row, Scania won Germany's Green Truck title, one of the industry's most coveted sustainability awards. The prize is awarded for long-distance fuel efficiency, with competing vehicles subjected to rigorous tests on a 360 km test track under a variety of conditions.

The alarm sounds on climate change

At the height of a summer dominated by wildfires and other extreme weather events, the IPPC (Intergovernmental Panel on Climate Change) published its landmark report on the climate crisis. Its stark conclusions left no room for doubt: human activity is the cause of climate change, and only drastic greenhouse gas reductions in this decade can prevent climate breakdown. The report's findings underline the urgency of our purpose: to drive the shift to a sustainable transport system.

The life cycle impacts of our trucks revealed

We carried out a life cycle assessment (LCA) of the environmental impact of our trucks, making Scania the first company in the heavy commercial vehicle industry to do so. Among its key findings, the LCA showed that the life cycle carbon impact of battery electric trucks is significantly lower than trucks with internal combustion engines, even with today's energy mix.

Transport in focus at COP26

In November, Scania joined world leaders, businesses and negotiators in Glasgow for COP26, the United Nations (UN) climate change conference. Scania took part in several events to move the conversation forward on how transport needs to change to meet the goals of the Paris Agreement, as well as signing new pledges on reducing emissions from heavy vehicles.

CEO Alliance: supporting the EU Green Deal

In July, Christian Levin attended a meeting with the CEO Alliance, which consists of top EU executives from across the transport, energy and technology industries. The purpose was to discuss ways to support the EU Green Deal. The meeting resulted in policy recommendations supporting the push to achieve carbon neutrality in the EU by 2050.

Gold rating for sustainability work

Scania was once again awarded a gold rating by EcoVadis, a leading provider of business sustainability ratings for global supply chains. The gold rating indicates that our sustainability performance is ranked among the top five percent of the companies assessed.

Guidelines for responsible trucking

Scania joined forces with other leading transport buyers and suppliers to release the Truck Transport Social Guidelines. The guidelines aim to improve conditions for truck drivers by establishing industry standards in key areas such as driving and rest times, pay and health and safety.

CONTENTS

Scania's purpose is to drive the shift towards a sustainable transport system, creating a world of mobility that is better for business, society and the environment.

The Scania Group's formal financial reports encompass pages 40–138 and are audited by the company's auditors, EY. The statutory sustainability report encompass pages 139–164. Guidance on the sustainability report can be found on page 153.

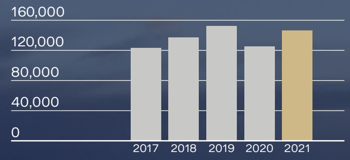
2021 IN NUMBERS

Demand for Scania's products and services was good, and though heavily impacted by supply chain disruptions, we effectively managed through 2021 with a strong performance.

Net sales

146,146

SEK m.

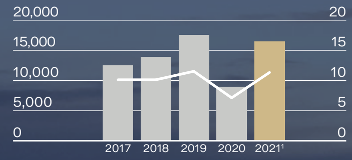


Net sales was boosted by increasing vehicle and engines volumes, as well as a growing service business.

Operating income

16,523

Operating Income SEK m. — Operating margin %

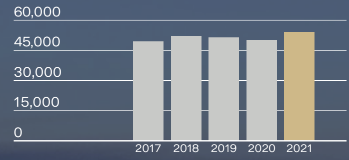


Increasing sales volumes had a positive impact on operating income, though hampered by higher cost related to supply chain disturbances and higher material costs.

Number of employees

54,000

No.

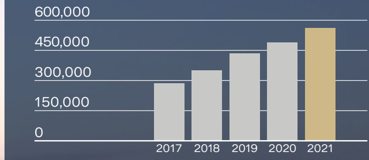


Scania's total number of employees increased in 2021.

Connected Scania vehicles

559,051

Units (accumulated)

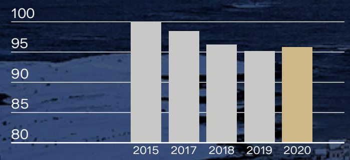


The number of connected vehicles is steadily increasing. 64 percent of Scania's 10-year rolling fleet of trucks and buses is now connected.

CO_2e reduction from product

-4

%

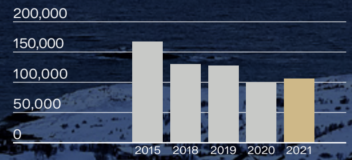


Scania aims to achieve a 20 percent reduction in CO_2e from products during the user phase by 2025, with 100 percent in 2015 as the baseline. From 2015 to 2020 the reduction is 4 percent.[2]

CO_2e from operations

105,800

Tonne CO_2e

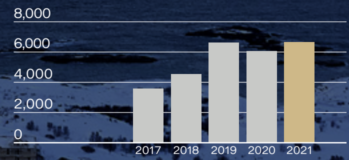


2021 saw a small increase in emissions due to a high level of activity in operations compared to 2020. The reduction since 2015 is 37 percent.

Sales of alternative fuels

6,636

No. of vehicles

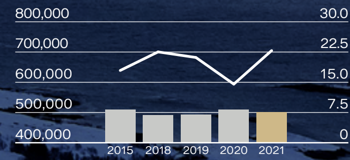


Increases in sales of gas, FAME, hybrids and battery electric trucks resulted in an increase compared to 2020.

Energy consumption

704,362

— Total MWh MWh/Vehicle



With production at a high level, we see an increase in total energy use in 2021 compared to 2020, but at the same time a decrease in use per vehicle produced.

1 Operating income including items affecting comparability amounted to SEK 11,294 m.
2 Input data is co_2e/km from operative months within 12 months and starting after the month of production, causing reporting to lag one year.

ABOUT SCANIA

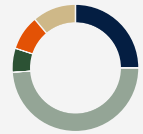
Scania is a world-leading provider of transport solutions, including trucks and buses for heavy transport applications combined with an extensive product-related service offering. Scania offers vehicle financing, insurance and rental services to enable our customers to focus on their core business. Scania is also a leading provider of power solutions for industrial and marine applications.

Trucks

Scania supports transport companies across the world by delivering heavy trucks for each customer's need. We offer tailor-made solutions for a range of different applications including long-distance, urban applications and construction.

Sales and deliveries

America*	25%
Europe	49%
Africa and Oceania	6%
Eurasia	9%
Asia	11%



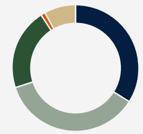
85,930 UNITS

Buses and coaches

Scania offers a complete range of city buses and coaches for public transport operators and coach companies. Our offer also includes tailored solutions to help solve today's urban mobility challenges.

Sales and deliveries

America*	34%
Europe	36%
Africa and Oceania	21%
Eurasia	1%
Asia	8%



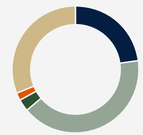
4,436 UNITS

Power solutions

Scania engines can be found at the heart of machines required to be in use 24 hours a day, including in wheel loaders, patrol boats and power gensets.

Sales and deliveries

America	23%
Europe	41%
Africa and Oceania	3%
Eurasia	2%
Asia	31%



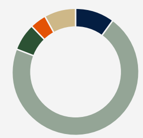
11,786 UNITS

Services

Scania's extensive service offering includes workshop services, tailor-made maintenance with flexible and predictive plans, driver training and evaluation, and services for support and management of our customers' operations.

Sales

America	10%
Europe	71%
Africa and Oceania	7%
Eurasia	4%
Asia	8%



SEK 30,074 M.

Financial services

Scania Financial Services provides flexible financing and insurance solutions tailored to give our customers predictable costs and manageable risks over the entire life cycle of their vehicles.

Products financed

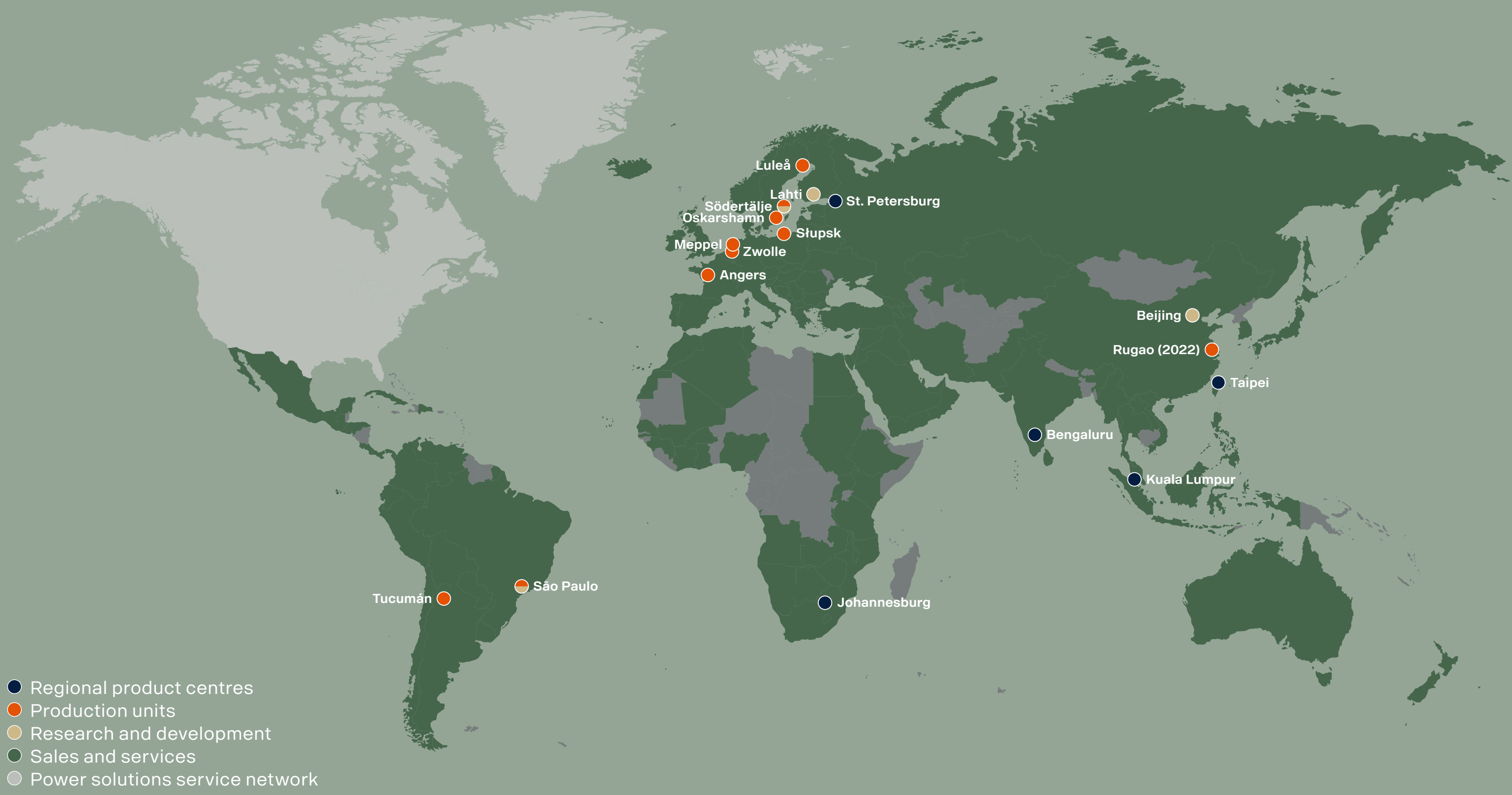
New trucks	62%
New buses	2%
Used vehicles	15%
Other	21%

55,602 UNITS

* Refers to Latin America

ABOUT SCANIA, CONTINUED

With 54,000 employees in more than 100 countries, our sales and service network is strategically placed where our customers need us, no matter where they operate.



Our research and development activities are mainly concentrated in Södertälje, Sweden. Production takes place in Europe, Latin America and Asia, with facilities for global interchange of both components and complete vehicles. We also have regional product centres in Africa, Asia and Eurasia. The setup of a new production facility in China will begin operating in 2022.

Scania is part of TRATON GROUP. Under this umbrella the brands Scania, MAN, Volkswagen Caminhões e Ônibus and Navistar work closely together.

Global net sales

Trucks	64%
Buses and coaches	8%
Power solutions	2%
Service-related products	19%
Used vehicles	5%
Other	3%

CEO STATEMENT

2021 will be remembered as a year of continued and extreme supply chain issues, an acceleration of the transformation of the company and relentless focus on our purpose to drive the shift towards sustainable transport.

Christian Levin
President and CEO,
Scania and TRATON GROUP

I stepped into the role of Scania CEO in May 2021. It is a special honour for me to be back at Scania, leading the company that has had such a tremendous influence on my life and career. Scania is already a driving force for transport sustainability, creating an impact across our entire industry. Working alongside the global team at Scania, I am looking forward to continuing this journey, doing our part in making the world better for both business, society, and the environment.

A challenging year

2021 was a turbulent year, marked by achievements but also supply chain challenges. On the one hand we saw a revitalised transport market, with a surge in demand for goods transport. On the other hand, supply chain disruption – and in particular the semiconductor shortage – had a major impact on our operations and our ability to deliver to our customers.

It is a troublesome situation for us, our suppliers and of course our customers, but I am immensely proud of the way the Scania team has dealt with the challenges. Scania managed to avoid unplanned production stops longer than anyone else in the industry. Thanks to a good collaboration in the organisation and with the unions, more or less daily interactions with our suppliers and of course a close dialogue with our customers, we managed to keep getting vehicles out on the roads. However, unfortunately, we also experienced stoppages in production. Thanks to the trust our customers place in us, we have been able to work hand-in-hand with them throughout the crisis, mitigating the impact. At Scania, the close relationships we develop with customers have always been one of our strongest assets. Customers invest in a Scania because of our quality and they have stayed with us even when lead times have been significantly longer than usual, for which we are very grateful.

Sustainability milestones

Despite the challenges we faced in 2021, the year saw some remarkable milestones. Throughout the year, we stayed focused on our purpose to drive the shift to a sustainable transport system.

During 2021, Scania made important progress in our electrification journey. We became the first company in our industry to publish a life cycle assessment of a battery electric truck, comparing its environmental impact with that of a truck powered by an internal combustion engine. We know that battery production is energy intense but the results showed definitively that the battery electric truck has a lower carbon footprint throughout its life cycle, even with the current energy mix.

Thanks to the rapid advance of electric vehicle technology, Scania announced projects that raised the bar for electric heavy vehicle performance. These include our partnerships with timber, pulp and paper manufacturer SCA for the development of an electric 80-tonne timber truck, with Jula Logistics for the extra-long 32-metre electric haulage truck and with chemical supplier Wibax, who are already using their 64-tonne electric truck in daily operations. Projects such as these are helping to demonstrate to the world that electric vehicles are living up to their promises in terms of range and carrying capacity, even in the toughest conditions. The electrification of long haul and extremely heavy transport is not only viable, it is coming much sooner than expected.

Partnerships for infrastructure

For customers to embrace electric transport, the right charging infrastructure must be in place. At Scania, we are playing an active role in projects to scale up infrastructure, and we are committed to working in partnership with other players across the transport ecosystem to do so – including our direct competitors. In 2021, we joined forces with Daimler Truck and Volvo Group, through Scania's owner TRATON GROUP to invest in a high-performance charging network for heavy commercial vehicles.

CEO STATEMENT, CONTINUED

Whilst we are preparing for high volumes of electrified vehicles, many of our customers are not yet ready to shift to electric. It is vital that we ensure these customers also have access to the most sustainable transport options using conventional powertrain technology. This leads me to one of the biggest milestones of 2021 – the launch of Scania Super, our new powertrain platform. Ready to run on biofuels, and capable of delivering at least eight percent fuel savings compared with our previous highest performing powertrain, it is a crucial step forward in our sustainability journey. Since its launch, Scania Super has received great feedback and interest from customers and the industry press.

Transforming for tomorrow

Scania made major strides in changing our industry for the better in 2021 – but we also made some significant changes to our company. We continue to prepare for the ramp up of our industrial and commercial capabilities in China. The move is strategically important for our company, not only increasing our global production capacity, but also making us an integral player in one of the largest and fastest-developing markets in the world.

During the year we also made changes to transform our company, moving to a new operating model. Technological change is moving our industry into uncharted territory, and the customers, competitors

> "Throughout the year, we stayed focused on our purpose towards drive the shift to a sustainable transport system."

and products we will have in five years' time may be very different to those we have today. The changes we are making will give us the speed and flexibility we need to adapt quickly and stay competitive in the future.

As of October 2021, Traton Supervisory Board decided to merge the functions Scania CEO with the CEO of TRATON GROUP, as a long-term solution. It makes sense to have a brand-CEO as the CEO for the Group. The mandate is strong and clear and we will build on the strengths of all brands in the Group and leverage the modularisation that has enabled Scania's profitability leadership in the industry over time.

Several times during the year, I have had the opportunity to meet with influential stakeholders from every corner of the world who share our vision for sustainable transport. It is inspiring and energizing but sometimes also frustrating, since the consensus for what needs to change increases, but it is hard to get the processes to pick up speed.

Towards net zero

At Scania, we have committed to ambitious emission reduction targets in line with the Paris Agreement. We have integrated our science-based targets in our Corporate Targets and they are the foundation for the strategic choices we make and the way we are transforming every part of our business.

We continue to push and challenge other stakeholders to follow our lead because we know that we cannot achieve this change alone. We drive change across industries and one such platform is the European initiative CEO Alliance. While industry joining forces can accomplish much, in order to succeed, governments must also step up. They need to make significant investments in the build out of infrastructure for charging electric vehicles, including the underlying electric grid. Policymakers need to put a meaningful price on carbon that reflects its actual environmental cost. They need to support companies and industries that want to move faster by removing regulatory barriers and ensuring that we have the support structures in place to enable a rapid transition to low carbon technologies. I take every opportunity to advocate for this stance on behalf of Scania and our ecosystem. Notably, I did so in the UN's climate summit COP26 in Glasgow in November.

Unstoppable momentum

At the summit, I signed on behalf of Scania a global Memorandum of Understanding (MoU) endorsing the effort to reach zero-emission trucks and buses by 2050, making us the first company in our industry to do so. This commitment is very ambitious and we support the memorandum because, from a vehicle point of view, we believe there are no fundamental technological barriers to decarbonising our industry.

As frustrating as it can be that change is not happening fast enough, the joint force from governments, businesses and other organisations which came together at COP26, is truly an unstoppable movement now and that makes me feel hopeful.

I want to round off by saying thank you to everyone in our Scania family for their hard work and commitment in what has been a particularly trying time. We have shown amazing resilience as an organisation, and we have demonstrated we have the vision and adaptability we need to take on the future. As a result we have emerged from a difficult year in an even stronger position to drive the shift and change our industry – and the world – for the better.

We do not expect 2022 to be easy. The situation in Ukraine has sent shockwaves around the globe, and although its full impact is difficult to assess at this point, political instability on top of the ongoing supply chain issues, bodes for another tough year. But looking back at what we achieved in 2021 and how we have adapted to disruption before, I feel confident that we are ready for the challenges.

Christian Levin
President and CEO,
Scania and TRATON GROUP

HOW SCANIA CREATES VALUE

By providing sustainable transport solutions, Scania creates lasting value for all our stakeholders throughout the life cycle of our products – from our customers to society as a whole.

Our purpose

Scania's purpose is to drive the shift towards a sustainable transport system, creating a world of mobility that is better for business, society and the environment. Delivering on our purpose is the main way we create value as a business.

+ Read about our purpose on page 13

Our business model

Our business model is the platform through which we create value.

+ **Customer sales revenue**
- **Customer cost**

= **Customer operating income**

+ **Scania sales revenue**
- **Scania cost**

= **Scania operating income**

Increasing customer revenue
Scania's high-quality, optimised vehicles and services, supported by vehicle data gathered from connected vehicles, ensure maximum time in operation and thereby boost customer revenue.

Reducing customer costs
Scania influences factors like fuel, repair and maintenance costs, the residual value of the vehicle and the cost and availability of financing.

Value for our stakeholders

Our stakeholders range from our customers and employees, to transport ecosystem partners such as infrastructure providers and transport users. We create value for each of our main stakeholder groups throughout our product life cycle.

Value for our customers

Our solutions are optimised for customer needs and help them build profitable and sustainable businesses by improving their transport efficiency: for example, through maximising uptime, lowering emissions and reducing vehicle running costs.

Value for our employees

We reward our employees both through pay and compensation, and our purpose-driven work culture. We provide a safe, healthy and inclusive working environment, where difference is valued and everyone has an opportunity to thrive. By investing in training, we ensure our employees have the skills and knowledge to succeed, now and in the future.

Value for drivers

Our vehicles are designed to enhance the driver experience and provide drivers with a safe, comfortable working environment. We are active in cross-industry efforts to improve working conditions for drivers – for example, through our contribution to the Truck Transport Social Guidelines.

Value for suppliers

Our sourcing activities provide economic value and business opportunities for suppliers and their employees. By improving transparency and through due diligence processes, we work to mitigate the social and environmental impacts of our sourcing activities and improve conditions for workers within our supply chains.

Value for owners and lenders

As a company focused on sustainability, we deliver sustainable growth and long-term financial resilience for our owners and lenders. Scania is also qualified to issue green bonds, providing investors with opportunities to support sustainable transport initiatives.

Value for the transport ecosystem

We work closely with partners across the transport ecosystem to scale up renewable fuel and electrification infrastructure. By doing so we help drive systemic change, build resilience and create long-term, sustainable value throughout the transport sector.

Value for society

Transport is vital for a healthy society. Our solutions can reduce the environmental impact of transport while increasing access to mobility, easing congestion and improving safety. By providing employment opportunities both within our own business and our supply and delivery flow chain, we support communities and contribute to economic growth.

HOW SCANIA CREATES VALUE, CONTINUED

We seek to create value at every stage of our product life cycle by minimising the negative impacts of our operations and products, and increasing the positive ones. This life cycle approach delivers value for each of our key stakeholder groups in different ways.

Our product life cycle

Research and development
Scania makes significant yearly R&D investments to make our transport solutions efficient and profitable for our customers, and sustainable for society as a whole.

Sourcing
We are committed to increase transparency and to work with our suppliers to improve sustainability performance all along the sourcing value chain.

Logistics
We continuously eliminate waste, improve energy efficiency and reduce emissions in our logistical flows, while promoting fair working conditions for drivers.

Production
We are committed to reducing the carbon footprint of our production facilities, while ensuring that they are safe, healthy environments to work in.

Sales
Our sales staff work with our customers to ensure that products are optimised for their specific transport assignment and to address their environmental impact.

In use
Our transport solutions keep people and goods moving efficiently and sustainably, supporting social and economic development.

Service
Our services boost uptime and efficiency for our customers, while also reducing fuel consumption and emissions, improving safety and extending the life of the Scania products.

End of life
Scania aims to promote a circular life cycle, where parts and materials from Scania products at the end of their life are reused or recycled.

HOW SCANIA CREATES VALUE, CONTINUED

Our success derives from our business model, our culture and certain success factors that are unique to Scania. Together, these ingredients provide the platform for delivering value to our stakeholders.

Our business model

Our business model puts the customer at the heart of everything we do by linking value for Scania with value for our customers. Only by making our customers profitable can we ensure that our own business is profitable.

A holistic view
For Scania, ensuring our customers' success begins with gaining a deep understanding of their businesses.

We work closely with our customers to develop a holistic view not only of their transport needs, but also the needs of their own customers (buyers of transport services). By combining this holistic view with a detailed knowledge of transport flows across different industries, we can tailor solutions specifically to our customers' needs. Having the holistic view requires an understanding of the impacts and risks all along the value chain and ecosystem.

Tailored solutions
The transport solutions we provide are optimised for our customers' operations to increase their revenue and reduce their costs. We aim to eliminate waste and inefficiency throughout the entire transport flow, with highly customised solutions based on our three-pillar approach to sustainable transport: energy efficiency; renewable fuels and electrification; and smart and safe transport (see page 33).

Partnership approach
Creating value through tailored solutions requires a close partnership with our customers, built on trust and often based on long-term relationships. Alongside our customer relationships, we also build partnerships with other stakeholders across the ecosystem of transport and logistics to accelerate the shift to sustainable transport. See page 27 for more on our ecosystem partnerships.

Our culture: the Scania Way

Our value creation is underpinned by our corporate culture, which we call the Scania Way. Deeply ingrained in our business, the Scania Way is based on six core values that reflect our way of thinking and guide our day-to-day actions and decision-making. They support us in creating value for our stakeholders and ultimately, in our aim to be the leader in the shift towards a sustainable transport system.

Our six core values:
- Customer first
- Respect for the individual
- Elimination of waste
- Determination
- Team spirit
- Integrity

+ Read about The Scania Way and our core values

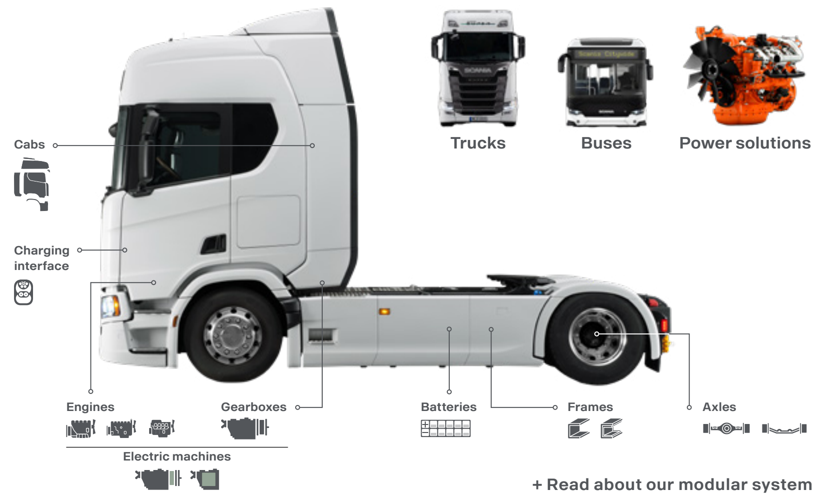
Our key success factors

Over the years, Scania has developed certain unique business offerings and ways of working. These give us critical competitive advantages, and deliver enhanced value for our customers.

Our modular system
Our tailored approach to transport solutions is supported by our modular system. Our entire product portfolio is based on a modular design composed of a fixed number of standardised interfaces, allowing for components and parts to be interchanged. This allows us to optimise our solutions quickly and easily for specific customer needs, applications and markets: for example, by adjusting cargo capacity and engine outputs.

Modularisation creates a lean and flexible production system that allows us to introduce new technologies rapidly, bring them to market and scale them up quickly. For example our hybrid and battery electric trucks are built using the modular system, combining battery electric vehicle (BEV) technology such as batteries with components that have been tried and tested throughout Scania's truck range.

As well as vehicles and hardware, we also apply our modular approach to the design of services and software.



+ Read about our modular system

Our service network
Tailored services are integral to how Scania creates value. With dealers and workshops strategically located along transport routes and near logistics centres, our service network gives us direct contact with our customers and greater understanding of their market and business needs. By providing quick access to parts, repairs, driver training and tailor-made maintenance plans, our service network reinforces our vehicles' performance and customers' profitability.

Connected vehicles
Currently, Scania has around 560,000 connected vehicles (64 percent of our 10-year rolling fleet) and that number is rapidly increasing. The data this provides enhances our service network by giving us detailed, real-time insight into our vehicles' performance, driver behaviour and our customers' transport flows. This allows us to develop highly customised sales tools and intelligent services that lower fuel consumption, maximise uptime and improve overall efficiency. Digital connectivity and data sharing are key enablers of sustainable transport. For example, live data enables us to measure the carbon impact of our vehicles while they are in use – vital for informing our decarbonisation strategy, and meeting our climate targets. As well as helping our customers and customers' customers with theirs.

As new transport technologies emerge, our data-driven service network will play an ever more important role in creating value for our customers. The potential in connectivity is huge and by allowing the coordination and control of entire systems, connected and autonomous vehicles will enhance efficiency and safety, as well as significantly reducing CO_2 emissions, creating value for the entire transport ecosystem.

THE BIG PICTURE

Scania operates in a complex, changing world. Powerful, interconnected social and economic forces are shaping not only the kind of transport system we need to see in the future, but also our industry's ability to deliver it. As Scania's business evolves, this global context is guiding our strategy.

96%

of urban growth will occur in the less developed regions of East Asia, South Asia and Africa.

70%

of global greenhouse gas emissions are produced by cities.

90%

of urban areas are situated at places most vulnerable to climate change.

Sources:
Unesco
United Nations
UN-Habitat

The forces shaping transport

The climate crisis, urbanisation and the UN's sustainable development agenda, are three of the main forces shaping the transport sector, and defining what a sustainable transport system looks like.

The UN's Agenda 2030 is rooted in the idea that social, economic and environmental development are interconnected. This means that the transport industry cannot address the global challenges it faces in isolation – for example, by focusing on decarbonisation without considering urban population growth.

Access to transport and mobility is vital for sustainable development. This is underlined by the UN's sustainable development goals (SDGs), several of which are directly related to transport. These include Goal 8 on decent work and economic growth, Goal 9 on resilient infrastructure and Goal 11 on sustainable cities (which covers access to public transport).

On the other hand, transport has a significant environmental impact. The earth's climate and natural systems are at a tipping point. The 2021 report of the IPCC concluded that drastic reductions in global greenhouse gas emissions during this decade are necessary to avoid catastrophic climate change. As a major emitter of CO_2, the transport industry has a vital role to play in decarbonisation efforts.

Transport must also respond to the challenges of urbanisation. The growth in urban populations bring increased risks related to pollution, public health and road safety. There is also the risk that access to transport services will become restricted and less inclusive, disproportionately affecting people from vulnerable groups. Resilient and well-designed transport infrastructure and solutions can help address these challenges.

Urbanisation and COVID-19

Although urban growth is expected to continue in the long term, there are indications that COVID-19 has affected patterns of urbanisation. After decades of growth, the pandemic has seen population numbers in megacities fall, particularly in developed countries. Some speculate that the new post-pandemic model of hybrid working will lead that trend to continue, driving the growth of second-tier cities and peri-urban areas. All of these trends pose questions for the transport industry, and affect what the future of transport may look like.

Tools to deliver change

We are living through an era of radical and disruptive technological change. New tools and technologies have emerged that are transforming how we live and work. Some of these innovations are playing a key role in helping Scania, together with others across the transport ecosystem, accelerate the shift to sustainable transport.

Electric propulsion is one such technology. Electric vehicles operate cleanly and quietly, with zero particle and NOx (nitrogen oxides) emissions and a greatly reduced total carbon footprint compared with vehicles powered by internal combustion engines, especially when the electricity is provided from fossil-free energy sources. Battery technology is improving rapidly, and other solutions such as fuel cell technology are in development.

Meanwhile, digitalisation is driving huge growth in vehicle connectivity, with vehicles continuously producing and sharing data. Connectivity can be a key enabler of sustainable transport by improving the efficiency of transport flows, which in turn improves fuel efficiency and lowers carbon emissions. Connectivity is also an important building block for vehicle automation.

The rapid evolution of artificial intelligence and other technologies has paved the way for autonomous transport. Automation has great potential for improving transport: for example, by enabling safe transport in environments that would otherwise be dangerous for human drivers, and by improving transport efficiency and relieving congestion in urban areas.

This technological revolution is transforming our sector, with new competition coming into play. For the more established companies in our industry, the transformation demands a competence shift. They are required to act less like traditional vehicle manufacturers and more like tech start-ups – and they need to have the speed, flexibility and skills to match. This shift is already well underway within Scania: today, more of our engineers work in software development than hardware design.

Beyond our own business, the shift to sustainable transport calls for a new approach across the entire transport ecosystem. For technologies like electrification to be adopted at the scale we need to see, the right infrastructure needs to be in place. That requires partnerships and concerted action from players throughout the ecosystem, including transport companies, policy-makers, energy suppliers and infrastructure providers.

Shifting to sustainable transport also require substantial funding alongside financial incentives – and so green financing is also a vital enabler. For example, green bonds allow investment funds to be channelled to projects supporting sustainable transport.

Meanwhile the EU's Green Deal aims to steer investments towards zero emitting technologies. The Green Deal also includes policy proposals that aim to raise the price of carbon and make alternatives to fossil fuels more competitive.

Transformation risks and challenges

The world has become more volatile. The political landscape is polarised, with nationalist and populist forces stoking division and political tensions. While increased digital connectivity has brought unprecedented opportunities it has also amplified tensions and distrust. All of this has created a fragmented political climate that could make it more challenging to transform the transport system at the global scale we need to see. There is also the risk of leaving poorer countries behind as the transformation of transport may mature faster in developed countries.

Alongside this political volatility, there is also widespread economic volatility, exacerbated by the pandemic. Supply chain disruption is affecting many industries, including the automotive industry, as seen with the semiconductor shortage. Such disruption impedes production and could slow the shift to sustainable, decarbonised forms of transport – for example, by hindering the industry's ability to ramp up production of electrified vehicles.

For the transport system to be sustainable it must be accessible to everyone, which is another major transformation challenge. Inequality in areas such as resource use, income, health, education and employment is widespread in society. Climate change is likely to deepen the divide, bringing increased tension and risk of social unrest and conflict.

Human rights abuse and corruption are other serious challenges. The risk of human rights abuses within global supply chains is a major challenge that together with corruption forms a significant threat to economic and social development, as well as to decarbonisation efforts.

+ **Read about Scania's Risk and risk management on page 40**

DEFINING OUR PURPOSE

For Scania, sustainable transport is about more than decarbonisation. It is about meeting the needs of people and society throughout the ecosystem of transport.

Scania's purpose is to drive the shift to a sustainable transport system. But what exactly do we mean by sustainable transport? The global trends our industry faces – and the various ways transport makes an impact on the world – are highly interconnected. A transport system that is truly sustainable must take this big picture into account, considering the needs of people, society and the environment in a holistic way.

In many ways, transport is already a force for good. An effective transport system is one of the cornerstones of a healthy society. The efficient flow of goods and people supports social and economic development, playing a critical role in everything from food security to access to education and poverty reduction.

But at the same time, transport in its current form has significant negative impacts. Transport is a major contributor of CO_2 emissions, and is also responsible for air pollution, traffic congestion and road accidents. Meanwhile, the system is not inclusive – not everyone has access to efficient transport.

This needs to change. We need a sustainable transport system: one that retains the benefits of transport and makes them accessible to more people, while reducing the negative impacts or avoiding them altogether, in line with UN's sustainable development goals. In short, a system that keeps goods and people moving efficiently, without jeopardising human health, safety, or the environment, and that is available to all.

At Scania, we believe we have an opportunity – and a responsibility – to drive this transformation.

The world's population is growing – which means demand for transport will not decrease any time soon. This makes it even more important that we work together as an industry, and with others in our ecosystem, to ensure our transport system is sustainable.

The UN's sustainability agenda underlines the way in which sustainability issues are dependent on each other. So when transforming the transport system, we need to be mindful that fixing problems in certain areas carries the risk of creating new problems elsewhere. For example, electrifying transport brings huge sustainability benefits in terms of CO_2 reductions, but also social and environmental challenges related to the mining and disposal of battery materials.

To create a sustainable transport system – one that meets the complex, interrelated needs of people, society and the environment – we must keep the big picture in mind.

A vision for sustainable transport

There are several aspirations that make up sustainable transport. It should be inclusive, safe, clean, healthy and decarbonised. Each of these aspects are connected: for a transport solution to be sustainable, it must consider all of them. Some of them Scania is handling head-on and others mainly through partnerships and dialogue.

Transport must be inclusive
Transport should be accessible to all, including users for whom access to current transport systems may be restricted for any reason. Transport solutions could also be designed for equality of access when it comes to gender.

Transport should be safe
Transport should be safe not only for drivers and transport users but also all other road users, including pedestrians, cyclists and other road vehicles. The concept of safety should extend beyond physical safety: for example, it should be safe for women to use public transport without fear of harassment. If a transport solution is either unsafe for certain groups to use, or perceived to be so, it is not accessible to all.

Transport should be clean
Transport should minimise polluting emissions. Sustainable transport can also contribute to a cleaner environment by providing uses for products and materials that would otherwise go to waste – for example, by using agriculture waste to create biofuels. Products should be designed and manufactured in a way that minimises waste at every stage of the product life cycle.

Transport should be healthy
Transport solutions should minimise harm to health. Less polluting vehicles contribute to a cleaner environment that is less harmful to human health, particularly in urban areas. Sustainable fuels such as biofuels can also contribute to human health by improving soil quality and access to clean water. Sustainable transport can also contribute to mental health by alleviating stress and other conditions associated with traffic noise, congestion and overcrowding.

Transport should be decarbonised
Finally, for the transport system to be sustainable, it must be decarbonised. This involves breaking the system's dependency on fossil fuels by switching to other energy sources such as electrification and renewable fuels. It also involves engineering for better energy efficiency and providing real-time data to make transport flows more efficient. Decarbonising transport at the speed and scale required by the Paris Agreement demands rapid and widespread transport and energy infrastructure changes – a shift that calls for bold, coordinated action across the entire transport ecosystem.

Shaping our strategy

To ensure we deliver on our vision for sustainable transport, we have a robust strategy in place (see page 17). Our strategy is informed and guided by three key factors.

Life cycle impacts
Through close dialogue with our stakeholders, we have developed a clear understanding of our life cycle impacts on people and the environment. This allows us to prioritise the areas where we have the biggest impact, and that matter most to our stakeholders.

Global trends
Changing global trends and market forces present risks and opportunities to our business. We assess these risks continuously through scenario analysis. Risk assessment and scenario analyses is an integral part of our strategy process.

Science
Our strategic decisions are guided by independent scientific insights, such as the findings of the IPCC report, as well as our own scientific research. Our carbon reduction targets have been approved by the Science Based Targets initiative.

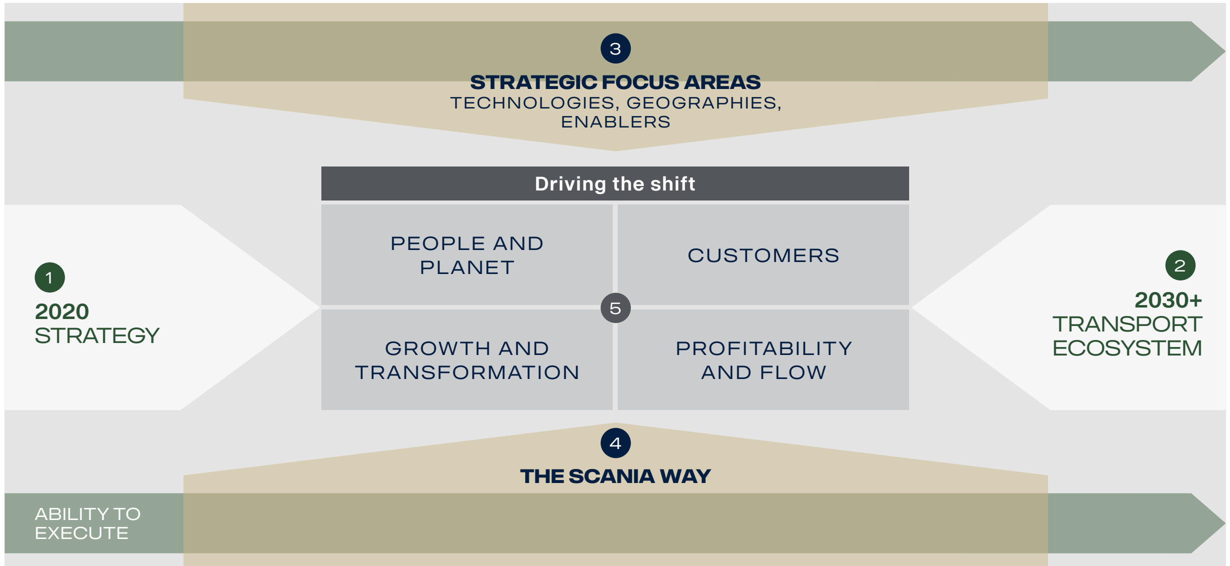
A STRATEGY TO DRIVE THE SHIFT

Our world is changing fast – and to deliver on our purpose, we need to change with it.

As Scania moves into one of the most transformative eras in its history, we are guided by a robust strategy to secure our leading position in the industry, and support us in delivering on our purpose: to drive the shift to a sustainable transport system.

In recent years we have focused on balancing growth and profitability, as well as diversifying our product and service offering, our geographical footprint and our people and competencies. All of this has put us in a strong position in order to succeed in our changing business landscape. Scania's current strategy, leading into the year 2025, builds on this heritage.

The strategy identifies the technologies, geographies and enablers we need to invest in to deliver on our purpose, and reduce our carbon emissions at a pace in line or even exceeding the Paris Agreement. Increasingly, we will harness autonomous, connected and electrified (ACE) technologies, integrating them into our three-pillar approach to providing sustainable transport solutions (see page 33).



A high-level illustration of the main components of the strategy that will support Scania in delivering on our purpose of 'Driving the shift'.

1. On our journey, we build on our heritage and learnings from the strategy leading us up to 2020.
2. Our view of what the transport ecosystem will look like in 2030 and beyond is affecting the business decisions we make today – investments, competence development, projects and mindset.
3. The strategic focus areas represent the technologies that will change our industry and ecosystem but also the important enablers and geographies we need to focus on.
4. Ability to execute gives guidance on how we do it, applying The Scania Way.
5. The four factors by which we measure success and which are closely aligned with our corporate targets: people and planet, customers, growth and transformation, and profitability and flow.

OUR TRANSFORMATION

The forces of technological, environmental and social change mean that Scania will have to undergo a major transformation in the next decade. We are transforming our business across three broad areas.

Technologies

Emerging transport technologies such as electrification, connectivity and automation are transforming our sector, and will be key to delivering a sustainable transport system. We are therefore focused on ensuring we have a high level of competence and knowledge within these areas at Scania. Building this competence is vital for ensuring we remain competitive in our new business landscape, and for developing our product portfolio in a sustainable direction. Emerging technologies are opening up new business models, and this requires us to evolve our business to ensure we continue to offer the best value to customers.

Geographies

The changes in our business landscape demand us to move into new markets and territories. To drive the shift at a global scale we must be a global player in our ecosystem. As part of our strategy we are aiming for China to become the third pillar of our industrial system, alongside Europe and Latin America. With a strategic establishment in China we will be able to tap into Asian markets with our strong offer in sustainable transport. China is also one of the biggest and fastest developing markets in the world and being an integral part of it unlocks great potential in access to innovation and cutting-edge transport technology.

Enablers

Digitalisation and IT are important tools for driving the shift to a sustainable transport system. Increasingly, the transport system is depending on data to drive productivity and efficiency. To improve our customer value proposition, we are working to integrate IT throughout our business strategy. Embracing IT as core to our business also involves a shift in our culture and mindset. We must act with speed and agility, behaving less like a traditional manufacturing business, and more like a software and services business.

Ability to execute

To secure our ability to execute on our strategy and to make the business changes needed, we are also making some key changes in the way Scania operates. We initiated the adoption of a new operating model in 2021, designed to strengthen four crucial capabilities across the company. These are:

Speed and flexibility
We will quickly deploy new solutions and strategies, reacting to changes and making course corrections as we go.

Solution development and delivery
Through a deep understanding of our customers, we will focus on developing and delivering transport solutions that fully support their needs.

Customer collaboration
We will bring our customers closer to our development process, working closely with them to explore business opportunities together and react faster to their changing needs.

People engagement
We will inspire and empower everyone at Scania to play their part in driving the shift. This involves encouraging an entrepreneurial spirit within Scania, as well as enabling our colleagues to work in autonomous, diversified teams to solve complex problems.

To support Scania's new operating model, we have also made changes to our methods, ways of working, the way our organisation is structured and governed.

We have moved to a **value flow system of governance**. The new governance set-up builds on a flowbased value creation structure with cross-functional teams with delegated mandate.

We have adapted our **methods and ways of working**. This involves building on our Scania Way culture with a more probing mindset, and adopting more flexible, agile ways of working.

We have made some **organisational changes** to support these shifts including the industrial- and commercial parts of the organisation, as well as the business development, to be even more prepared for what the future brings.

An evolving work life

A part of Scania's transformation and our new way of working is to offer mobility and flexibility to co-workers and ensure Scania's workplace is adapted to the needs of each individual, team and department. Scania Work Playbook is our go-to approach to an inclusive and attractive workplace, where everyone contributes with their full potential.

+ Read about Scania Work Playbook

OUR SUSTAINABILITY FOCUS

Our strategy is guided by three sustainability priorities: people sustainability, circular business and decarbonisation based on our key impacts throughout our product life cycle.

At Scania, sustainability is at the core of our business strategy. Our strategic sustainability approach begins and ends with people. We believe that the demand for sustainable transport is shaped by the needs of people and society in line with the UN's Agenda 2030 and Sustainable Development Goals.

Our strategic work is dependent on understanding our impact, including the risks and opportunities along the life cycle, with the ambition of linking targets and actions with science. We have identified three key sustainability areas that need to permeate all parts of our business: people sustainability, circular business and decarbonisation. Each of these areas are connected and dependent upon each other.

Working towards our targets across these areas will increase our ability to be leaders in the shift towards a sustainable transport system. In each of these areas, we have made ambitious commitments. Fulfilling them demands bold, transformative action across every part of our business.

Because each of our strategic focus areas are interdependent, our success depends on our ability to work cross-functionally. Scania Sustainability Board, our forum for cross-functional coordination of sustainability, tracks progress across all three focus areas as part of our business strategy.

People sustainability

Driving the shift to sustainable transport requires Scania to undergo one of the biggest transformations in our history. We depend on people to make this transformation happen. Our employees are our most important success factor, and we are committed to engaging them throughout our transition and ensure their voices are heard.

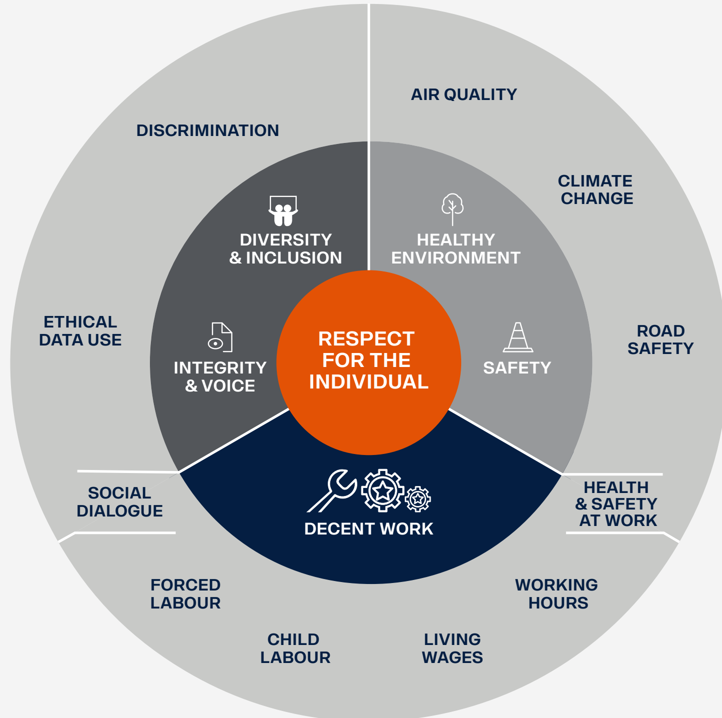
We believe that the shift to sustainable transport must be just and equitable – a transition in which no one is left behind, and everyone stands to benefit. Part of this is about making sure that we do not solve one sustainability challenge only to create new problems elsewhere. For example, while moving to electrified transport is key to achieving a fossil-free transport system, it is not a truly sustainable solution unless we also address its social impacts, including the human rights challenges linked to the mining of raw materials needed to make batteries. We are seeing how customers and financiers are increasingly asking these questions, and responding to these questions are becoming part of our offering.

Our human rights priorities

At Scania, we believe that acting ethically and with integrity in all areas of our value chain is core to being a sustainable business. We are committed to protecting and upholding human rights in our operations and throughout our supply chain, in line with the UN's Guiding Principles on Business and Human Rights. Our Human Rights Policy sets out our principles and expectations around human rights, and how they guide our decision-making and business relationships.

Within the Volkswagen Group, we are developing a group-wide approach to assessing and mitigating human rights risks within our supply chain. This includes human rights risks related to sourcing raw materials (see page 24 and 146).

In consultation with our employees and business partners, we have identified the areas where our business has the greatest impact on human rights, and where we have an opportunity to effect positive change. The illustration opposite, maps our five key human rights priorities, together with the salient issues connected to them. We recognise our responsibility to address these issues across our entire value chain.



OUR SUSTAINABILITY FOCUS, CONTINUED

Circular business

For Scania circularity is seen as the next frontier and an important enabler to deliver on our purpose and strategy of driving the shift towards a sustainable transport system.

The circular economic model, where the life cycle of resources is extended as far as possible, is not only more sustainable but has significant business advantages. The changing business landscape – with the business focus shifting from hardware to solutions is creating opportunities for more circular business models.

For Scania, circularity involves every aspect of our business. It challenges us to rethink not just how we design and manufacture products, our impact and knowledge of the value chain, but also how we develop business models and provide value for our customers. Therefore, we are taking actions to gain a deeper understanding of the opportunities of a circular approach in the different parts of our value chain.

This includes exploring new business models, working with our supply chain, extending the life of our products, optimising the use of resources and energy, maintaining product value as high as possible, remanufacturing spare parts and promoting reuse of components and recycling at the end-of-life product phase. As we move into an electrified transport system, we are also exploring business opportunities around second life applications, recycling and reusing batteries and raw materials.

In addition to saving natural resources, decreasing CO_2 emissions is another key objective for circularity. Circularity is a key enabler for decarbonisation. Virgin material production is energy intense, which is why every time we can avoid producing virgin material, but instead reuse, remanufacture or recycle, we save both natural resources and CO_2 emissions.

OUR SUSTAINABILITY FOCUS, CONTINUED

Decarbonisation

Well-to-wheel vs tailpipe emissions

Scania takes a well-to-wheel approach to measuring carbon emissions from the vehicles in use. This takes into account carbon impacts across the value chain, starting with the production and distribution of fuel or electricity, all the way up to the tailpipe emissions from the vehicles while they are in use. While tailpipe emissions provide the legal minimum scope for assessing vehicle carbon impacts, we believe that measuring well-to-wheel impacts gives a more accurate, transparent picture of the total carbon footprint of our customers' vehicles. For example, although natural gas and biogas produce roughly the same tailpipe emissions, we can see that the global carbon impact of biogas is significantly better than natural gas based on well-to-wheel emissions.

The transport sector is a significant contributor of global greenhouse gas emissions. As a major part of the problem, it is vital that our industry is part of the solution. Reducing carbon emissions is critical not only for reducing climate risks, but for our future competitiveness. To manage our climate impact and mitigate risk, we are committed to reducing emissions throughout our entire value chain and across all relevant scopes.

Science-based targets
In 2020, we became the first heavy goods vehicle manufacturer to set science-based targets for reducing our carbon emissions. These targets are part of our corporate targets, and guide our business decisions across business areas, from production to product development and sales priorities.

We have committed to halving emissions from our own operations between 2015 and 2025. But our commitment goes far beyond that. Since more than 90 percent of all Scania's emissions comes from our vehicles when they are in use, we are aiming for a 20 percent reduction in CO_2 emissions from our products (trucks and buses) in use over the same period.

How we will reach our targets
50% CO_2 reduction from our own operations by 2025
To achieve our target for our own operations we are focusing on three areas. Firstly, we will eliminate energy waste. Secondly, we will improve energy efficiency by continuously investing in machinery and appliances that use less energy than the ones they replace. Lastly, for the energy we do use, we will continuously look for opportunities to switch from fossil fuels to renewable energy sources throughout our operations.

20% CO_2 reduction from our products in use by 2025
Reducing emissions from our vehicles in use will depend on a combination of improving the efficiency of conventional powertrains and increasing the use of renewable fuels, while also ramping up production and sales of electrified vehicles (see page 23 about our electrification roadmap).

Although electrification is critical to our overall decarbonisation journey, improving powertrain efficiency will be key in reaching our targets. Our new powertrain platform marks a major step forward in this area (see page 34).

These measures will be supported by other initiatives and services that further reduce carbon emissions, both in conventional and electrified vehicles. These include customised driver training to improve energy efficiency, enhancing our vehicle specifications, and creating new models for supplying fossil-free electricity and renewable fuels to our customers.

These different activities are all supported from centrally coordinated working groups to ensure we have the capabilities to follow up and deliver. In parallel the targets are monitored and broken down per region, business unit and also business areas (e.g. trucks and buses) to monitor progress and to take relevant actions.

Science-based targets progress update

Our most recent KPI's for both our operations target (scope 1 and 2) and our products-in-use target (scope 3) show a slight rise in emissions compared with the previous year. These results reflect the highly unusual conditions the industry has faced since the COVID-19 pandemic began in 2020, and the impact of the pandemic across our markets and operations. Looking ahead, we expect the sales mix and production levels to normalise, and the outlook has further improved with the launch of our BEV truck range and the Scania Super powertrain platform. Therefore, despite this recent setback, we are confident that we remain on track to reach our 2025 targets. For details about our recent performance against our science-based targets, including the latest figures, see page 140.

Supply chain decarbonisation

Certain activities in our supply chain, such as battery or steel production, can be carbon intensive, and account for a significant proportion of our overall carbon footprint. Alongside our efforts to decrease the carbon impact of our operations and our products in use, we are also committed to decreasing greenhouse gas emissions from our supply chain. We have carried out a life cycle analysis on our European production-related supply chain and identified the hotspots (material or components with a large climate impact such as batteries, steel, cast iron, aluminium e.g.). Based on the findings, we have developed a supply chain decarbonisation strategy and targets for 2030, including specific targets for each hotspot aiming for emissions reductions of between 35 and 90 percent depending on type of material. The reductions will be achieved through a range of measures, including adopting new technologies, switching to renewable energy and a greater use of recycled materials in production. This is just the beginning of our supply chain decarbonisation journey. We are working to extend the scope of our efforts so that our strategy will eventually cover our entire supply chain.

OUR SUSTAINABILITY FOCUS, CONTINUED

+ Complete reporting on our science-based targets and definition on page 140

Focusing on our biggest impacts

SCOPES

Aligning our decarbonisation strategy with science

Our way of reaching the targets

1 Direct emissions from owned or controlled sources

2 Indirect emissions from the generation of purchased energy, heat and steam

1.5°C

50%

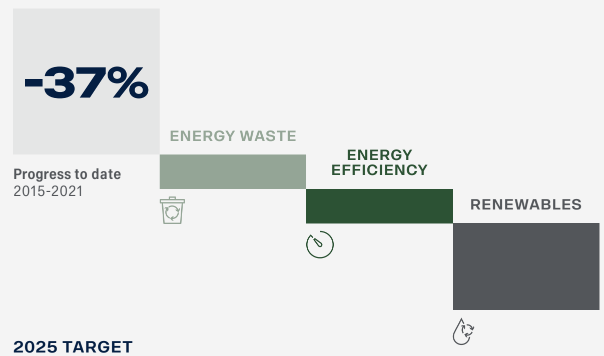
CO_2 reduction from our operations in 2025 (Tonnes CO_2e compared to 2015)

HOW TO IMPACT EMISSIONS FROM OPERATIONS

ENERGY WASTE
Eliminating energy waste through continuous improvements

ENERGY EFFICIENCY
Optimising heat, ventilation, lighting and production processes

RENEWABLES
Purchasing fossil-free electricity and transition to renewable fuels



3 Indirect emissions that occur in the value chain both upstream and downstream

>90%

of all Scania's emissions come from when our customers use Scania trucks and buses.

20%

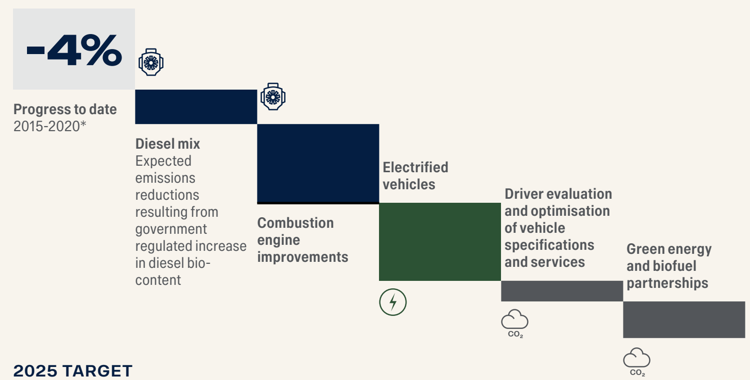
CO_2 reduction from our trucks and buses in use in 2025 (Tonnes CO_2e/km produced vehicles 2025 compared to 2015)

HOW TO IMPACT CUSTOMER EMISSIONS

CONVENTIONAL POWERTRAINS
Developing more fuel efficient solutions of the traditional combustion engine

ELECTRIFICATION
Selling an increased share of electrified vehicles

ADJACENT INITIATIVES
Adjacent mechanisms that can improve CO_2 reduction within both conventional and electrified technology



* Input data is co_2e/km from operative months within 12 months and starting after the month of production, causing reporting to lag one year.

ELECTRIFICATION – THE KEY TO FOSSIL-FREE TRANSPORT

For Scania, the future is electric. It is a technology shift that will transform our business.

The days of the fossil-fuelled vehicle are numbered. For the transport system to become sustainable, it must be rapidly decarbonised – and that depends in large part on drastically ramping up the use of electric vehicles.

At Scania, phasing out carbon emissions from our rolling fleet is a key part of our strategy, and we have a science-based target in place to support this. Shifting to electric is vital to realising that goal.

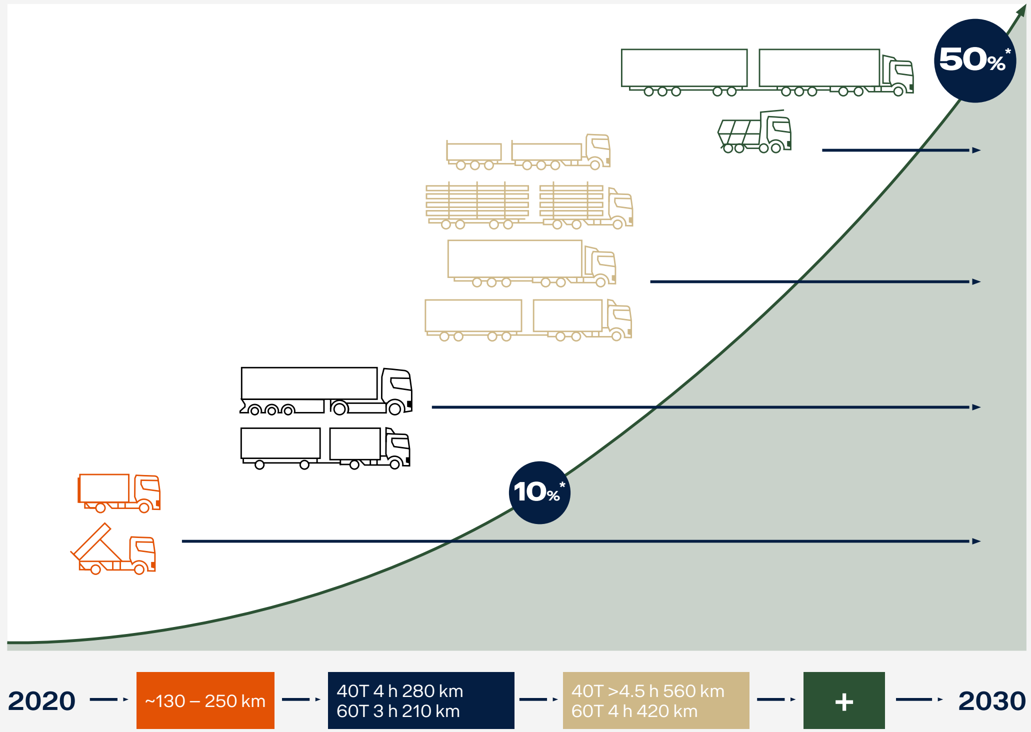
50%

By 2030, more than half of our new vehicles sales volume is expected to come from electrically powered vehicles.

Our electrification roadmap

Scania's electrification journey started as early as 2014 with our electric hybrid buses, followed by hybrid trucks in 2016. Now we offer an extended range of plug-in-hybrid and full electric vehicles. In 2020, we launched our first battery electric truck, designed for urban applications. The launch was the first phase in an electrification roadmap that will see Scania ramping up its production of electric vehicles, including trucks designed to carry increasingly heavier loads over longer distances. At the same time, we are working with our battery and charging infrastructure partners to reduce the charging time these vehicles will require. By 2023, we will have trucks capable of carrying 40 tonnes for four hours, or 60 tonnes for three hours, on a 45-minute charge.

Application roadmap



* Our target is for electric solutions to make up 10 percent of our total vehicle sales volume by 2025 and 50 percent by 2030.

ELECTRIFICATION – THE KEY TO FOSSIL-FREE TRANSPORT, CONTINUED

Solving the infrastructure challenge

To shift the transport system to electric, we need more than just the right vehicles. For example, we need to make sure that switching to electric makes economic sense for our customers. For that to happen, there needs to be at least parity between the total cost of operating an electric vehicle compared with a fossil-fuelled alternative. At Scania, we support subsidies and other financial incentives to lower the cost of electric vehicles, as well as schemes to increase the cost of running vehicles with higher well-to-wheel emissions, such as road charges and energy taxation.

The other key challenge is to ensure that we have the right charging infrastructure in place. Lack of adequate charging infrastructure is one of the key barriers to ramping up electric transport. The issue is particularly challenging for heavy goods vehicles, which have specific charging requirements and in most cases require their own separate infrastructure.

Scaling up electric infrastructure is a major challenge that demands coordinated action across the whole ecosystem of transport. We are committed to working in partnership with others, including transport companies (our customers), buyers of transport services and infrastructure providers to ensure this happens. Examples of recent partnerships involving Scania include a plan to pioneer a high-performance charging network for heavy duty trucks, led by Scania's owner, the TRATON GROUP in partnership with Daimler Truck and Volvo Group. Scania has also partnered with French global energy and services group ENGIE, and its subsidiary EVBox Group, to provide a complete depot charging solution to transport providers in 13 European countries.

How electric power will transform our business

The shift to electric power will not just radically change the transport system – it will also transform our business. Increasingly, Scania will focus on providing transport as a service, offering our customers a complete e-mobility solution that includes the sourcing of renewable energy to the installation and maintenance of charging equipment. Batteries – including the supply of modules, packs and battery management systems – will also become an increasingly important part of our business.

Reducing the impacts of electric transport

Electric vehicles are key to cutting transport emissions. But for electric transport to be truly sustainable, we need to reduce impacts at every stage of their life cycle – from operating on fossil-free energy, to the carbon impact of manufacturing vehicles and all the way to the disposal of the batteries.

During the year we strengthened our partnership with Northvolt with a further investment in the pioneering sustainable battery company. Northvolt uses a circular model of production, where end-of-life battery materials are recovered and used to make more batteries. Thanks to the backing of Scania and other investors, Northvolt will be able to expand its Swedish factory from 40 GWh to 60 GWh, making it possible for the company to meet increased demand as more customers switch to electric vehicles. In the end of 2021 Northvolt assembled its first lithium-ion battery cell at Swedish gigafactory in Skellefteå and commercial deliveries will begin in 2022.

Electrification and raw materials: new impacts, new challenges

Electrification of transport has environmental benefits, but brings challenges in terms of impacts in other areas of the value chain. These include the social and environmental impacts related to the extraction of the raw materials needed to manufacture batteries. Mining for battery materials such as cobalt and lithium has an impact on the environment, communities and has been linked to poor working conditions and human rights abuses such as child labour.

At Scania, we are determined to make sure that our transition to electric transport happens sustainably and responsibly, taking the value chain impacts of mining metals and minerals into account.

To date, one of the main barriers to responsible sourcing has been the lack of reliable data around the impacts of raw material extraction. To address this challenge, we have been working with external partners to assess risks and increase transparency in raw material supply chains. In 2021, we took several important steps forward in this area. These included working with the Volkswagen Group to publish the Responsible Raw Materials Report – the first report of its kind in the automotive industry. The report was based on the insights gained through our joint Raw Material Human Rights due diligence management system. Another major achievement was the launch of the Raw Material Outlook platform. Produced and launched along with our partners in the Drive Sustainability initiative, the publicly available platform gives automotive companies a valuable tool to identify and manage the environmental and social risks related to raw materials.

Together with the Volkswagen Group, we also supported projects to improve conditions for working and living conditions for people and communities connected to mining activities. These included the Cobalt for Development project in the Democratic Republic of Congo, and the Responsible Lithium Partnership in Chile. Deep sea-bed mining for minerals causes significant environmental damage, resulting in the destruction of ecosystems and loss of unique biodiversity. In 2021, we signed a global moratorium on deep sea-bed mining, committing to: before any potential deep seabed mining occurs, it needs to be clearly demonstrated that such activities can be managed in a way that ensures protection of the marine environment.

ELECTRIFICATION – THE KEY TO FOSSIL-FREE TRANSPORT, CONTINUED

Understanding environmental impact

Electric trucks produce no tailpipe emissions – but when it comes to climate impact, does that tell the whole story? In fact, trucks produce carbon emissions throughout their entire life cycle, not only from the energy used during transport operation, but also from the sourcing of raw materials to end of life disposal.

To get a better understanding of the true sustainability performance of battery electric trucks, and how they measure up against those powered by fossil fuels, we needed more insight into these cradle-to-grave impacts. And so, in 2021 Scania became the first player in the heavy commercial vehicle industry to carry out a full life cycle assessment (LCA) of our battery electric trucks. The assessment, comparing European urban to regional distribution operations in average conditions and electricity mixes, was carried out using the internationally recognised ISO 14040/44 method.

Among its key findings, the LCA showed that the life cycle carbon impact of battery electric trucks is significantly lower than fossil-fuelled trucks, even with today's energy mix (EU). The assessment also found that:

- Producing a battery electric truck has a greater carbon impact than producing a truck with an internal combustion engine (ICE), mainly due to the extra energy required to manufacture battery cells. Despite this, the total life cycle impact on climate change is much lower for battery electric vehicles, thanks to the reduced carbon impact during the use phase.
- With today's energy mix (EU), the life cycle climate impact of a battery electric truck will be lower than that of a fossil-fuelled truck within two years of operation.
- Manufacturing battery cells accounts for just over 40% of the carbon emissions related to the production of battery electric trucks. However, there is significant potential for reducing emissions from the production phase as the battery industry decarbonises and the use of fossil-free electricity increases.

"The study clearly shows that for heavy-duty vehicles the use phase remains the hotspot number one. This speaks to the importance of efficient use of fossil-free electricity by our customers. Impact coming from battery cell production will on the other hand be tackled by our purchasing efforts and strong supplier collaboration."

Dora Burul, Senior Development Engineer, Scania

Life cycle carbon emissions: battery electric trucks vs internal combustion engine trucks

-38%

CO_2 with current EU energy mix.

-63%

CO_2 with the EU's proposed energy mix for 2030.

-86%

CO_2 with 100% fossil-free energy.

Battery electric or fuel cell electric

Aside from battery powered vehicles, hydrogen fuel cell electric vehicles are being developed as an alternative electrified powertrain to decarbonising transport.

At Scania, we believe that hydrogen has the potential to play a major role in achieving energy transition and climate goals, particularly in the production of fossil-free steel and iron. However, fuel cell vehicles have disadvantages compared with battery-powered vehicles mainly due to the significant efficiency losses arising from hydrogen production, distribution, and conversion back to electricity. As a result, while we are continuing to explore hydrogen as a solution for certain applications, our main focus now is on developing battery electric vehicle technology and infrastructure.

PUTTING OUR PLAN INTO ACTION

Across the markets we operate in, we are working with our customers and other partners to make sustainable transport a reality.

Scania is driving the shift to sustainable transport in three ways:

Ecosystem partnerships

Through advocacy and by partnering with others across the wider transport ecosystem, we are creating the enabling conditions required to scale sustainable transport.

+ See pages 27–29

Innovating for today and tomorrow

We are collaborating with leading edge partners to harness new and emerging technologies and shorten time to market.

+ See pages 30–32

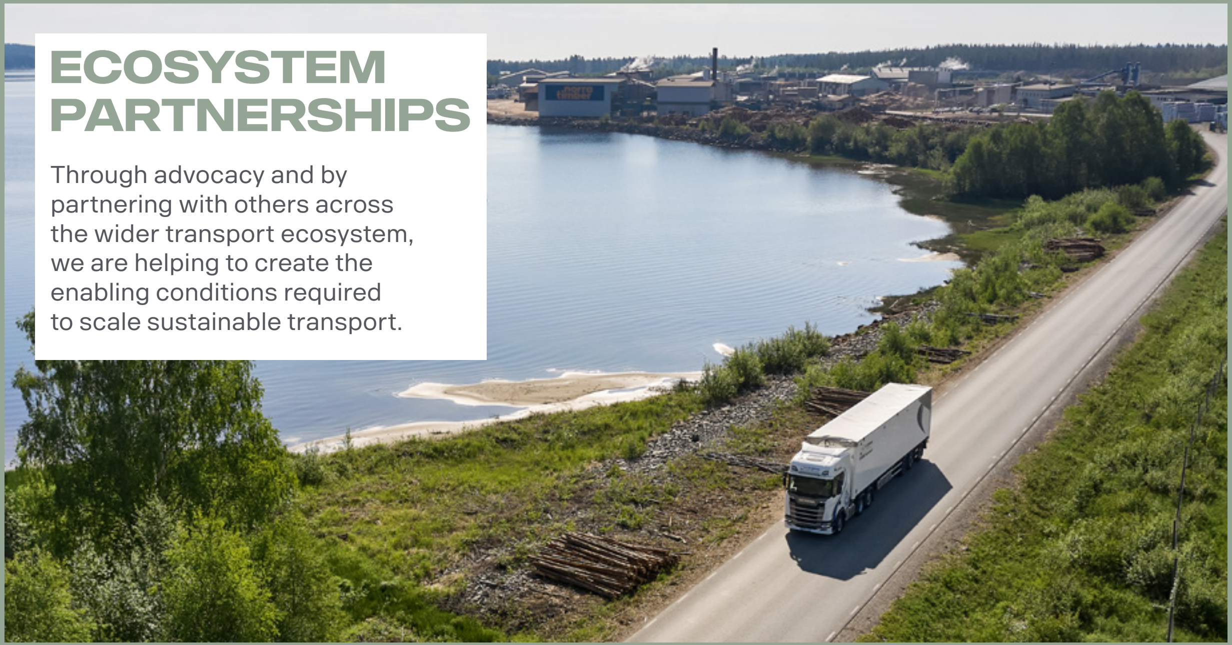
Driving the adoption of sustainable solutions

We are promoting the uptake of tailored sustainable solutions, based on our three-pillar approach.

+ See pages 33–35

ECOSYSTEM PARTNERSHIPS

Through advocacy and by partnering with others across the wider transport ecosystem, we are helping to create the enabling conditions required to scale sustainable transport.



What needs to happen for sustainable transport to become a reality? From the vehicle side, not much. Certain technologies may take time to fully mature, but sustainable solutions for heavy transport are developing faster than expected. In effect, there are no technological barriers to achieving the transition. The roadmap has been worked out. All the necessary hardware and software are in place. We are ready to go.

However, vehicles alone will not take us over the finishing line. For the transformation to happen at the scale and pace we need to see, the conditions have to be right. In particular, we need the infrastructure in place to support the solutions we have available and the goals we have set. Delivering this will require major investment and coordinated action across the whole ecosystem of transport.

A sustainable transport system depends on access to:

A reliable charging network

Electric vehicles rely on effective charging infrastructure. To be confident in switching to electric transport, our customers need to know that a reliable and readily available charging network is in place. Adequate charging infrastructure is vital for supporting the transition to electric vehicles, which is core to achieving sustainable transport.

Green energy

The transition to zero emissions will depend not on vehicle technology, but on energy. The only way to achieve zero emissions across the life cycle of our electric vehicles is for the electricity powering them to come entirely from renewable energy sources. Switching to electric without fossil-free energy only shifts the burden of emissions from the tailpipe to another part of the value chain.

Sustainably produced biofuels

By 2030, we expect 50 percent of our new vehicle sales volume to come from electric vehicles. But what about the Scania vehicles already on the road? At that point, about 90 percent of our rolling fleet of Scania trucks will still be powered by internal combustion engines. To meet our climate goals, we need to cut emissions from these vehicles too – and that is where biofuels will continue to play an important role. All our diesel trucks can run on Hydrotreated Vegetable Oil (HVO) without any modifications, and all our gas vehicles can run on biomethane – purified biogas – fuels that can reduce carbon emissions by up to 50–90 percent. Increasing access to sustainably produced biofuels will be vital to decarbonising our fleet in line with the Paris Agreement.

Partnering across the ecosystem

Delivering these major infrastructure improvements is a challenge that is beyond the direct control of any one company or organisation. But at Scania, we are not prepared to sit back and hope that someone else will do it for us. It is in our interests to work with others, push for change and do whatever we can to ensure these systemic changes happen. So we are engaged in advocacy and partnerships across the whole ecosystem to create the infrastructure solutions and policy conditions that sustainable transport depends on.

We are involved in strategic partnerships with our key stakeholders, including our customers, buyers of transport services, energy suppliers, infrastructure providers and industry peers – even our direct competitors.

This is not only about decarbonisation. Advocacy and partnership are also needed to support the other vital aspects of sustainable transport: circularity and people sustainability. By working with partners across our ecosystem such as battery specialist Northvolt, we are also addressing challenges such as battery sustainability. And through our support for initiatives such as the Global Deal for inclusive growth, we are helping to ensure that everyone stands to benefit from the transition to a sustainable future.

ECOSYSTEM PARTNERSHIPS, CONTINUED

Pledges and commitments

Towards emissions-free trucks and buses
On COP26's Transport Day, Scania announced its endorsement of the first-ever global Memorandum of Understanding (MoU) on zero-emission trucks and buses. The MoU is a coordinated effort by governments and industry leaders to work towards net zero carbon emissions from trucks and buses by 2050. The initiative is led by the sustainable transport organisation CALSTART and the government of the Netherlands.

Partnerships and coalitions

First Movers Coalition – driving demand for zero-carbon transport
Scania is a founding member of the First Movers Coalition, a new initiative designed to increase low carbon purchases in areas considered hard to decarbonise, such as steel and transport. As a member, Scania has committed to purchasing significant amounts of green steel, and set hard targets ensuring that the goods transport we purchase for our inbound and outbound logistics operations is more sustainable.

A heavy vehicle charging network for Europe
The TRATON GROUP, which Scania is part of, along with two other leading commercial vehicle manufacturers Daimler Truck and Volvo Group have signed a binding agreement to install and operate a high-performance public charging network for battery electric heavy-duty long-haul and regional trucks and coaches across Europe. The joint aim is to initiate and accelerate the build-up of charging infrastructure to enhance customer confidence and to support EU's transition to climate-neutral transport.

The parties plan to invest together 500 million Euros to install and operate at least 1,700 high-performance fossil-free energy charging points close to highways, as well as at logistic and destination points.

Pathways to fossil-free transport
Achieving net zero carbon emissions in the commercial transport sector by 2050 is possible, but it requires collaboration across the transport ecosystem. That is the rationale behind The Pathways Coalition, a strategic partnership initiative set up by Scania and other global business leaders representing different areas of the transport value chain. By sharing learnings and showcasing best practices, the coalition promotes a cross-sector approach to accelerating the decarbonisation of heavy transport.

The Pathways Coalition is based on the findings of the Pathways Study.

+ Read The Pathways Study

+ Read about The Pathways Coalition

> "Each Scania truck contains around five tonnes of steel. By using sustainably manufactured steel, we can take a giant step in our journey towards products that are emission-free throughout the value chain."
>
> **Anders Williamsson, Head of Industrial Operations, Scania**

Fossil-free steel – towards emissions-free heavy vehicles
For Scania, decarbonising our vehicles involves more than cutting out tailpipe emissions: we want to reduce carbon impacts across the entire life cycle of our products. In March 2021, we took a step towards achieving this ambition with a major investment in H2 Green Steel (H2GS), a new steel plant in Boden, northern Sweden.

With a new steel production method using sustainably produced hydrogen gas, H2GS reduces carbon dioxide emissions per tonne of steel produced by 95 percent. By creating vehicles using steel sourced from H2GS, we can significantly reduce the life cycle carbon impact of our products. We also follow the exciting development of fossil-free steel production that takes place in the ground-breaking Swedish HYBRIT project in collaboration between SSAB, LKAB and Vattenfall.

Biomethane – taking customers a step closer to sustainability
In December, Scania joined other transport brands, energy providers and other leading businesses in signing the Biomethane Declaration. Signatories recognise that biomethane is the most cost-effective, scalable and sustainable renewable gas available today, and has a long-term role to play in the future climate-neutral energy system.

As well as cutting carbon emissions from transport, biomethane contributes to sustainable agriculture, rural jobs that are hard to displace and recovery of waste streams. Scania therefore supports efforts to rapidly scale up the production and use of biomethane as a fuel across the EU.

Biomethane can be used in gas-powered trucks with no engine modifications. This means that for many of Scania's customers – such as Belgian haulier Van de Poel – biomethane has the potential to deliver substantial cost savings and sustainability benefits without the need for an expensive vehicle overhaul. Together with Scania and its fuel supplier Drive Systems, Van de Poel has been working on a pilot project to increase the share of biomethane in its fleet of trucks currently running on liquefied natural gas (LNG).

The Biomethane Declaration is an initiative organised by the Gas for Climate, a non-profit organisation dedicated to promoting the role of renewable gas in supporting the EU's net zero targets.

ECOSYSTEM PARTNERSHIPS, CONTINUED

Advocacy and stakeholder engagement

Supporting the European Green Deal
To lay the foundations for a sustainable transport system, we need to see bold action from governments. There are encouraging signs that the political landscape is shifting in the right direction. In Europe, the Green Deal has set out a roadmap for achieving a climate-neutral economy for the EU, with decarbonised transport a key part of the agenda.

The Green Deal with the "EU fit for 55 package", includes proposals to raise the price of carbon and make alternatives to fossil fuels more competitive. It also aims to ramp up charging infrastructure to boost the use of electric vehicles. While we feel that the proposals need more consideration in some areas – for example in viewing transport carbon impacts from the perspective of the whole value chain rather than just tailpipe emissions – we welcome the Green Deal as a positive step forward in accelerating the transition to decarbonised transport.

"The feeling at the event was so positive. There is acknowledgement that we are part of a sector that in the past have not done enough, but there is a true willingness to change that and to do it quickly."

Andreas Follér, Head of Sustainability, Scania

COP26: adding our voice to the climate conversation
In November 2021, world leaders gathered in Glasgow for COP26, the climate conference described as the most important meeting in history. During the conference, Scania took part in an event focused on the challenge of decarbonising transport. The event brought together industry influencers, partners and customers to discuss how best to work together across the transport ecosystem to accelerate change over the coming decade.

Scania Sustainable Transport Forum
In May 2021, Scania brought influential thought-leaders and decision makers together for the recurring Scania Sustainable Transport Forum, broadcast as a live event from Stockholm. The event explored the challenges and opportunities of decarbonising transport, with inspiring discussions on topics ranging from energy supply to batteries and infrastructure. The forum was hosted by world-leading climate scientist Professor Johan Rockström, with guest speakers including Christiana Figueres, co-founder of Global Optimism and the driving force behind the Paris Agreement.

Building a strong and inclusive jobs recovery
The pandemic has deeply affected labour markets and economies, with the equivalent of 255 million full-time jobs lost in 2020. In October, Scania joined a special Global Deal panel discussion to explore how social dialogue can help trigger a job-rich and gender-sensitive recovery, and shape a labour market that creates productive and decent jobs for all workers.

Workplace cooperation for sustainable business
Scania East Africa has been working with the Swedish Workplace Programme, an initiative helping management and employees jointly solve problems and improve skills development, gender equality and diversity in the workplace. The initiative has led to a more open and constructive relationship between the local management and union, leading to fewer disruptions and improved working conditions for employees.

INNOVATING FOR TODAY AND TOMORROW

We are collaborating with leading edge partners to harness new and emerging technologies and shorten time to market.

Emerging technologies and new ways of working are shaking up the transport industry – and as a leading heavy transport player, Scania is at the forefront of this revolution. By harnessing the power of innovation, we are finding answers to some of our most urgent sustainability challenges, from urban mobility to climate change.

At the same time, technologies such as electrification and automation are radically re-shaping our business, creating exciting new opportunities and business models. If you are looking for a career that combines a truly dynamic working environment with the chance to make a real impact on the world, Scania is a good place to be.

At Scania, we are responding to these changes by developing a clear roadmap for the future, investing in innovation in a way that strikes the right balance between today's and tomorrow's business needs.

Innovation at Scania has three different aspects:

- research and development
- exploring new business models
- evolving our culture and competence

Research and development

We are investing significantly in technology for sustainable transport solutions that are viable today, while also developing the transport technologies of tomorrow.

To make the shift to fossil-free forms of transport possible here and now, we invest in solutions such as electrification, as well as efficient powertrains powered by biofuels. At the same time, we are laying the groundwork for the future through our pioneering work in areas such as autonomous transport.

Our technological research and development is supported by our modular approach (see page 12), and carried out in collaboration with a wide range of skilled partners, both in Europe and more recently in China (see below).

Exploring new business models

The technological wave transforming the transport sector is in turn transforming the way we do business. Game-changing technologies such as electrification and automation are profoundly altering our business model, moving us from being a manufacturer of heavy vehicles to a provider of sustainable transport solutions. To accelerate the development and scaling of new technology, and to continue to offer the best value to our customers, it is vital that we are quick to take advantage of the new business opportunities created by this shift.

As part of our approach to innovation, we are focused on exploring these opportunities, working in close collaboration with our customers to fully understand their needs. We are exploring both adjacent solutions – opportunities that are connected to our traditional business – as well as transformational solutions – those more related to how the transport ecosystem may evolve in the future.

Evolving our culture and competence

As our business evolves, we need to ensure we have the skills and mindset to make the most of the opportunities the future holds. Our answer lies in developing the people we already have, allied to a recruitment process that targets the skills we will need in the years ahead. To support this, we also need to develop the right culture at Scania, encouraging flexibility and curiosity, and fostering an agile, entrepreneurial mindset.

Start-ups are a major source of innovation for Scania. Through our corporate venture capital fund Scania Growth Capital, we invest in tech companies that support the shift towards a sustainable transport system, and in ventures to explore disrupting technologies and business models in the automotive and transport industries. Through the Growth Capital exchange programme, we partner with these funded companies to give Scania employees hands-on experience of the culture in a high-growth company.

INNOVATING FOR TODAY AND TOMORROW, CONTINUED

Part of ensuring we develop the right skills is about harnessing the great potential within our organisation. We achieve this through our Skill Capture programme – a series of lab workshops designed to identify and tap into the huge reservoir of talent we have at Scania. Meanwhile, through Scania Academy, we provide tailor-made programmes designed to help our employees foster the skills they will need in tomorrow's transport industry.

To encourage an agile mindset at Scania, we have changed our organisational structure to create a more dynamic company, where employees have more freedom to take on new roles, switch career paths and try out new skills. Our Innovation Factory develops entrepreneurship within the company, giving employees the skills and support to develop their ideas and bring them to market as products and services.

We know that innovation depends on fresh perspectives. We aim to cultivate a diverse workforce and an inclusive working culture, in which difference is recognised and valued.

Innovation Factory

Scania Innovation Factory is a venture building process where intrapreneurs get the time, resources and support to learn about and develop new business opportunities for Scania.

It began with ten teams at an idea development bootcamp to validate the potential in their business ideas and be trained in entrepreneurial skillsets. Four teams then proceeded to develop their ideas.

"This process enables Scania to tap into new profit pools beyond our core business. Getting closer to new customers and partners in the ecosystem will contribute to the long-term competitiveness of the company," says Anton Wieselblad, Innovation Manager.

The selected projects contribute with new innovative solutions related to Scania's strategic areas, such as Sustainability, Electrification, Digitalisation and IT.

With a combination of seminars and coaching and in an inspiring environment, the teams work with their business idea in a true start-up way.

Innovation Factory is a great opportunity to broaden skills, be inspired by others and to work agile as a team in an entrepreneurial tech environment.

Combient: harnessing the power of entrepreneurship

Emerging technologies such as automation and AI have great potential for improving the sustainability of transport. At Scania, we work closely with a range of companies, both large and small, to explore the opportunities and build solutions around these exciting technologies.

Scania is part of Combient, a Nordic-based industry network that aims to accelerate transformation in technologies and innovation. Part of the Combient network is Combient Foundry, that connects tech start-ups with Nordic industry leaders and enables Scania to identify sweet spots for new technologies and speed up business development. It is a collaboration that brings benefits to all parties: the start-ups to acquire global industry leaders such as Scania as their clients, while Scania can tap into the start-up scene's deep well of entrepreneurship.

Mobility Solutions: preparing to take on the future

With fast-paced technology shifts and new business models in sight, Scania made some significant changes to its organisation in 2021 to be even more prepared for what the future brings.

One example is the creation of a new corporate function, Mobility Solutions. Technologies such as digitalisation, connectivity and automation call for a new mindset focused on solutions rather than simply delivering vehicles. Mobility Solutions will ensure that Scania is positioned to capture the market opportunities ahead, whether in products or tomorrow's new transport solutions. Having foreseen this shift, Scania started laying the groundwork already some years back with forward looking initiatives in automation and logistical solutions. The new function is a merger of Autonomous Solutions and LOTS Group, a wholly-owned subsidiary providing logistical solutions for customers by blending the latest technologies with Scania's Lean approach. Over time more initiatives will be grouped under Mobility Solutions, initiatives that target new customer segments or that do not fit into Scania's current core during their early start-up phases. The new unit marks a major step forward for Scania in its shift towards a more solution-based business model.

INNOVATING FOR TODAY AND TOMORROW, CONTINUED

Building a sustainable future for urban logistics

Improving the efficiency and sustainability of logistic systems is a complex task. This is particularly true in cities, where shippers and carriers face a range of unique challenges ranging from road congestion to increased customer expectations around speed and flexibility.

At Scania, we believe that technology and partnership are key to solving these problems. That is why we created HITS – a project harnessing innovation and collaboration to accelerate the transition to a sustainable, circular and efficient urban freight transport system. The project is funded by Swedish public innovation agency Vinnova and coordinated by transport platform CLOSER.

The first phase of the project explores how sustainable logistic systems can be created and scaled up, and the role technologies such as automation and digitalisation can play in this. The work involves conducting interviews with customers to map their needs, as well as field studies and observations to disentangle the complexity of the urban logistics from different perspectives. Following this research phase, the project moves on to testing concepts through simulations and prototypes.

"It is about creating a circular flow of goods and materials. This demands a collaboration between various logistics actors."

Paul Lequay, Design Researcher and Innovation Strategist, Scania

The project promotes collaboration between different industries and authorities thanks to the mix of project partners, while also promoting cross-sectoral collaboration. According to Paul Lequay, Scania Design Researcher and Innovation Strategist, this joined-up approach is vital to the success of the project. "One of the big challenges is to reduce empty space in trucks that have delivered their cargo," Paul explains.

The project is currently working on a vision for the Swedish capital, Stockholm and many different options are on the table. "We are investigating the possibility of making goods transport less visible and reducing congestion through night-time deliveries," continues Paul. "We are also considering multi-purpose vehicles that combine goods and people transport, as well as the use of transport hubs."

DRIVING THE ADOPTION OF SUSTAINABLE SOLUTIONS

We are promoting the uptake of tailored sustainable transport solutions, based on our three-pillar approach.

Thanks to new technologies such as electrification, the transition to a sustainable transport system is gathering pace. Electrification will ramp up in the coming years but many of our customers are not yet ready to shift to electric. Hence, for the shift to happen at the pace we need to see, we must rapidly deploy all sustainable solutions available. We need sustainable solutions using the conventional internal combustion engine (ICE) technology to cut carbon emissions from our rolling fleet. Although over half of our vehicle sale volumes is expected to come from electric vehicles by 2030, 90 percent of Scania vehicles already on the road will still be powered by ICE. To reach the targets for curbing greenhouse gas emissions set by the Paris Agreement, it is vital that we reduce the climate impact of the non-electric vehicles currently in use by our customers.

Three-pillared approach

Scania's approach to sustainable transport rests on three pillars that aim to optimise the transport system on different levels: energy efficiency (optimising the vehicle and driving), renewable fuels and electrification (optimising the energy), and smart and safe transport (optimising the transport system). Together with our unique flow thinking, this approach is making our customers' operations cleaner, safer and more efficient.

The three-pillared approach is highly flexible and can be applied either individually or in combination. This enables us to tailor solutions for each customer, and for specific transport challenges. Solutions can vary depending on factors including market maturity, and the availability of green electricity and renewable fuels.

Energy efficiency

We optimise the fuel efficiency of Scania vehicles while they are in use by continually improving the performance of our vehicles and powertrains. We support this with a range of services designed to further increase energy efficiency, such as driver training.

According to the Pathways Study, biofuels used in internal combustion engines are the best near-term choice to reduce commercial transport CO_2 emissions in line with the Paris Agreement.

Renewable fuels and electrification

Electrification is key to decarbonising transport in the long term. Today, our vehicle portfolio includes fully electric battery-powered trucks and buses, as well as hybrids. The market for electric vehicles is maturing faster in some areas than others, depending on local charging infrastructure availability. So in parallel to increasing our offering of new electric vehicles, we are also focused on reducing the carbon impact of vehicles already on the road by increasing the availability and promoting the use of renewable fuels.

For vehicles powered by internal combustion engines, replacing fossil fuels with renewable fuels can significantly reduce emissions. All our diesel vehicles can run on HVO without modification, and all our gas vehicles can run on biomethane – purified biogas. Renewable fuels can either be used alone or in combination with electrification in hybrid vehicles, for an even lower carbon impact.

Smart and safe transport

Based on the real-time data we gather from our connected Scania vehicles, we develop smart, highly customised services that lower fuel consumption and maximise vehicle uptime. These include driver training services designed to develop more fuel-efficient driving techniques as well as improving driver safety. Developing the digital connectivity of our vehicles is key to accelerating our shift towards being a more service-focused business, as well as laying the foundation for developing solutions based on automation.

+ Read about our sustainable transport solutions
+ Read about The Pathways Study

Although

50%

of our new vehicle sales volume is expected to come from electric vehicles by 2030,

90%

of our rolling fleet will still be powered by internal combustion engines.

DRIVING THE ADOPTION OF SUSTAINABLE SOLUTIONS, CONTINUED

Scania's new powertrain platform – a key step towards reaching our climate goals

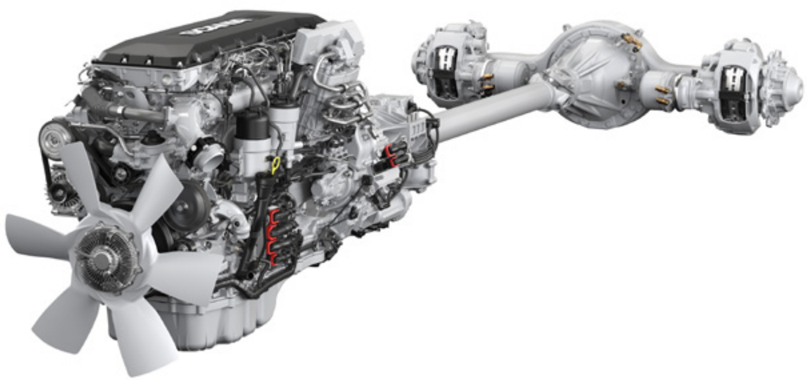
In our single biggest launch since our new truck generation in 2016, we introduced our new engine platform in 2021, along with an array of new services and updates. The launch is set to consolidate Scania's position as the leading manufacturer of premium heavy trucks.

The new powertrain platform is focused on sustainability and efficiency, and will be key to reaching our science-based carbon targets. The powertrain platform will deliver fuel savings of at least eight percent for long-haul customers, compared with previous versions. All engines can run on Hydrotreated Vegetable Oil (HVO) fuel, and two can be ordered as FAME biodiesel versions – both renewable alternatives to fossil fuels that can significantly reduce carbon emissions.

The new powertrain also includes new gearboxes and axles, and a premium service, Scania ProCare, for customers that request 100 percent planned uptime.

8%

long-haul fuel savings with new powertrain platform, compared with previous versions.



Scania and SCA develop first 80-tonne electric timber truck

With today's electric vehicle technology, long-haul electric transport is now a viable option – as a new partnership between Scania and wood product manufacturer SCA proves. The project has led to the development of the first battery electric timber truck with a technical capability of up to 80 tonnes total weight. From 2022, the electric truck will transport timber in the Swedish region of Västerbotten, between SCA's terminal in Gimonäs and its papermill in Obbola outside Umeå.

"Electric timber trucks will be a strong contribution to SCA's work with sustainability, where we are part of the solution for a fossil-free world. By running just one electric truck between Gimonäs and Obbola, we can reduce our carbon emissions by about 55,000 kg per year."

Hans Djurberg, Head of Sustainability, SCA

Super-sized wood chip truck reduces transports by 30%

The longest and heaviest truck combination for regular delivery on European roads today is 34 metres long, with a total gross-weight of 98 tonnes. Designed to move wood chips from a train terminal to a power plant 20km away in Södertälje, Sweden, the truck is the result of a sustainable transport project bringing together Scania, local energy supplier Söderenergi and transport company Foria.

The 12-axle combination truck is headed by a Scania R 770. Not only does the truck perform exceptionally well in traffic – it also significantly reduces carbon emissions, thanks to its super-sized capacity and an engine optimised for efficiency and powered by renewable HVO fuel.

High capacity transport (HCT) is an efficient solution to create more energy efficient road freight transport.

DRIVING THE ADOPTION OF SUSTAINABLE SOLUTIONS, CONTINUED

Scania 64-tonne electric truck on the road with Wibax

The 64-tonne electric Scania truck contributes to chemical supplier Wibax from northern Sweden reaching its climate targets.

The vehicle's performance and load capacity are made possible by the development of a significantly stronger electric motor. It will run on the roads between the cities of Piteå and Skellefteå in northern Sweden, a distance of 80 kilometres one way.

Scania and Wibax have a close collaboration to enable this electrified solution. "This is the first fully electric 64-tonner that we put on the road in customer operations. Step by step, we are demonstrating that electric solutions are happening very fast and for basically all segments," says Fredrik Allard, Head of E-mobility, Scania.

For Wibax, the Scania electric truck is a way to reduce the climate impact from its operations. "We have done our utmost to be sustainable since the company was founded in 1986, and as we have identified transports as our biggest environmental impact, this electric truck is a step to ensure we can carry on with our operations with the climate in mind. During the lifetime of this truck, Wibax will reduce CO_2 emissions by up to 1,400 tonnes, making it a true game-changer," says Jonas Wiklund, CEO of Wibax Group.

As part of a long-term partnership, Scania and Wibax will work together to optimise the use of the vehicle over time – including charging, battery life length and route planning. This provides valuable insights to Wibax as they prepare to add additional electric vehicles to their fleet in the future.

Lidl Italia goes electric

In a sustainability milestone for Italy's leading supermarket chain, Lidl Italia recently took delivery of its first battery-powered electric truck. With a range of about 250km per charge, the new Scania battery electric vehicle operates from the Lidl logistics centre in Arcole near Verona, and supplies the company's supermarkets in the north-east of Italy. The arrangement is the result of a partnership between Scania's Italian subsidiary Italscania and transport company LC3 Trasporti.

> "Our long-term goal is the decarbonisation of transport, and the launch of this new battery electric vehicle is an important step forward in this direction."
>
> **Luca Ros, Logistics Director, Lidl Italia**

CORPORATE GOVERNANCE

Scania AB and its direct wholly-owned subsidiary Scania CV AB (together "Scania") maintains a high international standard of corporate governance through the clarity and simplicity of its management system and governing documents. Corporate governance at Scania is based on the Articles of Association, Swedish legislation, in particular the Swedish Companies Act, the Annual Accounts Act and internal governing documents. This Corporate Governance Report has been prepared in compliance with Chapter 6, Section 7 of the Annual Accounts Act.

Owner and shareholders

The sole shareholder of Scania AB is TRATON SE who owns and controls 100 percent of the shares in Scania.

TRATON SE is a subsidiary of Volkswagen AG and is listed on the Frankfurt Stock Exchange and the Nasdaq Stockholm Stock Exchange. Both Scania and TRATON are members of the Volkswagen Group.

The Annual General Meeting
The right of shareholders to make decisions on Scania's affairs is ultimately exercised at the Annual General Meeting (AGM). An AGM of shareholders shall be held within six months of the expiry of each financial year, where the Board of Directors shall present the Annual Report and the Auditors' Report.

The Notice convening the AGM shall be issued no earlier than six and no later than four weeks before the meeting. A Notice convening an Extraordinary General Meeting (EGM) shall be issued no earlier than six and no later than three weeks before the meeting. In accordance with the Swedish Companies Act and Scania's Articles of Association, the composition of the Board of Directors is decided by election. Decisions at the AGM are usually made by simple majority. In some cases, such as an amendment to the Articles of Association, however, the Swedish Companies Act or the Articles of Association stipulates either a certain level of attendance in order to reach a quorum or a qualified majority of votes. During 2021, the AGM did not authorise the Board of Directors to resolve on the issue or repurchase of shares.

The Board of Directors
The Board of Directors is Scania's highest administrative body and is responsible for the management of the company's operations as well as the organisation. It is also overall responsible for Scania's long-term development and strategy (see page 17 about our strategy). This includes overseeing climate-related issues relevant to reaching Scania's targets and objectives. As a part of this the Board of Directors also monitors Scania's science-based targets as well as the integration of sustainability aspects into Scania's core processes. To fulfil its responsibilities, the Board of Directors have appointed the President and CEO, who appoints the Executive Board, by whom the Board of Directors are regularly updated on topics that are of long-term and strategic nature.

Scania's Board of Directors, which is identical for Scania AB and Scania CV AB, is elected every year by the shareholders at the Annual General Meeting. The Board of Directors is the link between the shareholders and the company's management. In addition to those members of the Board of Directors who are appointed pursuant to Swedish law by a party other than the AGM, the Board of Directors shall comprise a minimum of three and a maximum of eleven members plus a maximum of two deputy members. The members are elected each year at the AGM for the period up to the end of the next AGM. Scania's Board of Directors is composed of ten elected Board members and no deputy members.

On 31 December 2021, they were:

- Lilian Fossum Biner
- Annette Danielski
- Gunnar Kilian
- Julia Kuhn-Piëch
- Christian Levin
- Nina Macpherson
- Christian Porsche
- Mark Philipp Porsche
- Stephanie Porsche-Schröder
- Peter Wallenberg Jr

In addition, the trade unions at Scania have according to Swedish law appointed four Board members and two deputy members for them. On 31 December 2021, they were:

- Mari Carlquist
- Lisa Lorentzon
- Mikael Johansson
- Michael Lyngsie
- Bo Luthin (deputy)
- Mikael Svalefors (deputy)

The Board of Directors is responsible for establishing the Rules of Procedure of the Board of Directors, and their instruction to the President and CEO, where the Board of Directors specifies the duties and powers of the CEO. Furthermore, the Board of Directors is also responsible for establishing the Rules of Procedure of the Audit Committee.

The Audit Committee
Scania's Board of Directors have established one working committee, the Audit Committee, to which the Board of Directors appoints the members from among its own members. The Audit Committee monitors issues related to administrative processes, refinancing and treasury operations. Its brief also includes discussing and evaluating the company's application of important accounting issues and principles and the company's financial- and non financial reporting, as well as evaluating the auditors and approving the use of external auditors for non-auditing-related services. Strategic-, financial-, legal & compliance- and business risks, including sustainability and climate-related risks, are reported regularly to the Audit Committee.

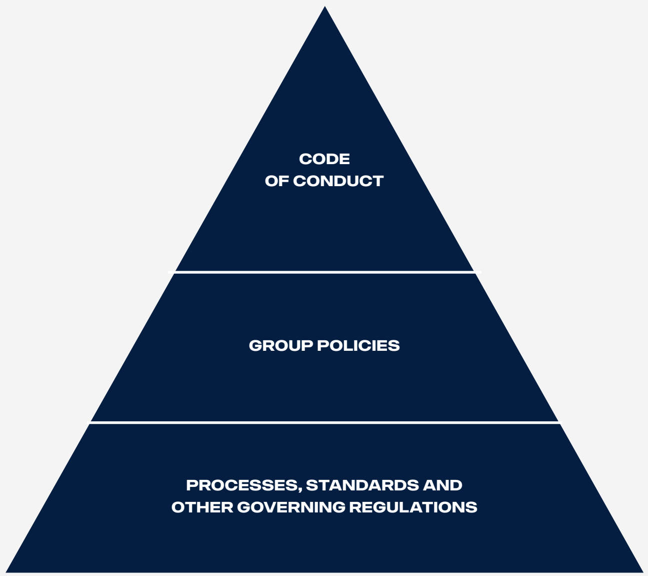
The Audit Committee also regularly receives reports regarding internal audits and the state of the internal controls and risk management systems. The Audit Committee shall also receive and discuss complaints concerning accounting, internal controls or auditing in the company. The Audit Committee is identical and common to Scania AB and Scania CV AB.

External auditors
At Scania, the independent external auditors are elected annually by the shareholders at the Annual General Meeting (AGM), for a period until the end of the next financial year's AGM. The external auditors report to the shareholders at the company's AGM. EY currently serves as the auditors of Scania.

To ensure that the requirements concerning information and controls that are incumbent on the Board of Directors are being met, the external auditors report on a continuous basis to the Audit Committee on all substantial accounting related matters as well as any errors and suspected irregularities. The auditors also participate in at least one Board of Directors meeting per year and are invited, when needed, to participate in the meeting and report to the Board of Directors.

The external auditors have no assignments for the company that affect their independence as auditors for Scania.

CORPORATE GOVERNANCE, CONTINUED



Hierarchy of governing documents within Scania

Internal audit
Scania Group's Internal Audit, whose main task is to independently perform a risk-based and by regulation required reviews according to an annual audit plan and monitor and review the internal control, risk management and governance reporting to Scania's Audit Committee. All reports are also shared with the CEO and the Executive Board in order to get their commitment to implement the necessary mitigation actions. Group Internal Audit reports functionally to the Audit Committee and administratively to the CEO.

The management of the company
Scania's governing regulation structure starts with the Scania Code of Conduct, which contains a set of binding rules and guidance regarding responsible behaviours for all Scania Group employees. Scania Group Policies are internal regulations on topics and areas that need to be regulated on a group-wide level. Examples of such areas are: Risk, Environment, Product Compliance, Business Ethics/Compliance and Finance. Scania Group Policy 1 – Group Regulations Management – provides a set of fundamental guidelines for the creation of governing regulations. The purpose of Scania Group Policies is to set clear expectations, enabling Scania to achieve our business objectives while addressing uncertainty and risks and considering our core values.

Scania's strategic direction is decided by the Executive Board, on behalf of the Board of Directors. The strategic direction is communicated by the Executive Board at the yearly top management meeting and serves as the foundation for Scania Group's business and operating plans. Focus areas and corporate targets are followed up regularly and the strategy is adapted accordingly as needed and broken down in the functions. The Heads of the corporate functions are responsible for ensuring that the appropriate actions are taken in their respective fields of responsibility based on the strategies that are decided.

The main responsibility for the operations of Scania's subsidiaries rests with the Board of each respective subsidiary. The Boards ensure that the established targets are achieved and that all of Scania's internal rules and principles, as well as laws and regulations, are followed. All managers in the company are responsible for working and communicating in compliance with the company's strategy. Scania's governance structure aims to drive the shift towards a sustainable transport system which includes the areas on environmental, social and governance responsibility. For further information see Scania's Sustainability Report Index on page 153.

Scania's Executive decision structure is based on a number of Executive decision forums that interconnect and form the basis for interaction between business units. Decisions at Executive decision meetings are assessed for legal and compliance standards. All decisions must also include an assessment that the decision is in line with Scania's core values: customer first, respect for the individual, elimination of waste, determination, team spirit, and integrity. This ensures an integrated approach to strategic topics within Scania and that sustainability and climate as well as compliance and integrity related matters are considered in all relevant decision-making. The Executive decision forums, such as the Scania Sustainability Board, the Sourcing Board, People Management meetings and Product Quality Meetings each include a member from the Executive Board. In addition there are support functions within Scania, including the Governance Risk and Compliance, Data Privacy and Group Internal Audit, that further support the business in making responsible, balanced and profitable business decisions.

Scania Sustainability Board (SSB) is responsible for setting the sustainability direction, targets and initiatives, as well as ensuring cross-functional action on our sustainability priorities. SSB consists of executives across all our corporate functions and is led by the CEO. SSB has quarterly meetings. Sustainability is at the core of Scania's purpose and direction as a business. Scania has committed to the Science Based Targets initiative (SBTi) to limit global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1,5°C. Achieving these targets requires coordinated actions across the entire organisation, close collaboration with our customers

CORPORATE GOVERNANCE, CONTINUED

and other partners across the transport ecosystem, as well as commitment from all Scania employees see pages 21–22 for Scania's science-based targets.

In 2021, as part of supporting the Scania 2025 strategy and reaching our targets and objectives, Scania has transformed its organisation. The transformation includes the industrial- as well as commercial parts of the organisation. The changes consist of the merger between Research and Development, Production and Logistics and Purchasing into one strong organisation – Industrial Operations. This enables an extended focus on productivity and flow, and to be better prepared for the challenges in a transformative environment. In the commercial organisation, the sales and service network is now moving towards a stronger connection with the company's customer financing operations to respond to a higher level of integration in future customer solutions. This organisation is called Commercial Operations. A new corporate unit has also been established; Mobility Solutions. This is a merger of Autonomous Solutions and LOTS Group, a wholly-owned subsidiary. The Scania Way remains the foundation of our ways of working and methods. It is part of who we are and our culture. The new organisation connects the corporate functions through value streams which enhances flexibility and adds focus on business development.

A part of being a great employer is being able to offer a flexible work environment to our employees to the extent of the nature of the job to be done allows, while ensuring individual productivity and well-being as well as great creativity and collaboration in our teams and communities. Introduced in 2021, The Scania Work Playbook outlines Scania's go-to approaches to an inclusive and attractive workplace where everyone can contribute to our common purpose with their full potential.

Governance, Risk and Compliance
The Governance, Risk, Compliance and Data Protection (GRC) function shall ensure that legal requirements, international GRC standards and owner requirements are fulfilled considering Scania specific risk environment and culture. The function shall also support in reducing compliance risks and other risks by providing knowledge in terms of policies, guidelines, training and advice and by setting up respective structures and processes. Based on decision made by the Executive Board 2020 the Group Risk management function, continued a comprehensive three-year long internal controls improvement and standardisation project. As part of the initiative internal control function within Group Risk management has been established to coordinate the development and monitor Scania's standardised internal control management system.

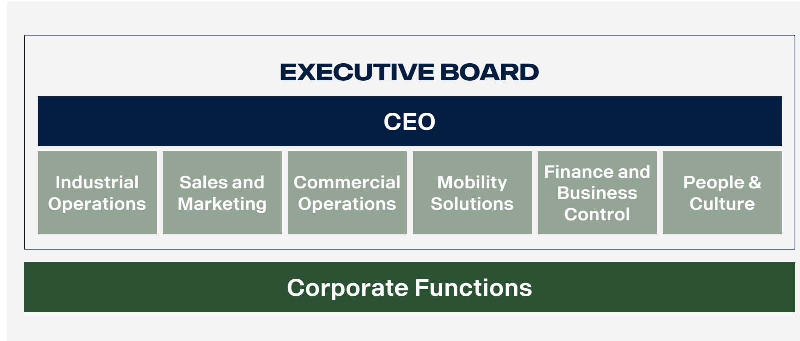
In addition, the Governance, Risk and Compliance (GRC) function secures alignment with the Volkswagen Group as well as TRATON GROUP regulations through the policy management function.

Together for Integrity
In 2017 Volkswagen Group introduced an improvement programme named Together for Integrity (T4I), with the target of achieving an improved culture of openness, transparency and accountability. In 2020, it was announced that this has resulted in that Volkswagen AG and its subsidiaries successfully concluded the Independent Compliance Monitorship.

The President and CEO
Under the Board of Directors, the President and CEO has the overall responsibility for the Scania Group. The President and CEO roles for TRATON SE and Scania AB was merged as of October 1 2021.

The Executive Board
At the side of the President and CEO is the Executive Board. The Executive Board makes joint decisions in compliance with guidelines approved by the Board of Directors and the instruction on the division of labour between the Board of Directors and the President and CEO.

The Executive Board decides on issues that are of a long-term and strategic nature. This includes the development of the company, Research and Development, Purchasing, overall human resource matters, environmental work, marketing, pricing policy, capital expenditures and financing. The Executive Board also prepares such issues that shall be decided by the Board of Directors. The Executive Board is led by the President and CEO and report to the Board of Directors regularly preceding Board of Directors meetings.



The Scania governance structure

The Executive Board meets on a monthly manner. When necessary, considering amongst others market developments, the strategies are summarised from a global perspective and updated at such meetings.

Internal control
The cornerstones of Scania's internal control consist of the control environment, risk assessment, control activities, information and communication as well as monitoring.

Control environment
Internal control at Scania is based on the decisions on organisational structure, mandate and guidelines made by the Board of Directors. The Board of Directors' decisions are implemented into functioning management and control systems by the Executive Board.

Organisational structure, decision-making procedures, mandates and responsibilities are documented and communicated in governing documents, such as Scania Group Policies, standards and other regulations. Also included in the basis for internal control are group-wide accounting and reporting instructions, instructions regarding powers and authorisation rights as well as relevant manuals and process descriptions. The Group reporting system for integrated financial and operational information is another central element of the control environment and internal control.

Integrated reporting of financial and operational information ensures that external financial reporting is based on business operations. In addition to information on final outcome figures, the reporting system also includes frequently updated forecast information. The Corporate Control function is

CORPORATE GOVERNANCE, CONTINUED

responsible for continuous updating of accounting and reporting instructions, with due regard for external and internal legal requirements and standards.

Risk assessment and control activities
Risk management is an integral part of business management and the decision-making process. Scania is continuously exposed to risks that, if not properly managed, may impact the opportunity to drive the shift towards a sustainable transport system, to execute its strategies and to achieve its objectives. There is a comprehensive set of control activities established for all key risk areas and processes. For a closer description of risk management at Scania, please see section Risk and risk management on page 40.

The controller organisation, such as financial responsibility, follows the company's organisational and responsibility structure. Risk areas identified in financial reporting are handled and scrutinised via Scania's controller organisation. Controllers who closely examine business operations are found at all levels of the organisation. Clear reporting to higher levels takes place regularly, ensuring a solid understanding of how a unit's business operations are reflected in the figures. In its task of compiling, verifying and analysing financial information, the corporate-level controller organisation has access to the figures and business-related comments of all operational units.

Information and communication
In order to inform, instruct and coordinate financial as well as non-financial reporting, Scania has formal information and communications channels to the affected employees regarding policies, guidelines and reporting manuals. These formal information and communications channels are supplemented by frequent dialogue between Finance and Business control and the individuals in charge of financial reporting at operational units. The Group holds internal seminars and conferences regularly, with a focus on quality assurance in financial reporting and governance models.

Monitoring
Scania monitors compliance with the governing documents and the effectiveness of the control structure. Monitoring and evaluation is performed by the company's corporate controller departments in industrial operations, all sales and services companies, and finance companies. In addition risk based and independent reviews of internal controls over financial reporting in selected entities are performed.

During the 2021 financial year, in its control and monitoring activities, Scania prioritised areas and processes with large flows and values as well as selected operational risks. Monitoring of compliance with Scania Group Policies remained a high priority area and additional internal controls have been introduced in this area.

The Board of Directors receives monthly financial reports. This financial information increases in terms of the run-up to each interim report. The full year-end and half year reports are approved by the Board of Directors.

Compliance with the Code of Conduct is monitored by the operational management as well as Compliance and Risk Management functions. The company also has an anonymous communication channel where all employees can report violations of company policies and the Code of Conduct.

Kim Viktorsson
Head of Project Controlling and Analysis

Q: How will shifting to the new operating model help Scania get fit for the future?

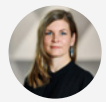
A: In an uncertain environment we need to be more responsive to change and more flexible in how we develop and deliver solutions. Meaning we will need an even closer relationship with our customers to really understand their needs and offer them the right solutions. This transformation is crucial to our business, and the new operational model and ways of working will help us make it happen.

Q: How is the new operating model changing Scania's corporate governance?

A: We now have a value-flow governance, with cross-functional teams organised around customer value. The Executive Board sets the strategic direction, and the teams figure out what solutions to develop and how. Meanwhile the corporate functions are connected through the value streams so that they work in optimised flows rather than functional silos. This value-flow system enhances speed and flexibility and allows for more delegated responsibility to drive business in a more agile way.

Q: What are the challenges to a successful transformation?

A: Embracing the unknown isn't always easy, and in this transformation we don't yet have all the answers – we are learning as we go along. This journey will take time, but I know we will come out of it even stronger than before. It's not the first time we have taken this kind of bold step at Scania, and with the great colleagues I have, I'm certain that we will succeed.



Lisa Lorentzon
Chairman, Scania European Committee

Q: How would you describe the relationship between the unions and management?

A: It's based on mutual trust, with the focus on solving issues. The unions are involved at an early stage in decision-making, to make sure all views are accounted for. This benefits both the company and its employees.

Q: How do the unions contribute to driving the shift?

A: We share a joint ambition for Scania to be successful and a company to be proud of, based on what we deliver as well as how we act in society and towards employees. By maintaining close dialogue with them, we can understand their interests, engage them with our purpose and ensure our shared decisions are in line with Scania's strategy.

RISK AND RISK MANAGEMENT

Purpose of risk management within Scania

As a company, Scania is continuously exposed to risks that, if not properly managed, may impact the opportunity to drive the shift towards a sustainable transport system, to execute its strategies and to achieve our objectives. Such matters pose risks to Scania and may involve a broad range of topics spanning from cyber security to supplier capacity, climate, product launch and matters related to responsible business e.g. environment, governance and social issues. Negative impacts can be avoided, or at least minimised, if they are proactively identified and properly managed. A systematic approach to risk management enables Scania to maintain focus on its core business, its customers and identify opportunities while spending less time and effort on remediating unwanted situations.

The risk management process also enables informed decision-making and effective risk management and risk reporting.

How we drive risk management within Scania

On behalf of Scania's Board of Directors, the Executive Board has the overall responsibility for risk management, including sustainability and climate-related risks. However, as the business operations are exposed to risks that need to be managed, they are responsible for identifying and assessing key risks, assuming risk ownership and managing risks, as well as periodically reporting risks to the Executive Board via the central support function Group Risk Management.

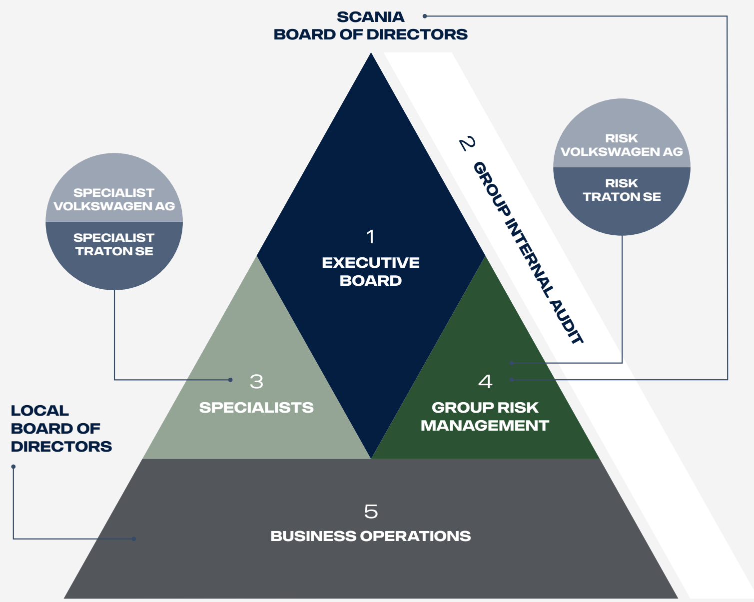
Scania Group promotes a risk awareness culture which is characterised by openness and encourages people throughout the organisation to speak up and discuss the risks the Group is facing. Transparency is fundamental for dealing effectively with risks and avoiding blind spots, i.e. risk which remain undetected and therefore are not addressed properly. As a principle, all management across the organisation is responsible for managing risks within its area of responsibility.

Risk management at Scania should be performed in accordance with the Scania Group Policy on Risk management and supporting instructions.

Risk process

The risk process ensures that Scania has a transparent, systematic and hands on approach to risk management.

The aim of the risk process is for each entity within Scania to gain a greater understanding of what their important risks are, and how such risks are managed. The purpose is also to establish a shared view of important short-, medium- and long-term risks throughout the Scania Group.



Roles and responsibilities within Scania's risk management

1

- Foster a sustainable risk culture
- Ratify key components of the group-wide risk management programme
- Discuss risks and assume ownership of group-wide risks
- Assume responsibility for core process and cross-functional risks
- Evaluate that strategies for managing group-wide and cross-functional risks have been developed to reach acceptable risk levels

2

- Provide assurance on the effectiveness of the risk management programme, the controls and risk response plans for significant risks

3

- Provide guidance and support to the central support function Group Risk Management and business units on specific topics

4

- Compile risk information for transparent reporting
- Identify and assess group-wide risks for escalation
- Monitor risks and risk response plans
- Facilitate assessment and mitigation activities for cross-functional and group-wide risks
- Create and maintain a common risk management framework
- Provide direction and support on how to apply the framework
- Provide guidance and training programme

5

- Identify and assess key risks
- Assume risk ownership and manage risks
- Monitor risks and report to Group Risk Management
- Escalate emerging risk issues

RISK AND RISK MANAGEMENT, CONTINUED

The four phases in the risk process

To ensure consistency in the assessment of the risks identified, pre-defined risk categories (Strategic, Financial, Legal & Compliance and Business risks), sub-categories and risk assessment criteria are established that help organise consistent identification, assessment, analysis, and monitoring of risks.

The recurrent risk process consists of four phases: identify, assess, respond, and follow-up and report.

The first step, **identify**, involves identifying risks of targets not being achieved and emerging risks. Secondly, the identified risks shall be **assessed** in terms of probability of occurrence and potential financial, reputational and legal impact in order for the appointed risk owner to be able to prioritise risks for further analysis. The following analysis is the basis for evaluating response options as part of the third step, **respond**, as well as to design and implement risk response plans. The final step, **follow-up and report**, is to monitor the implementation and status of the risks to ensure that the risks response is effective (see page 38, Internal control).

The process runs through an annual workshop and additionally updates and reports on a quarterly basis.

Climate-related risks

Climate-related risks refer to events or developments arising from climate change that may have a negative impact on achieving company and divisional targets and/or on adherence to or the viability of company processes. Climate risk could also include events stemming from Scania's operations that contribute to the adverse effects of climate change. Sustainability and climate-related risks are included in and reported as part of existing sub-risk categories.

Scania has set ambitious CO_2 reduction targets to limit global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1,5°C, in line with the Science Based Targets initiative (SBTi). This represents a radical leap in our carbon reduction targets, as the targets encompass not only emissions from our direct operations, but also from our customers' vehicles when in use.

+ Read about Scania's science-based targets

Climate-related risks within Scania are divided into transition- and physical risks. With Scania's sustainability and climate targets (see page 140), the transition risks are considered most material to Scania in the short- and medium term. Transition risks identified by Scania include risks relevant to the technology shift, such as the adaptation to battery electric vehicles (BEV), the cost of the transition to lower emissions technologies, customer expectations and availability of components and raw materials, as well

Ruthger de Vries
President, Scania Industrial Operations, Asia

Scania is about to expand its global production structure, with a new, wholly-owned truck production hub in China joining existing sites in Europe and Latin America. Scania's head of industrial operations Asia, explains the strategic thinking behind the project, and the role that risk management has played in setting up the facility.

What are the considerations when establishing a production site in Asia?

Scania is operating in a volatile business landscape which is being shaped by geopolitical realities. To stay competitive, we need to find the business opportunities and adapt and keep pace with the developments also in the industrial system.

With that said, a customer needs to know that a Scania is a Scania, wherever it is produced. The vehicles from our establishment in China will have the same quality as those from other production sites. This is part of our core values. Our values are the foundation for operating responsibly, following all relevant local and international standards.

As a global company, Scania is enriched by cultural differences. We will use these differences to make the strongest diverse team possible and make this great challenge a success.

What are the main risks involved in setting up the facility – and how are you mitigating them?

There are always risks involved in major construction work. To minimise risk to people and the planet, we are, as always, strongly focused on safety, health and environmental management, not only for when the site is complete but also during the phases of planning and construction. We are on our way with staffing and permits, as well as other practical challenges.

Our digital world brings many benefits, but also security and safety challenges. From the beginning, we have worked to mitigate cyber security and data privacy risks for Scania in China. An important part of this is building staff awareness of these risks, as well as providing the right technical support, to detect and prevent cyber threats.

As we do in all other production sites, we are also working to ensure our production is resilient. We will mitigate for potential business interruption risks through business contingency plans and other measures.

Why is managing the risks of this project strategically important to Scania?

The project is a strategic investment for Scania, including both a strategic stake and monetary investment in uncertain times. By managing risk and opportunities effectively, we will ensure we are focusing on the right priorities and taking the right decisions going forward. Setting up a production hub in China is an important step in strengthening Scania's role as a leader in sustainable transport solutions, and I'm proud to be part of this journey.

RISK AND RISK MANAGEMENT, CONTINUED

as risks that policy actions such as CO_2 emission legislation, carbon pricing, alternative infrastructure roll-out, and that other climate regulations do not go hand in hand with technology developments. Physical risks include risks related to extreme weather events and long-term shifts in climate patterns, causing business interruptions and/or damage to physical assets. Physical risks are considered material to Scania in the long-term.

To assess the resilience of the Scania 2025 strategy, including the effects of climate-related risks, Scania is using a scenario-based approach to strategy, technology and competence planning. This way of working is well established in parts of the company and by broadening of the scope, Scania builds a deep and shared understanding of the changing business environment and its conditions, strengthens the resilience of the strategy, and the ability for fast and adaptive strategy deployment.

Risk process in 2021

Scania's risk overview for 2021 is characterised by an increasingly complex business environment that is changing fast and where managing high uncertainty is the new normal. Scania is adapting to this new business environment, managing risks related to for example new business models, expanding production capacity, finding sustainable solutions for sourcing, secure supply chains and the technology shift related to climate changes.

This year Scania has seen risk materialise with respect to lack of materials and components, this has caused disturbances in production, logistics and sales networks. There are continued challenges in the supply chain, especially with regards to semiconductors, electrical components and the impact from COVID-19 on general supplier capacity, causing longer lead times and delays in production.

There are several risks that will continue to have a potential impact on Scania. A selection of these risks as well as management actions are presented on the following pages.

RISK OVERVIEW

CORPORATE TARGETS

Driving the shift

People and planet

Growth and transformation

Customers

Profitability and flow

Risk category	Corporate targets	Context/Potential impact	Management actions/Mitigation
Strategic risks			
Geopolitical risks	Driving the shift, Profitability and flow, Growth and transformation	As a global company Scania might operate in markets with political volatility, conflict and social unrest which may impact Scania's ability to trade in concerned markets/areas. In 2021 this includes for examples quarantines and other restrictions due to COVID-19 pandemics an escalation of the US-China tensions and Brexit.	As geopolitical events can influence market conditions it requires more from Scania to uphold standards to manage adverse environmental and social effects. Assessing and understanding the risks through the conduct of effective risk assessments helps mitigate risk exposure. For example, Scania has established a cross-functional organisation for BREXIT to ensure awareness and that preparations are undertaken to mitigate the risk.
Business development risks	Driving the shift, Customers, Profitability and flow	The transport industry is facing new technologies, business models, competitors, and global trends such as digitalisation which combined create a highly disruptive environment. These factors are drivers in transforming Scania from being a heavy commercial vehicle manufacturer into a provider of transport and logistics solutions. Hence there is a risk related to the ability to respond to specific customer needs with tailored products and services, and the availability of technological innovations that respond to the major trends of the industry (i.e. Connected, Autonomous and Electrified vehicles). The complex supply chain related to battery production involve increased social risks for example human right violations, labour issues and discrimination.	Risks associated with business development and long-term planning are mainly managed through Scania's cross-functional meeting structure, which brings together various departments for decision-making of a strategic and tactical nature, and also through the annual process established by Scania for strategic planning. Such planning is not a static process and is in fact discussed and challenged throughout the company, based on external and internal considerations. All units and levels of the company are involved in the strategic process. Through a culture of integrity and "speak up", all unclarities and queries are to be identified and discussed openly. It also means that the risk of uncertainty and lack of clarity concerning the company's strategy and business development can be managed in a precise and efficient way. In addition to this Scania continuously investigates new areas that may be of interest connected to the future development of the ecosystem of transport and logistics. Research and development projects are also revised continuously, based on each project's technological and commercial relevance.
Business model and strategy related risks	Driving the shift, Customers, People and planet, Profitability and flow, Growth and transformation	There might be a risk that the current business model and strategy will not support Scania to protect, create value or to further strengthen the value proposition for stakeholders and in our commitment to climate and people. There is also a risk that Scania is not able to act as fast as needed to reach our potential opportunities.	Scania is regularly monitoring, evaluating and challenging our business model and strategy in order to ensure Scania achieving our ambition to drive the shift towards a sustainable transport system and our commitment to the Paris Agreement. Aspects of uncertainty, complexity, volatility are important to stay relevant to the society, customer, capital market and other stakeholders today and in the future. For further information see pages 10–12 and 17–22.
Corporate governance and policy-related risks	Driving the shift, Customers, People and planet, Profitability and flow, Growth and transformation	As Scania operates globally in volatile contexts it is important to effectively manage and develop the business in the right direction, otherwise there would be a risk of the company not achieving our ambition and targets.	The Executive Board has overall responsibility for managing corporate governance and policy-related risks. All units of the company work according to a management system that meets Scania's requirements, guidelines and policies, and this system is well documented. Management systems are continuously being improved, through day-to-day work and through regular review internally and by third parties. The central support function Governance, Risk and Compliance (GRC) is in place to support both Executive Board and line managers in reducing risks by providing knowledge in terms of governance, trainings and advice. For further information see Corporate Governance report, pages 36–39.

RISK OVERVIEW, CONTINUED

CORPORATE TARGETS

Driving the shift | People and planet | Growth and transformation | Customers | Profitability and flow

Risk category	Corporate targets	Context/Potential impact	Management actions/Mitigation
Strategic risks, continued			
Climate transition risks	Driving the shift, Customers, People and planet, Profitability and flow, Growth and transformation	With a central role in the ecosystem of transport and as a global player Scania is exposed to risks stemming from the transition towards a low carbon economy. Transition risks identified by Scania include risks relevant to the technology shift, such as the adaptation to battery electric vehicles, the cost of the transition to lower emissions technologies, customer expectations and availability of components and raw materials, as well as risks that policy actions such as CO_2-emission legislation, carbon pricing, alternative infrastructure development (including charging infrastructure and renewable energy supply and availability of biofuels) and that other climate regulations do not go hand in hand with technology developments.	Scania's Driving the shift strategy builds on the risks and opportunities related to climate change. The realisation of the consequences of climate change and related mitigation actions on legislation, business and technology have a profound impact on Scania's strategic direction. These risks are mainly managed through Scania's cross-functional meeting structure, which brings together various departments for decision-making of a strategic and tactical nature. Scania's decision forum Scania Sustainability Board plays a key role in identifying and taking actions to mitigate these risks. The annual process established by Scania for strategic planning is also key in identifying and taking actions. All units and levels of the company are involved in the strategic process. Scania has set carbon emission reduction targets in line with what science says is needed to reach the Paris Agreement (science-based targets). Our targets are covering own operations and customers usage of the vehicles provided by Scania. Proactive monitoring and understanding of technology, market and legislative development is a priority to reach the targets. For further information see pages 21–22 and 140. Climate related transition risks is related to and also included within the processes for business development risks, strategic risks and legal risks.
Financial risks			
Refinancing risks	Customers, Profitability and flow, Growth and transformation	Access to competitive funding is critical and to a large extent dependent on Scania's credit rating on the financial markets. A downgrade of Scania credit rating would increase Scania's cost of funding which in turn could affect the company's profitability.	Refinancing risks are managed in accordance with Scania Group Policy, reviewed every year by Scania Audit Committee. As part of Scania's management of refinancing risk, there are two committed credit facilities both supported by TRATON SE. For further information see Note 27.
Credit risks	Customers, Profitability and flow	If Scania's contract parties fail to meet their contractual obligations as a result of their own financial situation or the political environment, Scania might thereby be exposed to financial loss.	Credit risks are managed in accordance with the Scania Group Policies – Credit Risk Governance and Treasury, reviewed every year by Scania Audit Committee. Transactions occur only within established limits and with selected, creditworthy counterparties. Scania sales are distributed among a large number of end customers with a geographic dispersion, which limits the concentration of credit risk. For further information see Note 2 and 27.

RISK OVERVIEW, CONTINUED

CORPORATE TARGETS

Driving the shift | People and planet | Growth and transformation | Customers | Profitability and flow

Risk category	Corporate targets	Context/Potential impact	Management actions/Mitigation
Financial risks, continued			
Currency and interest rate risks	Profitability and flow	Currency exposures result from the widely spread geographic sales of products and the more concentrated production operations. Currency and interest rate movements may result in negative effects on earnings and balance sheet items. Interest rate risk may occur from interest rate-sensitive assets and liabilities. For further information see Note 27.	Currency and interest rate risks are managed in accordance with Scania Group Policy – Treasury, reviewed every year by Scania Audit Committee. To improve visibility and manageability, Scania generally concentrates currency exposures to its major industrial operations in Sweden and Brazil. Regarding the commercial currency flows in Vehicle and Services, Scania works primarily with adjusting prices to compensate for exchange rate fluctuations. According to the Scania Group Policy, Scania management may hedge future currency flows but are used only to a limited extent. The net foreign assets of subsidiaries are normally not hedged. However, to the extent a foreign subsidiary has significant net monetary assets in functional currency, they may be hedged. In Financial Services currency flows are hedged using derivatives. The goal of interest rate risk management is to largely reduce these risks using derivatives. In Financial Services receivables and liabilities should match in terms of interest rates and maturity periods. For further information see Note 27.
Tax risks	Profitability and flow	Scania is subject to various taxes in multiple jurisdictions. A certain degree of judgement and estimation is required in determining Scania Group's provisions for income tax, sales and use tax, value-added tax, and other taxes. Additionally, Scania and its subsidiaries are involved in a number of tax cases, and disputes. For further information, see Note 2. None of these cases is deemed capable of resulting in a claim that would substantially affect Scania's financial position.	Scania has central and local resources that ensure compliance with current legislation and take an active part in tax related issues and assist with tax expertise. Furthermore, in addition to statutory audits, Scania is regularly audited by tax authorities, who may disagree with Scania's tax treatments. Although Scania believes its tax estimates are correct, the final determination of tax audits or reviews could differ from our tax provisions and accruals. As a result, Scania may be subject to additional tax liabilities, interest, penalties, or any regulatory, administrative, or other sanctions relating thereto. Tax risks above a certain level are monitored and reported regularly to management. Once a year, a report is submitted to the Audit Committee of the Board.
Insurance risks	Profitability and flow; Growth and transformation	Scania is within our global operations exposed to various risks which could potentially affect the balance sheet if not transferred to external insurers. Not all risks can be transferred but for selected insurable risks we seek to minimise Scania's exposure.	Scania works continuously with the identification, analysis and administration of insurable risks, both at Group and local level. A central function is responsible for the Group's global insurance portfolio. Customary Group insurance policies to protect the Group's goods shipments, assets and obligations are arranged in accordance with Scania's governing document. Local insurance policies are obtained in accordance with the laws and standards of the country in question. When needed, Scania receives assistance from outside insurance consultancy companies with identifying and managing risks. Insurance is obtained only from well-reputed insurance companies, whose financial strength is continuously monitored. Risk inspections, mainly focusing on physical risks, are performed yearly. In most cases at all production units and at a number of Scania-owned sales and services units/workshops according to the standardised Scania Blue Rating Fire Safety system. This work maintains a high loss prevention level and a low incidence of claims.

RISK OVERVIEW, CONTINUED

CORPORATE TARGETS

Driving the shift | People and planet | Growth and transformation | Customers | Profitability and flow

Risk category	Corporate targets	Context/Potential impact	Management actions/Mitigation
Legal & Compliance risks			
Legal actions and administrative proceedings		Scania is affected by legal proceedings as a consequence of the company's operating activities. This includes alleged breaches of contract, non-delivery of goods or services, producer liability, patent infringement or infringements related to other intellectual property, or alleged violations of laws and regulations in force. Some of the associated risks may be of great importance. For further information see Note 2 and 17.	Scania has introduced a legal risk reporting system, according to which risks are defined and reported to the head office as they occur. At least once a year, a report on such risks is submitted to the Audit Committee of the Board of Directors. Scania has specialised personnel, Corporate Legal Affairs and Risk Management to support with advisory and guidance in legal matters.
Contracts and Intellectual property rights		Administration of contracts, essential rights and legal risks occur in the normal course of operations. Scania's operations include a wide variety of intangible licensing agreements, patents and other intellectual property rights. Scania also concludes numerous commercial and financial contracts, which is normal for a company of Scania's scale and type. Scania's operations are not dependent on any single commercial or financial contract, patent, licensing agreement or similar right.	Scania has specialised personnel, Corporate Legal Affairs and Risk Management to support with advisory and guidance in legal, commercial, patent, licensing and other matters. For further information see Note 2.
Risks related to new and changed laws and regulation		Different countries' legal systems and major changes in laws and regulation (e.g. environmental laws, safety standards, data privacy, trade laws, financial regulations and export control regulations with extraterritorial effect) may have features that threaten the Scania comprehensive position. There is a risk that Scania lack capacity to efficiently conduct business as well as the capacity to consummate important transactions, enforce contractual agreements or complement specific strategies and activities.	Scania monitors all markets continuously for early warning signs, which means the company can make the necessary changes to its marketing strategy or internal governance and compliance arrangements. In addition, Scania's local and central specialist functions provide guidance and support regarding new and changed legislation to mitigate the risk.
Business ethics and compliance risks		Scania needs to address anti-money laundering, fraud, embezzlement, anti-corruption and adherence to applicable competition laws in a systematic and transparent way. Scania's operations also include the provision of financing and insurance services, which must comply with the rules set out by financial supervisory authorities and other competent authorities.	Scania has a long history with strong Core Values defining what we believe in. Since we are operating in a constantly changing environment Scania has specialised personnel both centrally and locally to support the business to monitor and manage these risks. Group Compliance management, Group Risk Management and Group Internal Audit are the main functions that support the businesses to achieve those targets. In addition, the governing regulation structure that starts with the Scania Code of Conduct, contains a set of binding rules and guidance regarding responsible behaviours for all Scania Group employees.

RISK OVERVIEW, CONTINUED

CORPORATE TARGETS

Driving the shift | People and planet | Growth and transformation | Customers | Profitability and flow

Risk category	Corporate targets	Context/Potential impact	Management actions/Mitigation
Legal & Compliance risks, continued			
Trade barriers, export control and sanction risks	Driving the shift, Growth and transformation	Changes in foreign trade policy and trade barriers, as well as governments or international bodies imposing sanctions on countries, goods and services, or persons, impedes our opportunities to do business. Failure to comply with sanctions could result in significant fines and penalties. As a global company, Scania needs to manage conflicting sanction regulations.	All entities within the Scania Group conduct their business in accordance with national and international laws and regulations, including but not limited to export control legislations and sanctions regulations of all relevant jurisdictions and regimes in which we operate as well as Scania's Code of Conduct.
Human rights risks	Driving the shift, Customers, People and planet, Profitability and flow	Scania encounters human rights risks throughout the value chain and we need to avoid and prevent negative impact on people. This is an area which is impacted by legal development for human rights due diligence and expectation on companies to disclose information on identified and assessed real and potential impacts in our own operations, supply chain, business relationships and sales as well as the appropriate and effective system of risk management to handle these impacts.	Management of human rights includes a two-fold perspective; to manage risk that Scania causes, contributes or is linked to negative impact on human rights, and to manage reputational and legal risk to Scania as a company. Scania has identified it is salient human rights issues. This together with Scania's Human Rights Policy in place, is guiding the daily work and strives to integrate business and human rights into relevant processes including Scania's Due Diligence Program. Furthermore, Scania maintains dialogue with relevant internal and external stakeholders. For more information on how Scania manages human rights risk as part of its supply chain sustainability program, see Supply Chain Risk, page 48.
Business risks			
Market risks	Driving the shift, Growth and transformation, Profitability and flow	The commercial vehicles industry is influenced by external impact such as competition, price, political conditions as well as potential financial downturn which may result in both opportunities and risks regarding the demand for Scania's products. In addition Scania delivers some of its vehicles with repurchase obligations, where Scania thus has residual value exposure. There is also residual value risk for short-term rental vehicles with an estimated residual value. Further, a large proportion of Scania's sales of parts and workshop hours occurs through repair and service contracts. Selling a service contract involves a commitment by Scania to provide servicing to customers during the contractual period in exchange for a predetermined fee.	Scania can partly address the fluctuation in the demand for our products by well-diversified sales in more than 100 countries, which limits the risk in relation to each individual customer and market. Furthermore Scania continuously manages and oversees existing contractual obligations towards customers which otherwise could result in challenges to properly forecast future asset values of used vehicles. The cost of the contract is allocated over the contractual period according to estimated consumption of service, and actual divergences from this are recognised in the accounts during the period. From a portfolio perspective, Scania continually estimates possible future divergences from the expected cost curve. Negative divergences from this result in a provision, which affects earnings for the period. For further information see Note 2.

RISK OVERVIEW, CONTINUED

CORPORATE TARGETS

Driving the shift | People and planet | Growth and transformation | Customers | Profitability and flow

Risk category	Corporate targets	Context/Potential impact	Management actions/Mitigation
Business risks, continued			
Information risks	Driving the shift, Customers, People and planet	Scania relies on information technology for everyday business. Beside opportunities for improving efficiency and effectiveness of Scania's internal operations and customer offer, this might also give rise to various risks. Digital information, systems and infrastructure may be negatively impacted because of accidents, disasters, technical damage, outdated technology, or cyber-attacks etc. If not properly managed Scania might be exposed to the risk of information being revealed to unauthorised person(s) or intentionally/unintentionally changed, corrupted or lost.	To ensure effective, reliable and relevant operations Scania needs to constantly evaluate how to utilise the potential of data in our day-to-day business. To ensure the availability, integrity, and confidentiality of information, Scania uses a risk-based approach and an established information security management system (ISMS) as well as a combination of the latest hardware and software technologies and effective IT organisational mechanisms. Furthermore, Scania has a central specialist function for Information Security, which is responsible for the introduction and follow-up on Scania's information security policy.
Supply chain risks	Driving the shift, Customers, People and planet, Growth and transformation, Profitability and flow	If one or more suppliers are unable or unwilling to fulfil delivery obligations, for example due to supply shortages, labour strikes, capacity allocation to other customers, or financial distress of the supplier, Scania might face the risk of production downtime, increased production costs, delays and loss of customer confidence. Supply shortages of semiconductors have been Scania's main supply chain issue in 2021. Furthermore, with a more global supply chain and changes in technology, for example focus in electrification, there are sustainability risks such as adverse effects on the environment, health and safety, human rights and business ethics in Scania's business operations.	Scania has taken a variety of preventive and detective measures to counter these risks. This includes a pre-qualification process to ensure suppliers meet the company's requirements regarding technology, quality, delivery, cost and sustainability, and which is regularly reported to Scania Purchasing management. Suppliers are required to comply with Scania's Supplier Code of Conduct and Scania continuously assess and consider the risk in sourcing nominations. Furthermore, Scania monitors all suppliers with a critical spend on a monthly basis via external risk ratings. Close cooperation within Volkswagen Group as well as with our suppliers is also key to ensure we can adapt to changes and manage identified risks.
Production risks	Driving the shift, Customers, People and planet, Growth and transformation	An unforeseen disruption of a production facility represents a risk and may be caused by a number of different incidents — for example power failure, equipment failure, fires, floods, social unrest or terrorist activity, infectious diseases, labour difficulties, or other operational issues. If overestimating the demand for our products, there might be a risk that the available capacity will be underutilised, while pessimistic forecasts could result in insufficient capacity to meet demand.	Scania has a business continuity programme which focuses on responsibility by local management to ensure that business continuity is owned, operated and embedded with local needs, resources and competence. In addition, Scania has a safety, health and environment standard as well as activities with the aim to preserve and promote the performance. Production, environmental and quality risks in the workshop network's services are managed through the Scania Retail System, the Scania Dealer Operating Standard Certification, as well as the environmental management policy and specialised personnel. The production capacity is closely monitored in cross-functional meetings and continuously adopted accordingly.
Climate risks including natural hazards	Driving the shift, Customers, People and planet, Profitability and flow	As Scania and our suppliers are located all over the world, we are exposed to physical risks, resulting from extreme weather conditions, floods, heat or water stress and other natural hazards that could damage physical assets such as buildings. It is hard to predict the frequency and impact of natural disasters. However with changing climate due to global warming, extreme weather situations are expected to be more frequently occurring as well as the weather patterns to be changing in certain areas. These risks could potentially affect Scania's possibility to insure facilities in the future.	As Scania's business operations and suppliers are located all over the world the risk of changing climate and weather patterns, natural disaster and resource scarcity are given attention in the business impact analysis as well as the business continuity planning process. The usage of predictions and scenario planning for different regions support decision-making. Some of the physical risks related to insurability is covered by the insurance risk process. For further information, see Task Force on Climate-related Financial Disclosures (TCFD) on pages 153 and 159. Scania also has an environmental management system in line with ISO14001 that covers certain local related risks.

RISK OVERVIEW, CONTINUED

CORPORATE TARGETS

Driving the shift

People and planet

Growth and transformation

Customers

Profitability and flow

Risk category	Corporate targets	Context/Potential impact	Management actions/Mitigation
Business risks, continued			
Product launch and Product liability risks	Customers, Profitability and flow	Introducing a new product to the market is a risk exposure of product quality deviation resulting from example failure in design, product selection or manufacturing. Failure to ensure product quality could result in recalled products involving significant costs, compensation for indirect cost of customers, non-compliance and reputational damage.	This risk is managed by the development, verification and validation process at Scania. It is Scania's objective to develop products that are reliable and safe to the user, the general public and the environment. However, if a product should show signs of technical shortcomings that might be harmful to people, planet or property, that is dealt with by the Scania Product Liability Council. This body decides what technical solutions should be used in order to solve the problem and what marketing measures are needed. The Product Liability Council also conducts a review of the processes in question to ensure that the problem does not recur. Where applicable, Scania has a fair risk-sharing with our suppliers regarding product liability, which minimises the financial risk for Scania.
People and competence	Driving the shift, People and planet, Growth and transformation	The technology shift will require a shift in competence and Scania must act proactively and identify future needs before they occur. Difficulties to attract and retain key personnel could lead to challenges in delivering towards customer needs. Due to the nature of Scania´s business, some travel is still an essential part of operations. It is, however, vital that staff is not exposed to unnecessary risks when on a trip. The risks can be related to medical as well as security issues with possible physical harm, even death, as a result.	To secure business-driven competence supply Scania is continuously developing the area of people management. Presently a program is run, as part of Scania's transformation, the human resources transformation is aiming at creating an even more efficient human resources support through global processes, a foundation in people analytics and a functionally organised People & Culture organisation. The people perspective is key in driving the shift – both for the company and its employees. Therefore, Scania focuses on various re-skilling programmes as well as entrepreneurial and innovation learning e.g., innovation factory, and skill capture. In order to manage transformation/competence shift in a responsible way at the global level, ensuring meaningful social dialogue is key. Scania has a global standard for social dialogue and proactively addresses the challenge through the Global Deal initiative. Further, Scania has structured, well-established working methods for close cooperation with a number of universities and institutes of technology to create and recruit cutting-edge expertise. Scania runs an upper secondary school in Södertälje, Mälardalens Tekniska Gymnasium, offering high-quality technical education. To ensure a uniform approach towards travel risks, The Steering Group Travel Risk Management agrees on the scope and focus of mitigative measures. Example of implemented measures are a mandatory e-learning for business travellers, a safety on travel risk assessment tool, automated pre-trip advisories for travellers and a travel based crisis management system. Specialists from Occupational health and Corporate security are available to all Scania employees for support.
Data privacy	Driving the shift, Customers, People and planet, Profitability and flow	There is a risk that Scania fails to demonstrate compliance with privacy and data protection regulations, which could lead to claims for damage and other liabilities, significant fines and penalties, as well as loss of customers and negative brand reputation.	One of Scania's core values is "Respect for the individual". This is the foundation not only for our interaction with colleagues, customers, partners, drivers etc., but also for how we manage privacy and personal data protection. Scania's compliance with privacy and data protection regulations should be the result of an actively present privacy mindset with personal data protection practices embedded everywhere in the business by default and by design. This is particularly important when entering into new markets or establishing new business models. Scania has a specialist function in regards to data protection to support the business in ensuring that personal data is handled appropriately. However, the business is responsible for embedding privacy from the ground up and for demonstrating compliance with privacy and data protection regulations.

MARKET TRENDS AND PERFORMANCE 2021

2021 saw a resurgent truck market but also significant supply chain disruption, partly caused by the ongoing COVID-19 pandemic. The resulting semiconductor shortage had a severe impact on Scania's production. The pandemic also continued to affect the bus and coach market, with demand remaining at unusually low levels. Highlights during the year included the launch of Scania Super, our new powertrain range, and the commencement of establishing a new production arm in China.

Vehicles and Services

Scania's vehicle deliveries increased by 25 percent in 2021 compared to 2020. Truck deliveries increased by 28 percent to a total of 85,930 units and bus and coach deliveries decreased by 14 percent to 4,436 units. Power solutions deliveries increased by 7 percent to 11,786 units. Service sales increased by 11 percent to SEK 30,074 m.

The truck market

2021 saw very high demand for trucks in most regions, with customer transport activity continuing to pick up strongly after the drop-off in the first half of the previous year. However, the production issues we experienced as a result of the semiconductor crisis led to a decrease in planned deliveries during the year.

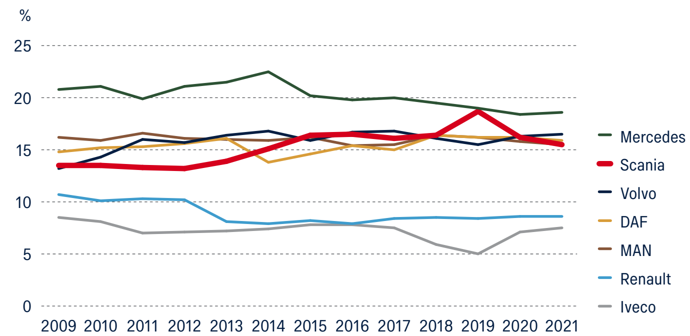
The fourth quarter saw the launch of Scania Super, our new powertrain platform, including a series of updates and services. Delivering fuel savings of at least eight percent for long-haul customers, the new platform is a sustainability milestone for Scania, and will make a major contribution to achieving our science-based climate targets. In the same quarter we also introduced our new series of hybrid trucks. An important stepping stone to full electrification, the trucks can be fitted with different powertrain and charging options to suit a wide range of applications.

Europe
Order intake in Europe increased by 48 percent to 64,575 (43,494). Demand increased in several major European markets such as Great Britain, France and Poland.

Scania's deliveries in Europe increased by 15 percent to 42,365 (36,747).

For the fifth year running, Scania won Germany's coveted Green Truck title for transport efficiency. Scania's entry this year was an R410 tractor, which outperformed its competitors for fuel consumption and performance under a range of driving conditions.

The total market for heavy trucks in 27 of the European Union member countries (all EU countries except Malta) plus Norway, Great Britain, Switzerland and Iceland increased by about 20 percent to about 277,400 units in 2021 (231,000). Scania truck registrations amounted to some 42,900 units, equivalent to a market share of about 15.5 (16.2) percent.



Latin America
Order intake in Latin America amounted to 23,626 (20,707) trucks, an increase of 14 percent.

Scania's truck registrations in Brazil amounted to some 15,700 units, equivalent to a market share of about 15.9 percent.

Scania's truck deliveries in Latin America increased by 74 percent and amounted to 21,201 (12,173) trucks.

Eurasia, Asia, Africa and Oceania
In Eurasia, order intake decreased by 38 percent to 6,256 (10,049) trucks, primarily related to Russia. Deliveries increased by 50 percent to 7,724 (5,148) trucks.

In Asia, order intake increased by 6 percent to 10,840 (10,250) trucks. The increase was related to Turkey, Indonesia and Hong Kong. Deliveries increased by 6 percent to 9,649 (9,072) trucks.

In Africa and Oceania, order intake increased by 75 percent to 7,705 (4,408) trucks, mainly related to South Africa, Australia and New Zeeland. Deliveries increased by 33 percent to 4,991 (3,759) trucks.

MARKET TRENDS AND PERFORMANCE 2021, CONTINUED

The bus and coach market

The global bus and coach market has been severely affected by the pandemic and demand for coaches and tourist buses has remained on low levels throughout most of 2021, while demand for urban traffic and public transport has picked up.

Order intake for buses and coaches decreased by 6 percent to 3,796 (4,032). Deliveries decreased by 14 percent to 4,436 (5,186). In Europe, deliveries decreased by 12 percent to (1,606) 1,827 units. In Latin America, deliveries decreased by 30 percent to 1,526 (2,182 units). In Asia, deliveries decreased by 40 percent to 350 (582) units, while deliveries of buses and coaches in Africa and Oceania increased by 79 percent to 914 (511) units. Deliveries to Eurasia decreased by 52 percent to 40 (84) units.

In Europe, Scania's market share for buses and coaches was around 5.7 percent in 2021 compared with a 6.5 percent share in 2020.

Production highlights during the year included the introduction of Scania's new 13-litre gas engine for travel operations. Capable of running on both natural gas and biogas, the engine allows customers to switch easily to sustainable biofuels with relatively little investment. We also launched the next generation of Scania Touring, a new coach with an improved driver environment, enhanced passenger comfort and significantly reduced fuel consumption.

The year also saw the introduction of the first international biogas bus. A collaboration between Scania, mobility provider Flixbus and gas supplier Gasum, the long-distance coach operates between Stockholm and Oslo.

The engines market

In Power Solutions, the business area formerly known as Engines, demand remained strong in 2021. Order intake increased by 50 percent to 15,712 (10,508).

Deliveries in 2021 totalled 11,786 (10,991), an increase of 7 percent. The increase was primarily related to Germany and Italy.

Services

Scania's service business was strong in 2021, with sales amounting to SEK 30,074 m. (27,132), an increase of 11 percent. In local currencies, revenue increased by 14 percent.

In Europe, service revenue increased by 9 percent compared to SEK 21,239 m. (19,419). In Latin and North America service revenue increased by 22 percent to SEK 3,109 m. (2,554). In Eurasia it increased by 29 percent to SEK 1,070 m. (829), in Asia it decreased by 2 percent to SEK 2,543 m. (2,606) and in Africa and Oceania it increased by 23 percent to SEK 2,113 m. (1,724).

Service demand is boosted by the data from more than 560,000 connected vehicles, which allows Scania to keep tailoring service packages to customers, based on how they use their vehicles. About 64 percent of the 10-year rolling fleet of Scania trucks and buses are connected.

Financial Services

The impact of the pandemic was mainly visible in the first half of 2020 and the number of customers in need of rescheduling their financial contracts increased. During the third and fourth quarters 2020, the rescheduling returned to normal levels and the vast majority of Scania's customers returned to previous payment plans and has remained there throughout 2021.

At the end of the fourth quarter of 2021, the size of Scania's customer finance portfolio amounted to SEK 108.9 billion, which was SEK 13.4 billion higher than the end of 2020. In local currencies, the portfolio increased by SEK 9.9 billion.

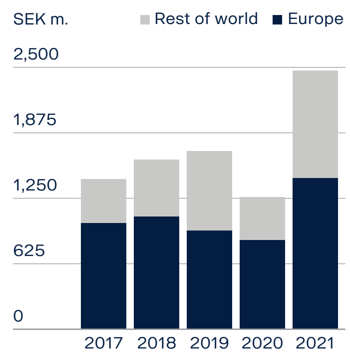
The penetration rate for new vehicles was 44 (41) percent in 2021 in those markets where Scania has its own financing operations.

Operating income in Financial Services increased to an all time high level of SEK 2,194 m. (1,123) during 2021, compared to the same period in 2020. A larger portfolio and higher margins impacted positively, which was partly offset by negative currency effects and increased costs.

Bad debt expenses decreased mainly related to an expected improved payment ability among customers.

Operating income Financial Services

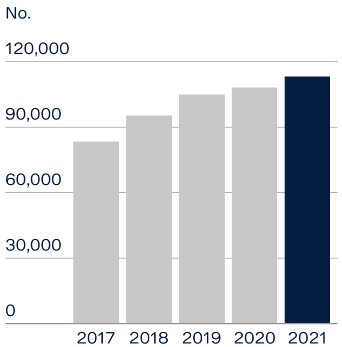
Operating income in Financial Services for 2021 increased to SEK 2,194 m. (1,123). A larger portfolio and higher margins impacted positively, which was partly offset by negative currency effects and increased costs.



MARKET TRENDS AND PERFORMANCE 2021, CONTINUED

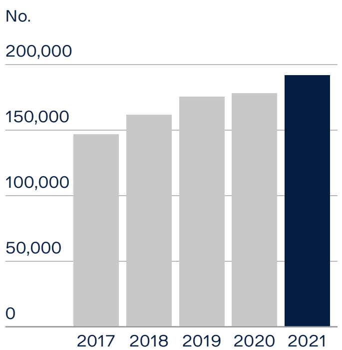
Insurance contracts

There was an increasing demand for insurance solutions intermediated under the Scania brand during 2021. Efficient claims management and fast repairs in Scania's service network are the core of the offer.



Finance contracts

Customers are increasingly choosing Scania as their long-term partner in vehicle financing.



Most of Scania's portfolio consists of customers in European markets. The financing portfolio is well diversified in terms of customer geography and type, as well as their size, economic sector and vehicle applications. Scania reduces its risk by pursuing a conservative credit policy and a refinancing profile that matches borrowing to lending. Close collaboration between Financial Services and Scania's sales organisation is a major explanation for Scania's expanding financing portfolio. This collaboration allows both operations to mutually benefit from insights concerning customers and their businesses. Experience shows that brand loyalty is higher among customers that select financing, insurance and maintenance contracts with Scania.

Our employees

All Scania managers are committed to ensuring that our employees feel valued and satisfied at work, and that their well-being is supported, regardless of their job and location. We believe that diverse and inclusive working groups, reflecting diversity in areas such as gender, ethnicity, background and skills, are key to our success. We therefore aim to increase the diversity of our workforce across all of our operations. Our Employee Satisfaction Barometer survey, which is part of our efforts to monitor job satisfaction, includes three questions to gauge employees views of Scania's performance in diversity and inclusion.

Scania has a long history of engaging in social dialogue, and in 2021 we began the rollout of our global labour relations principles and improvement program.

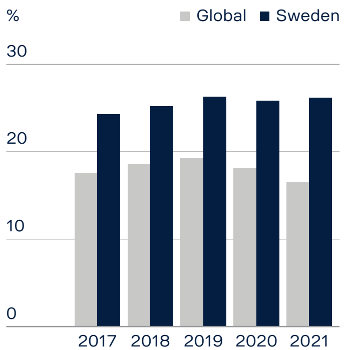
The safety and health of all Scania employees is a top priority. We strive to create safe and healthy workplaces, preventing work-related injuries and ill health and promoting well-being through cooperation and continuous improvements. In this way, Scania has been able to maintain low levels of employee turnover and to keep healthy attendance at a consistently high level for many years. Throughout 2021, healthy attendance was 95.4 (96.4) percent.

As the COVID-19 pandemic continued in 2021, we remained focused on safeguarding our employees, minimising the risk of virus transmission while ensuring they could continue to work safely, either on site or from home. Our health care centre in Södertälje has contributed to Sweden's vaccine roll-out programme since February 2021. By the end of the year we had vaccinated a total of 63,236 people.

MARKET TRENDS AND PERFORMANCE 2021, CONTINUED

Share of female managers

Diversity is important to Scania. Within the Skill Capture programme, Scania has taken a number of actions to increase the number of women in managerial positions.



Production

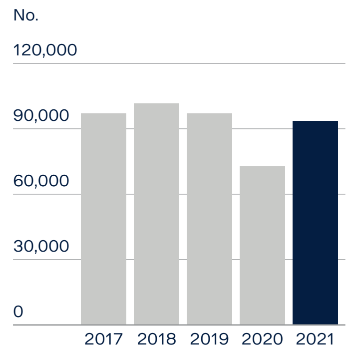
At the start of the year, Scania had planned for a high production capacity level to cope with our large order book – the result of the impact of COVID-19 in 2020. However, by the end of the first quarter, our production output had already started to be affected by supply shortages, mainly due to the semiconductor crisis. In February, the already constrained situation was worsened by a winter storm in Texas, which heavily affected the supply chain of one important supplier. In the beginning of the second quarter, a combination of events including the obstruction of the Suez canal and a large fire in a semiconductor supplier's facility in Japan put the supply chain under even more strain. By the end of the quarter, we brought forward planned vacation and added stop days due to the shortage of components. During the vacation period we worked intensely across functions to resolve the situation, and this led to production restarting as planned. However, at the same time, the pandemic forced some of the main semiconductor suppliers in Asia to stop production, forcing Scania's production pace to be reduced again. In the second half of 2021, production was successively impacted by shortages that affected our capacity to deliver according to customer needs.

During the autumn we launched Scania Super, our new powertrain range with superior properties and added customer value. To meet these extremely tough product requirements, Scania updated its production facilities and introduced new manufacturing processes that improved both the efficiency and sustainability of our production operations. Sustainability has been the guiding principle throughout the project, as improving the sustainability of our production processes is vital to achieving our science-based climate targets.

During 2021 Scania continued our expansion into the Asian market, with the acquisition of industrial land and continued work to establish a wholly-owned truck production facility in Rugao in Jiangsu Province, 200 km north-west of Shanghai. Construction is scheduled to begin during the second quarter of 2022 and will continue during 2022. The investment is part of Scania's strategy to expand operations in China into a full-scale unit in the company's global production and supplier structure.

Vehicles produced

During 2021, Scania produced 92,718 vehicles (72,536).



Research and development

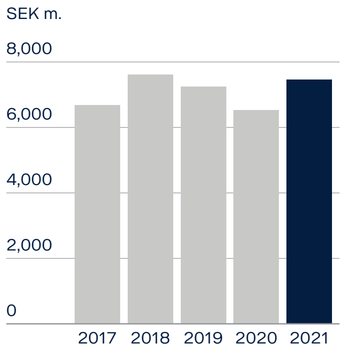
The aim of Scania's research and development organisation is to develop sustainable solutions that improve productivity and profitability in customer operations based on low fuel consumption, high vehicle uptime and low service costs, combined with good performance. Scania puts significant investment and resources into research and development, which is concentrated at the Scania Technical Centre in Södertälje.

In 2021, key projects resulting from our research and development investments included the new Scania Super powertrain range, as well as the construction of a new battery assembly plant, which began during the year. In total, Scania invested SEK 7.5 bn in research and development (6.5) in 2021, and R&D expenses corresponded to 5.1 percent of net sales.

As part of the TRATON GROUP, Scania has access to a deep pool of technical expertise that boosts innovation and drives cost efficiency.

R&D Investments

Scania maintains a high level of investment to strengthen the product portfolio in the coming years.



SUSTAINABILITY REPORT STATEMENT

In accordance with the Swedish Annual Accounts Act 6 Chapter 11§, Scania AB has chosen to draw up the Sustainability Report as a report separated from the Annual Report. The extent of the Sustainability Report can be found on page 153 of this document.

BOARD OF DIRECTORS


1
Annette Danielski
Chairman of the Board of Directors


2
Christian Levin
President and CEO, Scania and TRATON GROUP


3
Lilian Fossum Biner


4
Gunnar Kilian


5
Julia Kuhn-Piëch


6
Nina Macpherson


7
Christian Porsche


8
Mark Philipp Porsche


9
Stephanie Porsche-Schröder


10
Peter Wallenberg Jr


11
Mari Carlquist


12
Lisa Lorentzon


13
Mikael Johansson


14
Michael Lyngsie


15
Mikael Svalefors


16
Bo Luthin

BOARD OF DIRECTORS, CONTINUED

1 Annette Danielski

Chairman of the Board of Directors and the Audit Committee since 2021.

Born: 1965.

Education: Business Administration.

Other directorships: Board member of Navistar Inc., Supervisory Board of MAN Truck & Bus SE and Volkswagen Original Teile Logistik Beteiligungs-GmbH.

Relevant work experience: Member of the Executive Board of TRATON SE responsible for Finance and Business Development. Broad international experience from finance and controlling. Various managerial positions at Daimler AG and Audi AG.

2 Christian Levin

Member of the Board of Directors since 2021.

Born: 1967.

Education: Bachelor of Science in Business and Administration and a Master of Science in Mechanical Engineering.

Other directorships: Chairman of the Supervisory Board MAN Truck & Bus SE. Board member of Navistar LLC, Volkswagen Caminhões e Ônibus, Association of Swedish Engineering Industries and the Royal Institute of Technology (KTH).

Relevant work experience: Various managerial positions at Scania and TRATON SE. President and CEO of Scania and CEO of TRATON SE since 2021.

Member of the Swedish government's Electrification Commission and Stockholm Chamber of Commerce.

3 Lilian Fossum Biner

Member of the Board of Directors since 2019. Member, Audit Committee.

Born: 1962.

Education: Bachelor of Science in Business Administration, BSc.

Other directorship: Board member of LE Lundbergföretagen, Carlsberg Group, Givaudan S.A. a-connect (group) ag, LeDap Group AB and Alfa Laval AB.

Relevant work experience: Broad experience from retail and consumer companies and managerial positions at Axel Johnson AB and Electrolux Group.

4 Gunnar Kilian

Member of the Board of Directors since 2020.

Born: 1975.

Education: Journalist.

Other directorships: Member of the Supervisory Board of TRATON SE. Supervisory Board mandates at Wolfsburg AG, Autostadt GmbH, Audi AG, Porsche Holding Stuttgart GmbH, MAN Energy Solutions, MAN Truck & Bus SE, Volkswagen Group Services GmbH, FAW-Volkswagen Automotive Co., Ltd. CARIAD SE, Volkswagen Immobilien GmbH and Allianz für die Region GmbH.

Relevant work experience: Various positions, Volkswagen AG. Member of the Board of Management, Volkswagen AG, responsible for Human Resources and responsible for the Truck & Bus division. Since 2021, member of the Board of Management Volkswagen Brand Passenger Cars, responsible for Human Resources.

5 Julia Kuhn-Piëch

Member of the Board of Directors since 2020.

Born: 1981.

Education: Doctor of Law (Dr iur).

Other directorships: Member of the Supervisory Board of TRATON SE, AUDI AG and MAN Truck & Bus SE.

Relevant work experience: Self-employed real estate manager.

6 Nina Macpherson

Member of the Board of Directors since 2018. Member, Audit Committee.

Born: 1958.

Education: Master of Laws, LL.M.

Other directorships: Member of the Supervisory Board of TRATON SE and member of its Audit Committee since 2019. Member of the Board of Scandinavian Enviro Systems AB since 2020 and since 2021 member of the Board of Netel Holding AB and Chair of its Remuneration Committee.

Relevant work experience: Chief Legal Officer, secretary to the Board and member of the Ericsson Executive Team until 2018. Previous positions include in-house legal positions and private practice in corporate and commercial law. Member of the Swedish Securities Council.

7 Christian Porsche

Member of the Board of Directors since 2020.

Born: 1974.

Education: Medical Doctor (Dr. med.), Doctor of natural sciences (Dr. rer. nat.).

Other directorships: Member of the Supervisory Board of TRATON SE and MAN Truck & Bus SE.

Relevant work experience: Neurologist. Partnership interests for several companies at Porsche Holding GmbH between 2005-2009. Member of the Supervisory Board of MAN Truck & Bus SE, Scania AB and MAN SE between 2013-2017.

8 Mark Philipp Porsche

Member of the Board of Directors since 2020.

Born: 1977.

Education: Master of social and business administration.

Other directorships: Member of the Supervisory Board of MAN Truck & Bus SE and serves on comparable governing bodies of the following companies: Familie Porsche AG Beteiligungsgesellschaft (Austria), FAP Beteiligungen AG (Austria), and SEAT S. A. (Spain).

Relevant work experience: From 2007 onward, director at various companies, including F.A. Porsche Beteiligungen GmbH in Stuttgart, Prof. Ferdinand Alexander Porsche GmbH in Salzburg, Ferdinand Alexander Porsche GmbH in Grünwald, and Ferdinand Porsche Familien-Holding GmbH. In addition to the above, member of the Executive Board of the Ferdinand Porsche Familien-Privatstiftung foundation in Salzburg since 2014.

BOARD OF DIRECTORS, CONTINUED

9 Stephanie Porsche-Schröder

Member of the Board of Directors since 2017. Member, Audit Committee.

Born: 1978.

Education: Diplom Designer.

Other directorships: Member of the Board of MAN Truck & Bus SE.

Relevant work experience: Designer at Bosch Siemens Haushaltsgeräte GmbH, Munich, 2004-2012.

10 Peter Wallenberg Jr

Member of the Board of Directors since 2005.

Born: 1959.

Education: Master of Business Administration, MBA.

Other directorships: Chair of the Board of Knut and Alice Wallenberg Foundation, Wallenberg Foundations AB, The Grand Group AB. Board member of Atlas Copco AB.

Relevant work experience: Leading positions within the service industry for over 30 years, including CEO for the Grand Hôtel Group. Several board positions in The Wallenberg Foundations.

11 Mari Carlquist

Representative of PTK at Scania. Member of the Board of Directors since 2020. Previously deputy member since 2015.

Born: 1969.

Other directorships: Employee representative, Supervisory Board of TRATON SE.

Relevant work experience: Various positions at Scania since 1987.

12 Lisa Lorentzon

Representative of PTK at Scania. Member of the Board of Directors since 2015. Previously deputy member since 2012.

Born: 1982.

Education: Master of Science, MSc.

Other directorships: Employee representative, Supervisory Board of TRATON SE.

Relevant work experience: Various positions at Scania since 2007.

13 Mikael Johansson

Representative of the Swedish Metalworkers' Union at Scania. Deputy Member of the Board of Directors since 2008.

Born: 1963.

Relevant work experience: Various positions at Scania.

14 Michael Lyngsie

Representative of the Swedish Metalworkers´ Union at Scania. Member of the Board of Directors since 2018.

Born: 1977.

Other directorships: Employee representative, Supervisory Board of TRATON SE.

Relevant work experience: Various positions at Scania since 1993.

15 Mikael Svalefors

Representative of PTK at Scania. Deputy member of the Board of Directors since 2020.

Born: 1960.

Relevant work experience: Various positions at Scania since 1982.

16 Bo Luthin

Representative of the Swedish Metalworkers ´Unions at Scania. Deputy member of the Board of Directors Since 2020.

Born: 1967.

Other directorships: Employee Representative, supervisory Board of TRATON SE.

Relevant work experience: Various positions at Scania since 1985.

EXECUTIVE BOARD

Jonas Rickberg is appointed Chief Financial Officer from 1 April 2022. Johan Haeggman assumes the role as Head of TRATON Financial Services. Haeggman remains at Scania until Rickberg takes up the CFO position.

1 Christian Levin

Member of the Board of Directors. President and CEO.

Born: 1967.
Education: Bachelor of Science in Business and Administration and a Master of Science in Mechanical Engineering. Joined Scania in 1994, employed until 2019. Rejoined Scania in 2021.

2 Johan Haeggman

Executive Vice President, Chief Financial Officer (CFO).

Born: 1960.
Education: Bachelor of Science in Business and Economics, BSc. Joined Scania in 1989, employed until 1999. Rejoined Scania in 2003.

3 Helle Bay

Executive Vice President, Head of People & Culture.

Born: 1972.
Education: Bachelor's Degree in HR and Organisation. Joined Scania in 2020.

4 Stefano Fedel

Executive Vice President, Head of Sales and Marketing.

Born: 1970.
Education: Degree in Engineering of Materials, with mechanical specialisation. Joined Scania in 1996.

5 Mats Gunnarsson

Executive Vice President, Head of Commercial Operations.

Born: 1967.
Education: Master of Science in Mechanical Engineering, MSc, Bachelor of Science in Business Administration and Economics, BSc. Joined Scania in 1992.

6 Martin Lewerth

Executive Vice President, Head of Mobility Solutions.

Born: 1973.
Education: Master of Science in Mechanical Engineering. Joined Scania in 2015.

7 Anders Williamsson

Executive Vice President, Head of Industrial Operations (COO).

Born: 1969.
Education: Master of Science, Industrial Engineering and Management. Joined Scania in 1994.

GROUP FINANCIAL REVIEW

The global recovery which started in the second half of 2020, continued into 2021. The transport activity of Scania´s customers remained high during the period and demand for Scania´s products and services was high in essentially all markets. In spite of the pandemic causing global capacity problems of sourcing components, including semiconductors, Scania managed to keep up production for a long time. During the second half of 2021, however, the shortage of components forced Scania to reduce production volumes. This led to a loss of volume, mainly of trucks. The shortage of components also caused increased costs in our supply and delivery flows. Both sales and earnings have been negatively affected by the disruptions.

On 2 February 2022 the General Court passed judgement, in the case of Scania's appeal against the EU Commission ("EC") decision on 27 September 2017, holding Scania liable for participating in a cartel with all the other European truck manufacturers. The General Court judgement rejects all of Scania's pleas, and upholds the amount of fines set by the EC to EUR 880.5 m., which is recorded in its entirety per 31 December 2021.

Revenue

The sales revenue of the Scania Group, in the Vehicles and Services segment, increased by 17 percent to SEK 141,305 m. (120,590). Currency effects had a negative impact on sales of 5 percent.

New vehicle sales revenue increased by 21 percent. Sales were positively impacted by higher volumes which was partly offset by negative currency effects.

Service revenue increased by 11 percent and amounted to SEK 30,074 m. (27,132). Increased volumes in parts and services had a positive effect which was partly offset by negative currency effects.

Power Solutions sales revenue increased by 6 percent due to increased volumes.

Interest and lease income in the Financial Services segment increased by 2 percent due to a higher average portfolio. This was partly offset by negative currency effects.

Net sales by product, SEK m.	2021	2020
Trucks	88,849	69,934
Buses	7,702	9,686
Power solutions	2,521	2,373
Services	30,074	27,132
Used vehicles	8,082	8,582
Miscellaneous	4,580	4,001
Delivery sales value	**141,808**	**121,708**
Adjustment for lease income [1]	–503	–1,118
Total Vehicles and Services	141,305	120,590
Financial Services	8,761	8,600
Elimination [2]	–3,920	–4,065
Scania Group total	**146,146**	**125,125**

1 The adjustment consists of the difference between sales value based on delivery and revenue recognised as income. This difference arises when a lease or delivery is combined with a repurchase obligation. Significant risks remain, therefore recognition is based on an operating lease contract.

2 The elimination refers to rental income from operating leases.

Deliveries

During 2021 Scania delivered 85,930 (66,899) trucks, an increase of 28 percent. Bus deliveries decreased by 14 percent to 4,436 (5,186) units. Power Solutions deliveries increased by 7 percent to 11,786 (10,991) units.

Vehicles delivered	2021	2020
Vehicles and Services		
Trucks	85,930	66,899
Buses	4,436	5,186
Total new vehicles	**90,366**	**72,085**
Used vehicles	16,714	21,278
Engines	11,786	10,991

GROUP FINANCIAL REVIEW, CONTINUED

Financial Services	2021	2020
Number financed (new during the year)		
Trucks	34,683	24,534
Buses	851	1,122
Total new vehicles	**35,534**	**25,656**
Used vehicles	8,502	8,835
New financing, SEK m.	56,417	42,439
Portfolio, SEK m.	**108,859**	**95,433**

Earnings

Scania's operating income amounted to SEK 11,294 m. (8,887) during 2021. The operating margin amounted to 7.7 (7.1) percent. The operating income was negatively affected by a provision for fines to the EU Commission regarding the EU Truck case by SEK 5,229 m. see Note 2 for further information.

Operating income in Vehicles and Services after provision for the EU Truck Case totalled SEK 9,100 m. (7,764) during 2021. Increased vehicle and service volume impacted positively, but this was partly offset by negative currency effects.

Scania's research and development expenditure amounted to SEK 7,458 m. (6,528). After adjusting for SEK 1,986 m. (1,624) in capitalised expenditure and SEK 939 m. (744) in depreciation of previously capitalised expenditures, recognised expenses increased to SEK 6,411 m. (5,648).

Compared to the full year 2020, the total currency effect was negative and amounted to SEK 1,409 m.

Operating income in Financial Services increased to SEK 2,194 m. (1,123). This was equivalent to a margin of 2.15 (1.13) percent of the average portfolio during the year. Higher portfolio and margins had a positive effect which was partly offset by negative currency effects. Decreasing bad debt expenses had a positive impact due to expected improved payment ability of the customers.

At year-end 2021, the size of the customer finance portfolio amounted to SEK 108.9 bn, which represented an increase of SEK 13.4 bn since the end of 2020. In local currencies, the portfolio increased by SEK 9.9 bn, equivalent to 14 percent.

Operating income per segment, SEK m.	2021	2020
Vehicles and Services		
Operating income	9,100	7,764
Operating margin, %	6.4	6.4
Financial Services		
Operating income	2,194	1,123
Operating margin, % [1]	2.1	1.1
Operating income, Scania Group	11,294	8,887
Operating margin, %	7.7	7.1
Income before taxes	10,816	7,827
Taxes	–3,640	–2,427
Net income	**7,176**	**5,400**

1 The operating margin of Financial Services is calculated by taking the operating income as a percentage of the average portfolio.

Scania's net financial items amounted to SEK –478 m. (–1,060) including net income from associated companies and joint ventures amounting to SEK –19 m. (169). Also included in the net financial items are items affecting comparability of SEK –315 m., which consist of interest on the provision for the "EU truck case". The increase in net income from associates and joint ventures is mainly explained by a dilution effect from one of the associates. Net interest items amounted to SEK –121 m. (–452). The net interest was positively impacted by improved funding. Other financial income and expenses amounted to SEK –23 m. (–777). These included SEK 474 m. (90) in valuation effects related to financial instruments where hedge accounting was not applied.

Income before taxes amounted to SEK 10,816 m. (7,827). The Scania Group's income tax expense for 2021 was equivalent to 33.7 (31.0) percent of income before taxes.

Net income for the year totalled SEK 7,176 m. (5,400), corresponding to a net margin of 4.9 (4.3) percent.

Cash flow

The cash flow after investing activities attributable to operating activities in Vehicles and Services amounted to SEK 5,688 m. (9,180).

Cash flow from investing activities attributable to operating activities amounted to SEK –8,709 m. (–8,158), including SEK 1,986 m. (1,624) in capitalisation of development expenses. At the end of 2021, the net cash position in Vehicles and Services amounted to SEK 25,520 m. (21,824).

Cash flow in Financial Services amounted to SEK –7,369 m. (113).

Financial position

Financial ratios related to the balance sheet	2021	2020
Equity/assets (E/A) ratio, %	26.5	26.1
E/A ratio, Vehicles and Services, %	35.7	35.0
E/A ratio, Financial Services, %	10.7	9.7
Return on capital employed, Vehicles and Services, % [1]	14.0	12.9
Net debt/equity ratio, Vehicles and Services [2]	–0.43	–0.39

1 The calculation is based on average capital employed for the 13 most recent months.
2 Net cash (–)/Net debt (+)

During 2021, the equity of the Scania Group increased by SEK 6,666 m. and totalled SEK 68,213 m. (61,547) at year-end. Net income added SEK 7,176 m. (5,400). Dividend decreased equity with SEK 2,700 m. Equity increased by SEK 1,545 m. (–4,470) because of exchange rate differences that arose when translating net assets outside Sweden. In addition, equity increased by SEK 237 m. (–394) because of actuarial gains/losses on pension liabilities and increased by SEK 483 m. (127) due to fair value adjustment on equity instruments. A capital injection from TRATON SE also increased equity with SEK 208 m. Taxes attributable to items reported under “Other comprehensive income” totalled SEK –83 m. (–2). The non-controlling interest increased during the year with SEK 12 m. mainly due to the new subsidiary LOTS Ventures Canada Inc., with an 80 percent ownership.

The Parent Company

The Parent Company, Scania AB, is a public company whose assets consist of the shares in Scania CV AB. The Parent Company conducts no operations. Income before taxes of Scania AB during 2021 totalled SEK 6,000 m. (0).

Scania CV AB is a public company and Parent Company of the Scania CV Group, which includes all production, sales and services and finance companies in the Scania Group.

Owner and shareholders

The sole shareholder of Scania AB is TRATON SE who owns and controls 100 percent of the shares in Scania. TRATON SE is a subsidiary of Volkswagen AG and is listed on the Frankfurt Stock Exchange and the Nasdaq Stockholm Stock Exchange. Both Scania and TRATON are members of the Volkswagen Group.

FINANCIAL REPORTS

CONTENTS

CONSOLIDATED INCOME STATEMENTS

January–December, SEK m.	Note	2021	2020
Revenue	3	146,146	125,125
Cost of goods sold and services rendered		–109,871	–96,833
Gross income		**36,275**	**28,292**
Research and development expenses [1]		–6,411	–5,648
Selling expenses		–11,268	–11,564
Administrative expenses		–2,144	–2,125
Other operating income [2]		769	550
Other operating expenses [2]		–698	–618
Items affecting comparability	2, 17	–5,229	–
Operating income	4, 5	**11,294**	**8,887**
Interest income		673	477
Interest expenses		–794	–929
Share of income from associated companies and joint ventures	12	–19	169
Other financial income		632	833
Other financial expenses		–655	–1,610
Items affecting comparability	2, 17	–315	–
Total financial items	6	**–478**	**–1,060**
Income before income tax expense		**10,816**	**7,827**
Income tax expenses	7	–3,640	–2,427
Net income		**7,176**	**5,400**

1 Total research and development expenditures during the year amounted to SEK 7,457 m. (6,528).
2 2021 currency effects for financial services are presented as gross amounts in other operating income and expenses. 2020 have been restated accordingly.

January–December, SEK m.	Note	2021	2020
Other comprehensive income	15		
Items that may be reclassified subsequently to profit or loss			
Translation differences		1,545	–4,470
Taxes		39	–65
		1,584	–4,535
Items that will not be reclassified to profit or loss			
Remeasurement defined benefit plans	16	237	–394
Fair value adjustment equity instruments		483	127
Taxes		–122	63
		598	–204
Other comprehensive income		**2,182**	**–4,739**
Total comprehensive income		**9,358**	**661**
Net income attributable to:			
– Scania shareholders		7,172	5,397
– non-controlling interest		4	3
Total comprehensive income attributable to:			
– Scania shareholders		9,354	658
– non-controlling interest		4	3
Operating income includes depreciation of	8	–11,239	–11,097

CONSOLIDATED BALANCE SHEETS

31 December, SEK m.	Note	2021	2020
Assets			
Non-current assets			
Intangible assets	9	13,587	12,513
Tangible assets	10, 11	41,465	38,254
Lease assets	10	26,659	27,460
Holdings in associated companies and joint ventures	12	1,074	840
Other shares and participations		1,336	408
Non-current interest-bearing receivables	28	57,507	48,004
Other non-current receivables	14, 28	2,351	3,300
Deferred tax assets	7	5,570	5,171
Tax receivables		556	227
Total non-current assets		**150,105**	**136,177**
Current assets			
Inventories	13	23,943	21,105
Current receivables			
Tax receivables		1,582	764
Interest-bearing receivables	28	35,646	30,817
Non-interest-bearing trade receivables	28	8,859	6,936
Other current receivables	14, 28	8,043	7,260
Total current receivables		54,130	45,777
Current investments	28	386	54
Cash and cash equivalents			
Current investments comprising cash and cash equivalents		20,432	25,202
Cash and bank balances		8,830	7,066
Total cash and cash equivalents	28	29,262	32,268
Total current assets		107,721	99,204
Total assets		**257,826**	**235,381**

31 December, SEK m.	Note	2021	2020
Equity and liabilities			
Equity			
Share capital		2,000	2,000
Other contributed capital		11,072	10,864
Reserves		–5,258	–6,842
Retained earnings		60,375	55,513
Equity attributable to Scania shareholders		68,189	61,535
Non-controlling interest		24	12
Total equity	15	**68,213**	**61,547**
Non-current liabilities			
Non-current interest-bearing liabilities	28	62,192	53,564
Provisions for pensions	16	12,455	12,384
Other non-current provisions	2, 17	3,394	6,865
Accrued expenses and deferred income	18	6,902	7,502
Deferred tax liabilities	7	3,409	3,492
Other non-current liabilities	28	4,866	5,303
Total non-current liabilities		**93,218**	**89,110**
Current liabilities			
Current interest-bearing liabilities	28	37,953	42,478
Current provisions	17	13,540	3,962
Accrued expenses and deferred income	18	18,014	14,882
Advance payments from customers		2,459	1,567
Trade payables	28	15,301	13,886
Tax liabilities		1,711	1,051
Other current liabilities	28	7,417	6,898
Total current liabilities		96,395	84,724
Total equity and liabilities		**257,826**	**235,381**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In Note 15 there is a description of the consolidated equity items and information about the company's shares.
The equity of the Scania Group has changed as follows (SEK m.):

	2021							2020						
	Share capital	Other contributed capital	Currency translation reserve	Retained earnings	Total, Scania share-holders	Non-controlling interest	Total equity	Share capital	Other contributed capital	Currency translation reserve	Retained earnings	Total, Scania share-holders	Non-controlling interest	Total equity
Equity, 1 January	2,000	10,864	–6,842	55,513	61,535	12	61,547	2,000	10,864	–2,307	50,313	60,870	18	60,888
Net income for the year				7,172	7,172	4	7,176				5,397	5,397	3	5,400
Other comprehensive income														
Exchange differences on translation			1,545	–	1,545	0	1,545			–4,470	–	–4,470	0	–4,470
Remeasurements of defined-benefit plans			–	237	237	–	237			–	–394	–394	–	–394
Fair value adjustment equity instruments			–	483	483	–	483			–	127	127	–	127
Tax attributable to items recognised in other comprehensive income			39	–122	–83	–	–83			–65	63	–2	–	–2
Total other comprehensive income			**1,584**	**598**	**2,182**	**0**	**2,182**			**–4,535**	**–204**	**–4,739**	**0**	**–4,739**
Total comprehensive income			**1,584**	**7,770**	**9,354**	**4**	**9,358**			**–4,535**	**5,193**	**658**	**3**	**661**
Change in non-controlling interest			–	–	–	8	8			–	7	7	–9	–2
Dividend to Scania AB Shareholders			–	–2,700	–2,700	–	–2,700			–	–	–	–	–
Group contribution to TRATON SE			–	–208	–208	–	–208			–	–	–	–	–
Capital contribution from TRATON SE		208	–	–	208	–	208			–	–	–	–	–
Equity, 31 December	**2,000**	**11,072**	**–5,258**	**60,375**	**68,189**	**24**	**68,213**	**2,000**	**10,864**	**–6,842**	**55,513**	**61,535**	**12**	**61,547**

CONSOLIDATED CASH FLOW STATEMENTS

January–December, SEK m.	Note	2021	2020
Operating activities			
Income before tax	21 a	10,816	7,827
Items not affecting cash flow	21 b	10,976	11,666
Taxes paid		–4,613	–3,009
Cash flow from operating activities before change in working capital		**17,179**	**16,484**
Change in working capital			
Inventories		–2,131	2,845
Receivables		–2,829	653
Financial receivables, Financial Services	21 c	–11,691	–2,687
Vehicles with repurchase obligations and rental		–4,062	–3,687
Trade payables		1,211	1,597
Other liabilities and provisions	2, 17	8,955	2,216
Total change in working capital		**–10,547**	**937**
Cash flow from operating activities		**6,632**	**17,421**
Investing activities			
Net investments through acquisitions/divestments of businesses	21 d	–45	–27
Net investments in non-current assets	21 e	–8,664	–8,131
Cash flow from investing activities attributable to operating activities		**–8,709**	**–8,158**
Cash flow after investing activities attributable to operating activities		**–2,077**	**9,263**
Investments in securities and loans		**–309**	**762**
Cash flow from investing activities		**–9,018**	**–7,396**
Cash flow before financing activities		**–2,386**	**10,025**

January–December, SEK m.	Note	2021	2020
Financing activities			
Change in debt from financing activities	21 f	1,677	2,208
Transactions with non-controlling interests		–2	–12
Dividend		–2,700	–
Cash flow from financing activities		**–1,025**	**2,196**
Cash flow for the year		**–3,411**	**12,221**
Cash and cash equivalents, 1 January		32,268	20,981
Exchange rate differences in cash and cash equivalents		405	–934
Cash and cash equivalents, 31 December	21 g	**29,262**	**32,268**

Cash flow statement, Vehicles and Services	2021	2020
Cash flow from operating activities before change in working capital	15,315	14,990
Change in working capital	–986	2,327
Cash flow from operating activities	14,329	17,317
Cash flow from investing activities attributable to operating activities	–8,641	–8,137
Cash flow after investing activities attributable to operating activities	5,688	9,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ACCOUNTING PRINCIPLES

The Scania Group encompasses the Parent Company, Scania Aktiebolag (publ), Swedish corporate identity number 556184–8564 and its subsidiaries. The Parent Company has its registered office in Södertälje, Sweden. The address of Scania's head office is SE-151 87 Södertälje, Sweden.

The consolidated accounts of the Scania Group have been prepared in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as the interpretations by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union. In addition, Recommendation RFR 1, "Supplementary Accounting Rules for Groups" from the Swedish Financial Reporting Board has been applied. The Parent Company applies the same accounting policies as the Group except in the instances described below in the section "Parent Company accounting principles." The functional currency of the Parent Company is Swedish kronor (SEK), and the financial statements are presented in Swedish kronor. Assets and liabilities are recognised at cost, aside from certain financial assets and liabilities which are carried at fair value. Financial assets and liabilities that are carried at fair value are mainly derivative instruments. Preparing the financial reports in compliance with IFRS requires that management make judgements and estimates as well as assumptions that affect the application of accounting principles and amounts recognised in the financial reports. The actual outcome may diverge from these estimates and judgements. Judgements made by management that have a substantial impact on the financial reports, and estimates which have been made that may lead to significant adjustments, are described in more detail in Note 2, "Key judgements and estimates."

Estimates and assumptions are reviewed regularly. Amendments of estimates are reported in the period in which the amendment was made if the amendment only affects this period, or in the period in which the amendment was made and future periods if the amendment affects both the current period and future periods. The principles stated below have been applied consistently for all periods, unless otherwise indicated below. Furthermore, the Group's accounting principles have been consistently applied by Group companies, in respect of associate companies and joint ventures, if necessary, by adjustment to the Group's principles.

Changes in accounting principles
As from 1 January 2021 the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 as a result of Interest Rate Benchmark Reform—Phase 2 have been applied. The IBOR reform has not exposed Scania to any new financial risks and the impact of the amended standards on the financial statements have not been material.

Other amended standards and new interpretations that entered into force during 2021 have had no impact on Scania´s consolidated financial statements. Other than described above, the accounting policies and definitions corresponds with those applied 2020.

Application of accounting principles

Consolidated financial statements
The consolidated financial statements encompass Scania AB and all subsidiaries. "Subsidiaries" refers to companies in which Scania directly or indirectly owns more than 50 percent of the voting rights of the shares or otherwise has control. In the case of a structured entity consolidated in the Group, Scania is able to direct the material relevant activities even if it is not invested in the structured entity concerned and is thus able to influence the variable returns from its involvement. Structured entities are used primarily to enter into asset-backed securities transactions to refinance the financial services business. The composition of the Group is shown in Note 30. Subsidiaries are reported according to the acquisition method of accounting. This method means that acquisition of a subsidiary is treated as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The purchase price allocation establishes the fair value on the acquisition date of the acquired identifiable assets, liabilities assumed and contingent liabilities. The consideration transferred on acquisition of a subsidiary consists of the fair values on the transfer date of assets given, liabilities that have arisen to previous owners and equity instruments issued as payment in exchange for the acquired net assets. Transaction costs directly attributable to the acquisition are recognised directly in the income statement as they arise.

Non-controlling interests are either recognised at their proportionate share of net assets or at their fair value. The choice between the various alternatives may be made for each acquisition.

In business combinations where the consideration transferred, any non-controlling interests and the fair value of previously owned shares (in step acquisitions) exceed the fair value of the acquired identifiable assets, liabilities and contingent liabilities assumed, the difference is recognised as goodwill. When the difference is negative, this is recognised directly in the income statement. Only earnings arising after the date of acquisition are included in the equity of the Group. Divested companies are included in the consolidated financial statements until the date when controlling influence ceases. Intra-Group receivables and liabilities, revenue or expenses and unrealised gains or losses that arise from intra-Group transactions between Group companies are eliminated in the consolidated financial statements. Unrealised gains that arise from transactions with associated companies and joint ventures are eliminated to the extent that corresponds to the Group's percentage of ownership in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment loss. Equity attributable to non-controlling interests is reported separately from equity attributable to the Parent Company's shareholders.

Associated companies and joint ventures
The term "associated companies" refers to companies in which Scania, directly or indirectly, has a significant influence. "Joint ventures" refers to companies in which Scania, through contractual cooperation with one or more parties, has a joint controlling influence on operational and financial management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 – ACCOUNTING PRINCIPLES, CONTINUED

Foreign currencies – translation

Transactions in foreign currencies are translated to the functional currency at the exchange rate on the transaction date. Monetary receivables and liabilities in foreign currencies are translated at the exchange rate on the balance sheet date, and exchange rate differences that arise are recognised in the income statement. Non-monetary items are recognised at historic cost using the exchange rate on the transaction date.

When preparing the consolidated financial statements, the income statements and balance sheets of foreign subsidiaries are translated to the Group's reporting currency, Swedish kronor. All items in the income statements of foreign subsidiaries are translated using the average exchange rates during the year. All balance sheet items are translated using the exchange rates on the balance sheet date. The translation differences that arise when translating the financial statements of subsidiaries outside Sweden are recognised under "Other comprehensive income" and accumulate in the currency translation reserve in equity.

Subsidiaries use the local currency as their functional currency, aside from a few subsidiaries for which the euro is the functional currency.

Monetary long-term items in a business outside Sweden for which settlement is not planned or will probably not occur within the foreseeable future are, in practice, part of the company's net investment in operations outside Sweden.

Exchange rate differences on such monetary items, which comprise part of the company's net investment (extended investment) are recognised under "Other comprehensive income" and accumulate in the currency translation reserve in equity.

Balance sheet – classifications

Scania's operating cycle, that is, the time that elapses from the purchase of materials until payment for goods delivered is received, is less than 12 months. This means that items relating to operations are classified as current assets and current liabilities, respectively, if these are expected to be realised/settled within 12 months, counting from the balance sheet date. Cash and cash equivalents are classified as current assets unless they are restricted. Other assets and liabilities are classified as non-current. For classification of financial instruments, see the section on financial assets and liabilities under "Financial instruments."

Leases

Scania as lessee

The Group recognises a right-of-use asset and a corresponding lease liability for all lease arrangements in which it is the lessee. The assessment whether a contract is or contains a lease is made at inception of the contract. IFRS 16 contains practical expedients for short-term and low-value leases, which the Scania Group exercises and hence does not recognise any right-of-use assets or liabilities for these types of leases. The related lease payments are recognised as expenses in the income statement.

The lease liability is initially measured at the present value of the outstanding lease payments at the commencement date, discounted using the Scania Groups incremental borrowing rate. The lease term underlying the lease liability is determined as the non-cancellable period of the lease together with any periods covered by options to extend or terminate the lease, if it is reasonably certain that such options will be exercised.

In subsequent periods the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method. The carrying amount of the lease liability is reduced reflecting the lease payments made.

The lease liability is remeasured, with the corresponding adjustment to the related right-of-use asset, whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option. In such cases the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a residual value guarantee, in which the lease liability is remeasured by discounting the revised lease payments using the initial discount rate. If the change in lease payments is due to a change in a floating interest rate a revised discount rate is used.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise of the initial measurement of the corresponding lease liability, lease payment made at or before the commencement date and any initial direct costs. The right-of-use assets are presented as tangible assets in the balance sheet items in which the assets underlying the lease would be presented if they were owned by the Scania Group.

In subsequent periods the right-of-use assets are measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If the lease agreement transfer the ownership or the lease agreement contains an option, that is expected to be exercised, to purchase the underlying asset the right-of-use asset is depreciated over the useful life of the underlying asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 – ACCOUNTING PRINCIPLES, CONTINUED

Scania as lessor
Lease contracts with customers are carried as finance leases in cases where substantially all risks and rewards associated with ownership of the asset have been transferred to the lessee. At the beginning of the leasing period, sales revenue and a financial receivable equivalent to the net investment in the lease are recognised. As a result, sales revenue and the cost of the leased asset is recognised in the income statement. Lease payments received reduce the financial receivable and interest income from the net investment in the lease is recognised over the lease term.

Other lease contracts are classified as operating leases and are carried as lease assets among tangible non-current assets. Revenue from operating leases is recognised on a straight-line basis over the leasing period. Depreciation of the asset occurs on mainly a straight-line basis to the estimated residual value of the asset at the end of the leasing period.

Sales transactions that include repurchase obligations, which mean that significant risks remain with Scania, are recognised as operating leases; see above.

Balance sheet – valuation principles

Tangible non-current assets including lease assets
Tangible non-current assets are carried at cost less accumulated depreciation and any impairment losses. A non-current asset is divided into separate components, each with a different useful life and depreciated separately. Machinery and equipment as well as lease assets have useful lives of 3–15 years. Buildings have useful lives of 20–50 years. Land is not depreciated.

Depreciation is recognised on a straight-line basis over the estimated useful life of an asset, and in those cases where a residual value exists, the asset is depreciated down to this value. Useful life, residual value and depreciation methods are examined regularly, and at least at period-end, and assumptions are adjusted in case of changed circumstances.

Borrowing costs are included in the cost of assets that take a substantial period of time to get ready if applicable.

Intangible non-current assets
Scania's intangible assets consist of goodwill, capitalised expenditures for development of new products and software. Intangible non-current assets are recognised at cost less any accumulated amortisation and impairment losses. Borrowing costs are included in the cost of assets that take a substantial period of time to get ready.

Goodwill
Goodwill is carried at cost less any accumulated impairment losses. Recognised goodwill has arisen from acquisitions of distribution and dealer networks, which have resulted in increased profitability upon their integration into the Scania Group. Goodwill has an indefinite useful life and impairment testing is done annually or more often if there is an indication of impairment.

Capitalised product development expenditures
Scania's research and development activities are divided into a concept phase and a product development phase.

Expenditures during the concept phase are expensed as they arise. Expenditures during the product development phase are capitalised, beginning on the date when the expenditures are likely to lead to future economic benefits. This implies that it is technically possible to complete the intangible asset, the company has the intention and the potential to complete it and use or sell it, there are adequate resources to carry out development and sale, and remaining expenditures can be reliably estimated. Impairment testing occurs annually for product development projects that have not yet gone into service, according to the principles stated below. The amortisation of capitalised development expenditures begins when the asset is placed in service and occurs on a straight- line basis during its estimated useful life. For capitalised product development expenditure, useful life is estimated between three and 15 years.

Capitalised software development expenditures
Capitalised software development expenditures include expenditures directly attributable to completion of the software. They are amortised on a straight-line basis during the useful life of the software, which is estimated between three and five years.

Impairment testing of non-current assets
The carrying amounts of Scania's intangible and tangible assets as well as its shareholdings are tested annually to assess whether there is indication of impairment. This includes intangible assets with an indefinite useful life, which refer in their entirety to goodwill. The recoverable amount of goodwill and intangible assets that have not yet gone into service is calculated annually regardless of whether there is an indication of impairment loss or not.

Inventories
Inventories are carried at the lower of cost and net realisable value. Cost is calculated by applying the first in, first out (FIFO) principle. An allocable portion of indirect expenses is included in the value of the inventories, estimated on the basis of normal capacity utilisation. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and of making a sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 – ACCOUNTING PRINCIPLES, CONTINUED

Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

In case contractual cash flows of a financial asset are renegotiated or modified (e.g., timing and/or amount of cash flows has changed) and this change results in a significant modification, the financial asset is derecognised and a new asset is recognised reflecting the modified cash flows and the new effective interest rate. If changes in contractual cash flows do not result in a significant modification, the financial asset is not derecognised and instead the gross carrying amount is recalculated using the original effective interest rate and a modification gain or loss is recognised in profit or loss.

Financial assets
All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Amortised cost: Financial asset that is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise to cash flows on specific dates that are solely payments of principal and interest on the principal amount outstanding.

Fair Value Through Profit and Loss (FVTPL): By default, all other financial assets are subsequently measured at FVTPL.

The Group's financial assets consists of cash and cash equivalents, trade receivables, financial lease receivables and lending and are classified and measured at amortised cost.

Cash and cash equivalents consists of cash and bank balances as well as current liquid investments with a maturity which normally have a maximum of 90 days, which are subject to an insignificant risk of fluctuation in value. "Current investment" consists of investments, normally with a longer maturity than 90 days.

The Group's investments in equity instruments are classified as at FVTOCI. Such investments are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in other comprehensive income. The net gain or loss includes dividends.

Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and expenses over the relevant period.

For financial instruments, the effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the financial instrument to the gross carrying amount of the financial instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see impairment section).

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the net financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 – ACCOUNTING PRINCIPLES, CONTINUED

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost, lease receivables, as well as on loan commitments, operating leases and financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and lease receivables. For trade receivables lifetime ECL is estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition. In this assessment, the Group considers both quantitative and qualitative data that are reasonable and verifiable, including historical experience and long-term data that are available without unreasonably high costs or efforts.

Financial instruments are assigned to one of three credit risk stages:

- Stage 1: Financial instruments at initial recognition and no changes in credit risk
- Stage 2: Significant changes in credit risk on the basis of the lifetime expectation of the underlying contract
- Stage 3: Impaired financial instruments

The assignment to the different stages is evaluated on every reporting period. A financial asset is credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flow, such as a default.

The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure of at default.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 "Leases."

For undrawn loan commitments, the expected credit loss is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

Financial liabilities and equity instruments
Classification as debt or equity
Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised as the proceeds received, net of direct issue costs.

Financial liabilities
All financial liabilities in the Group are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments
The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Group contribution to owner
Group contributions to companies within the TRATON group is recognised in Equity.

Provisions
Provisions are recognised if an obligation, legal or constructive, exists as a consequence of events that have occurred. It must also be deemed likely that an outflow of resources will be required to settle the obligation and that the amount can be reliably estimated. Provisions for warranties for vehicles sold during the year are based on warranty conditions and the estimated quality situation. Provisions on service contracts are related to expected future unavoidable expenses that exceed contractual future revenue. For provisions related to pensions, see the description under "Employee benefits" below and in Note 16, "Provisions for pensions and similar commitments."

For provisions related to taxes, see below under "Taxes."

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 – ACCOUNTING PRINCIPLES, CONTINUED

Taxes
The Group's total tax consists of current tax and deferred tax. Income taxes are recognised in the income statement except when the underlying transaction is recognised in other comprehensive income, such as remeasurements of defined benefit plans, or in equity, causing the related tax effect to be recognised in other comprehensive income or in equity, respectively. Deferred tax is recognised in case of a difference between the carrying amount of assets and liabilities and their tax base ("temporary difference"). Valuation of deferred tax is based on how the underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted on the balance sheet date. Deferred tax assets minus deferred tax liabilities are recognised only to the extent that it is likely that they can be utilised.

Employee benefits
Within the Scania Group, there are a number of both defined contribution and defined benefit pension and similar plans, some of which have plan assets that are managed by special foundations, funds or the equivalent.

The plans include retirement pensions, survivor pensions, health care and severance pay. These are financed mainly by provisions to accounts and partially via premium payments.

Plans in which Scania only pays fixed contributions and has no obligation to pay additional contributions if the assets of the plan are insufficient to pay all compensation to the employee are classified as defined contribution plans.

The Group's expenditures for defined contribution plans are recognised as an expense during the period when the employees render the services in question.

Defined benefit plans are all plans that are not classified as defined contribution. These are calculated according to the "Projected Unit Credit Method," for the purpose of fixing the present value of the obligations for each plan. Calculations are performed and are based on actuarial assumptions that are set on the closing day. The obligations are carried at the present value of expected disbursements, taking into account inflation, expected future pay increases and using a discount rate equivalent to the interest rate on top-rated corporate or government bonds with a remaining maturity corresponding to the obligations in question.

The interest rate on top-quality corporate bonds is used in those countries where there is a functioning market for such bonds. In other countries, the interest rate on government bonds is used instead. For plans that are funded, the fair value of the plan assets is subtracted from the estimated present value of the obligation. Remeasurements of net pension liabilities, which include actuarial gains and losses, return on plan assets excluding amounts that are part of net interest income on net defined benefit liability and each change in the effect of the asset ceiling excluding amounts that are part of net interest income on net defined benefit liability, are recognised in "Other comprehensive income" and do not affect net income. Remeasurements are not reclassified to net income in subsequent periods.

In the case of some of the Group's defined benefit multi-employer plans, sufficient information cannot be obtained to calculate Scania's share in these plans. They have thus been accounted for as defined contribution. For Scania, this applies to the Dutch pension funds Pensioenfonds Metaal en Techniek and Bedrijfstakpensioenfonds Metal Elektro, which are administered via MN Services, as well as the portion of the Swedish ITP occupational pension plan that is administered via the retirement insurance company Alecta.

Most of the Swedish plan for salaried employees (the collectively agreed ITP plan), however, is accounted for by provisions in the balance sheet, safeguarded by credit insurance from the mutual insurance company Försäkringsbolaget PRI Pensionsgaranti, which also administers the plan. See also Note 16, "Provisions for pensions and similar commitments." Scania follows the rules in IAS 19 concerning limits in the valuation of net assets, the so-called asset ceiling, since these are never valued at more than the present value of available economic benefits in the form of repayments from the plan or in the form of reductions in future fees to the plan. This value is determined as present value taking into account the discount rate in effect.

Share-based payment
The share-based payment consists of performance shares. The obligations arising from the share-based payment are accounted for as cash-settled plans in accordance with IFRS 2. The cash-settled share-based payments are measured at fair value until maturity. A liability corresponding to the fair value is recognised and remeasured each reporting period until the liability is settled, with any changes in fair value recognised in profit or loss. Fair value is determined using a recognised valuation technique. The compensation cost is allocated over the vesting period.

Incentive programmes
The outcome of the incentive programme for executive officers is recognised as a salary expense in the period to which it relates.

Income statement – classifications

Research and development expenses
This item consists of the research and development expenses that arise during the research phase and the portion of the development phase that does not fulfil the requirements for capitalisation, plus amortisation and any impairment loss during the period of previously capitalised development expenditures. See Note 9, "Intangible assets."

Selling expenses
Selling expenses are defined as operating expenses in sales and service companies plus costs of corporate-level commercial resources. In the Financial Services segment, selling and administrative expenses are reported as a combined item, since a division lacks relevance.

Administrative expenses
Administrative expenses are defined as costs of corporate management as well as staff units and corporate service departments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 – ACCOUNTING PRINCIPLES, CONTINUED

Financial income and expenses
"Interest income" refers to income from financial investments and pension assets. "Other financial income" includes gains that arise from the valuation of non-hedge-accounted derivatives (see the section on financial instruments) and exchange rate gains attributable to financial items.

"Interest expenses" refers to expenses attributable to loans, pension liability and changes in the value of loan hedging derivatives. "Other financial expenses" include current bank fees, losses arising from valuation of non-hedge-accounted derivatives and exchange rate losses attributable to financial items.

Income statement – valuation principles

Revenue recognition
The Group recognises revenue from the following main sources:

- Sale of new vehicles and engines as well as used vehicles
- Sale of services

Sales revenue is recognized as soon as a performance obligation under a customer contract has been satisfied. Discounts, customer rebates, and other sales allowances reduce the transaction price. If a contract contains multiple performance obligations, the transaction price is allocated to the relevant performance obligations.

Sales revenue from contracts for services is recognized when the services have been rendered. In the case of long-term contracts for services, revenue is recognized on a straight-line basis over the term of the contract or, if services are not rendered on a straight-line basis, based on the stage of completion using the cost-to-cost method.

Variable considerations, such as rebates based on volumes, are estimated and included in the transaction price. However, it is only included with an amount that, with a high probability, will not be reversed with a significant amount.

In a transaction including both the sale of a product and a service the transaction price is allocated between the product and the service component based on the stand-alone selling price. If there are any discounts in such a transaction the discount are allocated in full to the price of the product.

Sale of goods
The Group sells new trucks, buses and engines as well as used vehicles.

In a transaction where the Group delivers a vehicle with a repurchase obligation control is not transferred to the customer and no revenue is recognised on delivery, instead such transaction is recognised as an operating lease.

In a transaction when the customer has an option that gives the customer the right to require that the Group repurchases the vehicle no revenue is recognised since such a transaction is recognised as a lease.

In transactions where the Group does not have any repurchase obligations revenue is recognised when control is transferred to the customer. That is normally when the vehicles have been delivered to the customer, the customer has approved the vehicle and the Group has received payment or invoiced with short-term credit time.

Contract costs in the form of commissions for the sale of a vehicle will be recognised as incurred since the revenue from the sale of a vehicle is recognised at a point in time.

Rendering of service
The transaction price allocated to service and repair contracts is recognised as a contract liability at the time of the initial sales transaction and is allocated over the life of the contracts as performance obligations are fulfilled which is measured based on the cost of the fulfillment.

Warranties that the product sold matches the agreed specifications are accounted for as provisions. Extended warranties, which customers can purchase separately, are accounted for as a separate performance obligation. Revenue from extended warranties is recognized over the contract period.

Contract costs in the form of commissions for the sale of a service contract is recognised as expenses when incurred.

Financial Services
In case of financial and operating leases, with Scania as the lessor, the recognition of interest income and lease income, respectively, is allocated over the lease period. Other income is recognised on a continuous basis.

Government grants including EU grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants received that are attributable to operating expenses reduce these expenses. Government grants related to investments reduce the gross cost of non-current assets.

Miscellaneous

Related party transactions
Related party transactions occur on market terms.

Contingent liabilities
A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events. A contingent liability can also be a present obligation that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required, or because the amount of the obligation cannot be measured with sufficient reliability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 – ACCOUNTING PRINCIPLES, CONTINUED

Changes in accounting principles during the next years

New standards, amended standards and interpretations that enter into force on 1 January 2022 and subsequently have not been applied in advance.

New and amended standards and interpretations that enter into force on 1 January 2022 or subsequently are not expected to have any material impact on Scania's financial statements.

Parent company

Parent Company accounting principles

The Parent Company has prepared its Annual Report in compliance with Sweden's Annual Accounts Act and Recommendation RFR 2, "Accounting for Legal Entities" of the Swedish Financial Reporting Board. RFR 2 implies that the Parent Company in the Annual Report of a legal entity shall apply all International Financial Reporting Standards and interpretations approved by the EU as far as this is possible within the framework of the Annual Accounts Act, and taking into account the relationship between accounting and taxation. The recommendation states what exceptions from IFRS and additions shall or may be made.

Financial Instruments

The Parent Company does not apply IFRS 9 Financial instruments, but instead applies a cost-based method in accordance with the Annual Accounts Act.

The scope of financial instruments in the accounts of the Parent Company is extremely limited. The reader is thus referred to the Group's disclosures related to IFRS 7, "Financial instruments – Disclosures".

Leases

The Parent Company does not apply IFRS 16 Leases, instead expenses relating to lease contracts for which the parent company is the lessee are expensed as incurred.

Subsidiaries

Holdings in subsidiaries are recognised in the Parent Company financial statements according to the cost method of accounting. Testing of the value of subsidiaries occurs when there is an indication of a decline in value. Dividends received from subsidiaries are recognised as income.

Anticipated dividends

Anticipated dividends from subsidiaries are recognised in cases where the Parent Company has the exclusive right to decide on the size of the dividend and the Parent Company has made a decision on the size of the dividend before having published its financial reports.

Taxes

The Parent Company financial statements recognise untaxed reserves including deferred tax liability. The consolidated financial statements, however, reclassify untaxed reserves to deferred tax liability and equity. Correspondingly, no allocation of part of the appropriations is made to deferred tax expense in the Parent Company's income statement.

Group contributions

The Parent Company recognises Group contributions received and provided as appropriations in the income statement.

NOTE 2 – KEY JUDGEMENTS AND ESTIMATES

The key judgements and estimates for accounting purposes that are discussed in this section are those that Group management and the Board of Directors deem the most important for an understanding of Scania's financial reports, taking into account the degree of significant influence and uncertainty. These judgements are based on historical experience and the various assumptions that management and the Board deem reasonable under the prevailing circumstances. The conclusions drawn in this way provide the basis for decisions regarding recognised values of assets and liabilities, in those cases where these cannot easily be established through information from other sources. Actual outcomes may diverge from these judgements if other assumptions are made or other conditions emerge. Note 1 presents the accounting principles the company has chosen to apply. Important estimates and judgements for accounting purposes are attributable to the following areas.

During 2020 Scania continuously assessed the impact of the COVID-19 outbreak and continued in 2021 to assess potential impacts on future development and/or risks that can affect the future financial position.

It is difficult to assess the continuing impact, and dependent on how COVID-19 develops and which measures different countries take to handle the situation, this can lead to:

- Decreased market demand in the short and medium term in several important markets for Scania, leading to decreased sales of vehicles and services and also price pressure on new and used vehicles. This, in turn, also can lead to needs to make write-downs in vehicle inventory and changed estimates of residual value on buy-back commitments.
- The supplier network could be unable to deliver components and articles, leading to shorter or longer periods of close down of Scania's global production system.
- Customers facing financial problems leading to deteriorating ability to pay outstanding receivables to Scania.
- Impairment of goodwill and other intangible assets.

The text above is not an exhaustive list and one or several of them can occur independently or in combination and could have a negative impact on the Scania Group's business and financial development and performance. During the period production disturbances have occurred due to component shortages.

Multiple element transactions

In a transaction with a sale of a vehicle and a sale of a service Scania accounts for those as separate performance obligations since the vehicle and the service components are distinct from each other in the contract and the customer can benefit from the two on its own.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 2 – KEY JUDGEMENTS AND ESTIMATES, CONTINUED

In those transactions the total transaction price are allocated to those distinct components. A service contract is in general not sold separately but only together, or nearby, the sale of a vehicle. When allocating the price to the different performance obligations Scania is using stand-alone selling prices. Any discounts are allocated to the vehicle.

Warranty costs
Scania's product obligations are mainly related to vehicle warranties in the form of a one-year "factory warranty" plus extended warranties and, in some cases, special quality campaigns. For each vehicle sold, Scania makes a warranty provision. For extended warranties not classified as performance obligations and campaigns, a provision is made at the time of the decision.

Provisions are dependent on the estimated quality situation and the degree of utilisation in the case of campaigns. An essential change in the quality situation may require an adjustment in earlier provisions. Product warranty that refers to that products sold comply with agreed-upon specifications cannot be purchased separately, covers all vehicles sold and are therefore accounted for in accordance with IAS 37 "Provision, contingent liabilities and contingent assets."

Scania's product obligations can be seen in Note 17, "Other provisions" and amounted to SEK 1,725 m. (1,682) on 31 December 2021.

Leases (Scania as lessee)
Many leases feature extension and termination options. To determine the lease terms, all relevant facts and circumstances that create an economic incentive to exercise, or not to exercise, such options are considered. Factors that are considered are for example historical lease durations and any costs and business disruption required to replace the leased asset. Optional periods are considered when determining the lease term if it is reasonably certain that the option will, or will not, be exercised. This assessment is updated if a significant event or a significant change in circumstances, such as significant improvement or customisation of the underlying asset that was not anticipated at commencement date, occurs which affects this assessment and is in control of the Group as lessee.

Repurchase obligations
Scania delivers about 9 percent of its vehicles with repurchase obligations. These are recognised as operating lease contracts, with the consequence that recognition of revenue and earnings is allocated over the life of the obligation.

In transactions when customers have the option to call for Scania to repurchase the sold vehicle it is Scania's view that such transaction should be accounted for as a lease.

Based on the contract and the relationship with the customer history has shown that the customer has an economic incentive to exercise such option and hence it is almost always exercised.

If there are major downturns in the market value of used vehicles, this increases the risk of future losses when divesting the returned vehicles. When a residual value guarantee is deemed likely to result in a future loss, the depreciation of the vehicle is adjusted accordingly.

Changes in market value may also cause an impairment loss in used vehicle inventories, since these are recognised at the lower of cost and estimated net realisable value.

At the end of 2021, repurchase obligations amounted to SEK (18,467) m. (19,079).

Credit risks
In its Financial Services operations, Scania has an exposure in the form of contractual payments. At the end of 2021, these amounted to SEK (108,859) m. (95,422). In all essential respects, Scania has collateral in the form of the right to repossess the underlying vehicle. In case the market value of the collateral does not cover the exposure to the customer, and the customer has a problem completing its contractual payments, Scania has a risk of loss.

The Group recognises a loss allowance for expected credit losses (ECL) and the amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Irrespective of the outcome of the assessment whether there has been a significant increase in credit risk, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition at the latest when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Evidence that a financial asset is credit-impaired includes observable data about, for example, events of (i) significant financial difficulty of the borrower, (ii) a breach of contract, such as a default and (iii) it is becoming probable that the borrower will enter bankruptcy.

For internal credit risk management purposes historical experience has indicated an event of default when receivables meet either of the following criteria:

- there is a breach of financial covenants by the counterparty
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay in full

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

During 2020, Financial Services agreed with a large number of customers to reschedule their contracts to meet their temporary liquidity constraints due to the COVID-19 pandemic.

The majority of the reschedulings were done during the first half of 2020. The reschedulings included different kinds of moratoria and payment holidays with a corresponding extension of the contract term, having no impact on the net present value of the contractual cash flows. Approx. 25 percent of Financial Services' total portfolio was rescheduled, but the vast majority of customers returned to their original payment plans during the second half of 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 2 – KEY JUDGEMENTS AND ESTIMATES, CONTINUED

In 2021, a few customers have been granted additional reschedulings of their contracts. The majority of these customers belong to the passenger transport segment, which is still significantly affected by COVID-19 restrictions related to tourism and travelling. At the end of 2021, approx. 12 percent of the total exposure in the passenger transport segment was under moratoria or payment holiday. The equivalent share of reschedulings for the total portfolio was less than 2 percent.

The credit loss allowance of SEK 360 m, which was added in 2020, remains unchanged as per 31 December 2021, considering the impact from measures taken by policymakers, such as payment moratoria and payment holidays or expansive fiscal and monetary policies.

During 2020 the Vehicles and Services segment applied a risk premium of 20 percent based on the valuation allowance by means of which the expected credit loss (ECL) on trade receivables due to COVID-19. This resulted in an increased loss allowance of SEK 18 m. for the full year 2020. From the second quarter 2021 the risk premium has ceased.

Write-off policy
The Group writes off a financial asset when there is information that the counterparty is in default and the security for the receivable is repossessed. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss. On 31 December 2021, the reserve for doubtful receivables in Financial Services operations amounted to SEK 1,339 m. (1,519). See also "Credit risk" under Note 27, "Financial risk management".

Intangible assets
Intangible assets in Scania are essentially attributable to capitalised product development expenditures and "acquisition goodwill". All goodwill items in Scania is attributable to acquisitions of previously independent importers/dealerships. All goodwill items are subject to an annual impairment test, which is mainly based on value in use including important assumptions on the sales trend, margin and discount rate before tax; see also below.

In the long term, the increase in sales of Scania's products is deemed to be closely correlated with economic growth (GDP) in each respective market, which has been estimated at 2 percent (2 percent). The revenue/cost ratio, or margin, for both vehicles and service is kept constant over time compared to the latest known level. When discounting to present value, Scania uses its average cost of capital, currently 6.2–8.1 percent (5.6–8.5 percent) before taxes. These assumptions do not diverge from information from external information sources or from earlier experience. To the extent the above parameters change negatively, an impairment loss may arise. On 31 December 2021, Scania's goodwill amounted to SEK 1,376 m. (1,299). The impairment tests that were carried out showed that there are reassuring margins before impairment losses will arise.

Scania's development costs are capitalised in the phase of product development where decisions are made regarding future production and market introduction. At that time there is future predicted revenue and a corresponding production cost. In case future volume or the price and cost trend diverges negatively from the preliminary calculation, an impairment loss may arise. Scania's capitalised development costs amounted to SEK 11,788 m. (10,741) on 31 December 2021.

Pension obligations
In the actuarial methods that are used to establish Scania's pension liabilities, a number of assumptions are highly important. The most critical one is related to the discount rate on the obligations. Other vital assumptions are average life expectancy and average duration of the obligations. A higher discount rate decreases the recognised pension liability. In calculating the Swedish pension liability, the discount rate used was 2.0 percent (1.25). Changes in the above-mentioned actuarial parameters are recognised in "Other comprehensive income," net after taxes.

Legal and tax risks
On 31 December 2021, provisions for legal and tax risks amounted to SEK 9,792 m. (4,465). See Note 17, "Other provisions".

Legal risks
Demands and claims aimed at the Group, including demands and claims that lead to legal proceedings, may be related to infringements of intellectual property rights, faults and deficiencies in products that have been delivered, including product liability, or other legal liability for the companies in the Group. The Group is party to legal proceedings and related claims that are normal in its operations. In addition, there are demands and claims normal to the Group's operations that do not lead to legal proceedings. In the best judgement of Scania's management, such demands and claims will not have any material impact on the financial position of the Group, beyond the provisions that have been set aside.

In 2011, Scania became subject to an investigation by the European Commission (EC) into allegedly inappropriate cooperation with other European truck manufacturers. A Statement of Objections was served to Scania by the EC in November 2014. In light of such statement and other developments in the investigation and in accordance with relevant accounting principles, Scania made a provision of an amount of SEK 3,800 m. in June 2016. Scania always cooperated fully with the EC, while all through the investigation contesting the EC's view that Scania would have participated in a pan-European cartel during 1997-2011 on pricing and delayed introductions of emissions related technology. Scania was served a final decision by the EC in October 2017, holding Scania liable for such scope of a cartel in the amount of around EUR 880.5 m. in fines. Scania appealed against this decision in its entirety to the General Court of the EU, and provided the EC in January 2018 with a guarantee as security for the fines pending the outcome of such appeal.

The General Court rendered its judgement in February 2022, dismissing Scania's appeal entirely and upholding the full amount of fines as set by the EC. Scania is currently reviewing this judgement in all its complexity and detail, and considers lodging another appeal to the European Court of Justice. Due to the judgement Scania increased its provision to SEK 9,029 m. (EUR 880.5 m.) plus accrued interest to SEK 543 m. (EUR 52.8 m.) earlier recorded to SEK 228 m. Scania is also the subject of related civil claims by direct or indirect customers of Scania, and may face additional similar claims.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 2 – KEY JUDGEMENTS AND ESTIMATES, CONTINUED

However, at this stage it is not possible to give any meaningful indication as to Scania´s risk associated with private damages. It is still not decided whether or not Scania will appeal against the General Court judgement and there is also great uncertainty around the extent to which claims will be made against Scania. In addition, risk assessment around claims that have already been made is associated with significant uncertainties, while investigations are still in their initial stages only.

Tax risks
The Group is party to tax proceedings. Scania's management has made the assessment, based on individual examination, that the final outcome of these proceedings will not have any material impact on the financial position of the Group, beyond the recognised reserves.

Significant judgements are made in order to determine both current and deferred tax liabilities/assets. As for deferred tax assets, Scania must assess the likelihood that deferred tax assets will be utilised to offset future taxable profits. The actual result may diverge from these judgements, among other things due to future changes in business climate, altered tax rules or the outcome of still uncompleted examinations of filed tax returns by authorities or tax courts. The judgements that have been made may affect income both negatively and positively.

Items affecting comparability
In February 2022, the European Court of Justice rejected Scania's appeal on all counts and upheld the European Commission's fine. Due to the judgement, Scania has increased the provision to SEK 9,029 m. (EUR 880.5 m.) and accrued interest to SEK 543 m. (EUR 52.8 m.) from the previous SEK 228 m., which has affected 2021 earnings by SEK 5,229 m and SEK 315 m.

NOTE 3 – OPERATING SEGMENTS

Scania's operations are divided into two different operating segments, which are based on how the Board of Directors and the Executive Board monitor operations. The results and financial position of each respective segment are monitored by the Board of Directors and the Executive Board, serving as the basis for decision-making and allocation of resources.

The Vehicles and Services operating segment encompasses the following products: trucks, buses and Power solutions, including the services associated with these products. All products are based on shared basic components and monitoring of results thus occurs on an aggregated basis. Vehicles and Services are, moreover, organised into shared areas of responsibility. The Financial Services operating segment provides financial solutions to Scania customers, such as loan financing, lease contracts and insurance solutions.

Scania's internal pricing is determined according to market principles, at "arm's length distance." The revenues and expenses, as well as the assets and liabilities, of each operating segment are – in all essential respects – items directly attributable to that respective segment. Scania has a large number of customers all over the world, which means that its dependence on a single customer in each respective operating segment is very limited.

Income statements

January–December	2021	2020
Vehicles and Services		
Revenue	141,305	120,590
Cost of goods sold	–108,425	–95,482
Gross income	**32,880**	**25,108**
Research and development expenses	–6,411	–5,648
Selling expenses	–9,996	–9,571
Administrative expenses	–2,144	–2,125
Items affecting comparability	–5,229	–
Operating income	**9,100**	**7,764**
Interest income	673	477
Interest expenses	–794	–929
Share of income in associated companies and joint ventures	–19	169
Dividends in between segments	318	301
Other financial income	632	833
Other financial expenses	–656	–1,611
Items affecting comparability	–315	–
Total financial items	**–161**	**–760**
Income before taxes	**8,939**	**7,004**
Taxes	–3,233	–2,097
Net income for the period	**5,706**	**4,907**
Financial Services		
Interest and lease income	8,439	8,292
Insurance commission	322	308
Interest and prepaid expenses	–5,366	–5,416
Gross income	**3,395**	**3,184**
Selling and administration expenses	–1,402	–1,263
Bad debt expenses, realised and anticipated	130	–730
Other income	769	550
Other expenses	–698	–618
Operating income	**2,194**	**1,123**
Income before tax	**2,194**	**1,123**
Taxes	–398	–340
Net income for the period	**1,796**	**783**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 3 – OPERATING SEGMENTS, CONTINUED

Reconciliation of segments to the Scania Group

	Vehicles and Services		Financial Services		Eliminations		Scania Group	
January–December	2021	2020	2021	2020	2021	2020	2021	2020
Revenue	141,305	120,590	8,761	8,600	–3,920	–4,065	146,146	125,125
Cost of sales	–108,425	–95,482	–5,366	–5,416	3,920	4,065	–109,871	–96,833
Gross income	**32,880**	**25,108**	**3,395**	**3,184**	**0**	**0**	**36,275**	**28,292**
Research and development expenses	–6,411	–5,648	–	–	–	–	–6,411	–5,648
Selling expenses	–9,996	–9,571	–1,272	–1,993	–	–	–11,268	–11,564
Administrative expenses	–2,144	–2,125	–	–	–	–	–2,144	–2,125
Other operating income	–	–	769	550	–	–	769	550
Other operating expenses	–	–	–698	–618	–	–	–698	–618
Items affecting comparability	–5,229	–	–	–	–	–	–5,229	–
Operating income	**9,100**	**7,764**	**2,194**	**1,123**	**–**	**–**	**11,294**	**8,887**
Interest income	673	477	–	–	–	–	673	477
Interest expenses	–794	–929	–	–	–	–	–794	–929
Share of income in associated companies and joint ventures	–19	169	–	–	–	–	–19	169
Dividends in between segments	318	301	–	–	–318	–301	0	0
Other financial income	632	833	–	–	–	–	632	833
Other financial expenses	–656	–1,611	–	–	1	1	–655	–1,610
Items affecting comparability	–315	–	–	–	–	–	–315	–
Total financial items	**–161**	**–760**	**–**	**–**	**–317**	**–300**	**–478**	**–1,060**
Income before taxes	**8,939**	**7,004**	**2,194**	**1,123**	**–317**	**–300**	**10,816**	**7,827**
Taxes	–3,233	–2,097	–398	–340	–9	10	–3,640	–2,427
Net income for the period	**5,706**	**4,907**	**1,796**	**783**	**–326**	**–290**	**7,176**	**5,400**
Depreciation/amortisation included in operating income	–11,191	–11,053	–3,930	–4,061	3,882	4,017	–11,239	–11,097

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 3 – OPERATING SEGMENTS, CONTINUED

Cash flow statement by segment	Vehicles and Services		Financial Services		Eliminations		Scania Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Cash flow from operating activities before change in working capital	15,315	14,990	5,745	5,511	–3,881	–4,017	17,179	16,484
Change in working capital etc.	–986	2,327	–13,046	–5,377	3,485	3,987	–10,547	937
Cash flow from operating activities	**14,329**	**17,317**	**–7,301**	**134**	**–396**	**–30**	**6,632**	**17,421**
Cash flow from investing activities attributable to operating activities	–8,641	–8,137	–68	–21	–	–	–8,709	–8,158
Cash flow after investing activities attributable to operating activities	**5,688**	**9,180**	**–7,369**	**113**	**–396**	**–30**	**–2,077**	**9,263**

Balance sheet	Vehicles and Services		Financial Services		Eliminations		Scania Group	
31 December	2021	2020	2021	2020	2021	2020	2021	2020
Assets								
Intangible assets	13,553	12,474	34	39	–	–	13,587	12,513
Tangible assets	41,355	38,137	7,223	7,687	–7,113	–7,570	41,465	38,254
Lease assets	26,579	27,388	80	72	–	–	26,659	27,460
Holdings in associated companies and joint ventures	6,312	4,901	–	–	–3,902	–3,653	2,410	1,248
Interest–bearing receivables, non–current	36	96	63,605	54,678	–6,134	–6,770	57,507	48,004
Other receivables, non–current	7,476	8,283	1,481	730	–480	–315	8,477	8,698
Inventories	23,943	21,105	–	–	–	–	23,943	21,105
Interest–bearing receivables, current	1,110	1,198	38,136	33,218	–3,600	–3,599	35,646	30,817
Other receivables, current	16,753	13,775	2,587	2,479	–856	–1,294	18,484	14,960
Current investments, cash and cash equivalents	31,060	31,588	1,085	734	–2,497	–	29,648	32,322
Total assets	**168,177**	**158,945**	**114,231**	**99,637**	**–24,582**	**–23,201**	**257,826**	**235,381**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 3 – OPERATING SEGMENTS, CONTINUED

Equity and liabilities	Vehicles and Services		Financial Services		Eliminations		Scania Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Equity	59,975	55,588	12,166	9,631	–3,928	–3,672	68,213	61,547
Interest–bearing liabilities, non–current	4,431	3,837	52,757	47,079	5,004	2,648	62,192	53,564
Provisions for pensions	12,346	12,278	109	106	–	–	12,455	12,384
Other non–current provisions	12,948	6,857	17	8	–	–	12,965	6,865
Other liabilities, non–current	24,875	27,077	875	610	–10,573	–11,390	15,177	16,297
Interest–bearing liabilities, current	1,096	5,928	44,464	39,304	–7,607	–2,754	37,953	42,478
Current provisions	3,940	3,896	29	66	–	–	3,969	3,962
Other liabilities, current	48,566	43,484	3,814	2,833	–7,478	–8,033	44,902	38,284
Total equity and liabilities	**168,177**	**158,945**	**114,231**	**99,637**	**–24,582**	**–23,201**	**257,826**	**235,381**
Gross investment for the period in								
– intangible assets	2,051	1,678	8	15	–	–	2,059	1,693
– tangible assets	7,955	7,853	5,380	5,511	–5,305	–5,488	8,030	7,876
– lease assets	7,629	7,951	16	38	–	–	7,645	7,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 3 – OPERATING SEGMENTS, CONTINUED

Products and services Vehicles and Services	2021	2020
Trucks [1]	88,849	69,934
Buses [2]	7,702	9,686
Power solutions	2,521	2,373
Service	30,074	27,132
Used vehicles [3]	8,082	8,582
Other products	4,580	4,001
Total delivery value	**141,808**	**121,708**
Adjustment for lease income [4]	–503	–1,118
Net sales, Vehicles and Services	**141,305**	**120,590**
Financial Services	8,761	8,600
Eliminations [5]	–3,920	–4,065
Revenue from external customers	**146,146**	**125,125**

1 Of which SEK 6,423 m. (6,299) relates to lease income 2021.
2 Of which SEK 744 m. (695) relates to lease income 2021.
3 Of which SEK 271 m. (191) relates to lease income 2021.
4 Refers mainly to new trucks, SEK –486 m. (–1,081). The adjustment amount consists of the difference between sales value based on delivery and revenue recognised as income. This difference arises when a lease or delivery is combined with a repurchase obligation. Significant risks remain, therefore recognition is based on an operating lease contract. This means that recognition of revenue and earnings is allocated over the term of the obligation.
5 Elimination of the amount that corresponds to operating lease expenses in the Financial Services segment. At Group level, the revenue from operating leases shall consist of accrued income in the Vehicles and Services segment and interest income in the Financial Services segment, which is achieved by elimination of lease expenses.

During 2021, the selling profit for vehicles subject to finance lease contracts amounted to SEK 2,448 (1,421) m. and was recognised in the Vehicle and Services segment.

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period and the expected timing of revenue recognition are as follows:

SEK m.	2021	2020
Expected timing of revenue recognition		
Within a year	83,114	51,475
1–5 years	16,668	14,455
After 5 years	2,084	2,523

The transaction price allocated to remaining performance obligations for which revenue recognition is expected within a year primarily relates to the delivery of vehicles. Expected revenue recognition in more than one year mainly stems from long-term service contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 3 – OPERATING SEGMENTS, CONTINUED

Geographical areas

	Europe		Eurasia		Asia		America [3]		Africa & Oceania		Total	
SEK m.	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Vehicles and Services												
Revenue, January–December [1,4]	85,964	77,121	9,186	6,000	13,590	13,330	22,338	16,121	10,227	8,018	141,305	120,590
Assets, 31 December [2]	138,871	136,727	1,810	1,355	4,706	3,553	18,337	14,068	4,453	3,242	168,177	158,945
Gross investments [2]	7,412	7,920	17	26	319	149	2,068	1,254	190	182	10,006	9,531
Non-current assets [5]	81,662	80,655	435	407	1,351	1,106	9,394	7,112	2,469	1,999	95,311	91,279
Financial Services												
Revenue, January–December [1,6]	6,061	6,267	653	631	276	215	1,264	1,038	507	449	8,761	8,600
Assets, 31 December [2]	79,445	75,152	6,780	4,203	5,592	4,267	16,535	11,368	5,879	4,647	114,231	99,637
New financing customers	35,558	28,292	5,169	3,199	3,194	2,672	8,744	5,929	3,752	2,347	56,417	42,439
Non-current assets [7]	51,528	48,359	3,668	2,200	3,692	2,922	10,029	6,717	3,506	3,008	72,423	63,206

1 Revenue from external customers is allocated by location of customers.
2 Assets and gross investments, respectively (excluding lease assets), by geographic location.
3 Refers mainly to Latin America.
4 Of which Sweden SEK 7,406 m. (7,390).
5 Of which Sweden SEK 32,417 m. (31,971).
6 Of which Sweden SEK 376 m. (384).
7 Of which Sweden SEK 5,651 m. (4,893).

The geographic areas of Scania are based on where the customers are located. In the section Definitions, the countries in each geographical area are listed. Sales and financing of Scania's products occur in all five geographical areas. Most of Scania's research and development work occurs in Sweden. Manufacturing of trucks, buses and industrial and marine engines occurs in Sweden, Argentina, Brazil, France, the Netherlands, Poland and Russia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 4 – OPERATING EXPENSES

Scania Group	2021	2020
Cost of goods sold and services rendered		
Cost of goods	71,772	62,498
Staff	20,838	18,201
Depreciation/amortisation [1]	9,325	9,391
Other	7,936	6,743
Total	**109,871**	**96,833**

1 Of which an impairment loss of SEK 0 m. (276).

Research and development expenses		
Staff	2,971	2,566
Depreciation/amortisation	1,196	959
Other [1]	2,244	2,123
Total	**6,411**	**5,648**

1 Of which an impairment loss of SEK 0 m. (0).

Selling expenses		
Staff	7,222	6,816
Depreciation/amortisation [1]	692	711
Other	3,354	4,037
Total	**11,268**	**11,564**

1 Of which an impairment loss of SEK 0 m. (0).

Administrative expenses	2021	2020
Staff	1,399	1,306
Depreciation/amortisation	26	36
Other	719	783
Total	**2,144**	**2,125**

Cost of goods includes new trucks, buses, engines, parts, used vehicles, bodywork and cars. The cost of goods may vary, depending on the degree of integration in different markets. Capitalised product development expenditures have reduced the expense categories “Staff” and “Other.”

NOTE 5 – FINANCIAL SERVICES

Financial Services offers various forms of financing solutions, ordinarily with maturities of between 3–5 years, with the vehicle as underlying collateral. Market conditions as well as civil law and tax rules in each country often determine what financing solution is offered. Financing consists mainly of financial leases, in which the right of ownership of the vehicle remains with Scania during the lease term, but material risks and rewards have been transferred to the lessee. If hire purchase contracts are offered, the right of ownership is transferred to the customer on the date of sale, but Financial Services receives collateral in the form of a lien on the vehicle. If Financial Services offers a lease when delivering vehicles for which substantial risks remain with Scania, primarily attributable to guaranteed residual values, the contract is recognised as an operating lease.

	2021	2020
Interest income	4,056	3,754
Lease income	4,383	4,538
Depreciation	–3,864	–3,995
Interest expenses	–1,502	–1,421
Insurance commission	322	308
Gross income	**3,395**	**3,184**
Other income and expenses	71	–68
Selling and administrative expenses	–1,402	–1,263
Bad debt expenses [1]	130	–730
Operating income	**2,194**	**1,123**

1 These expenses were equivalent to –0.13 (0.73) percent of the average credit portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 5 – FINANCIAL SERVICES, CONTINUED

Operating leases	2021	2020
1 January	17,675	20,191
New contracts	6,595	7,157
Depreciation	–3,864	–3,995
Terminated contracts	–4,336	–4,600
Change in value adjustments	117	–24
Exchange rate differences	543	–1,054
Carrying amount, 31 December [2]	**16,730**	**17,675**

2 The consolidated balance sheet also includes elimination of deferred profit of SEK 2,351 m. (2,737).

Financial receivables (hire purchase contracts and financial leases)	2021	2020
1 January	77,758	83,590
New receivables	49,822	35,282
Loan principal payments/terminated contracts	–38,317	–31,931
Change in value adjustments	88	–392
Exchange rate differences	2,778	–8,791
Carrying amount, 31 December	**92,129**	**77,758**
Total receivables and lease assets [3]	**108,859**	**95,433**

3 The number of contracts in the portfolio on 31 December totalled about 192,000 (178,000).

Net investments in financial leases	2021	2020
Receivables related to future minimum lease payments	52,620	46,405
Imputed interest	–3,586	–3,022
Net investment [4]	**49,034**	**43,383**
Reserve for bad debts	–876	–938
Total	**48,158**	**42,445**

4 Included in the consolidated financial statements under “current” and “non-current interest-bearing receivables.”

Future minimum lease payments [5]	Operating leases	Financial leases
2022	3,349	19,139
2023	2,229	14,492
2024	1,289	9,651
2025	633	5,475
2026	279	2,547
2027 and later	145	1,316
Total	**7,924**	**52,620**

5 “Minimum lease payments” refers to the future flows of incoming payments related to the contract portfolio, including interest. For operating leases, the residual value is not included since this is not a minimum lease payment for these contracts.

NOTE 6 – FINANCIAL INCOME AND EXPENSES

	2021	2020
Interest income		
Bank balances and financial investments	262	94
Derivatives [1]	410	383
Total interest income	673	477
Interest expenses		
Borrowings	–676	–663
Derivatives [1]	–960	–1,063
Total borrowings and derivatives	–1,636	–1,726
Less interest expenses recognised in Financial Services [2]	1,014	991
Pension liability	–171	–194
Total interest expenses	–794	–929
Total net interest	**–121**	**–452**
Net income from associated companies and joint ventures	–19	169
Other financial income [3]	632	833
Other financial expenses [3]	–655	–1,610
Total other financial income and expenses	–23	–777
Items affecting comparability	–315	–
Net financial items	**–478**	**–1,060**

1 Refers to interest on derivatives that is used to match interest on borrowings and lending as well as the interest component in derivatives that is used to convert borrowing currencies to lending currencies.

2 Recognised in the operating income of Financial Services.

3 Refers to SEK 474 m. (90) in market valuation of financial instruments for which hedge accounting is not applied as well as exchange rate differences and unrealised/realised gains of SEK 16,348 m. (25,319) and unrealised/realised losses of SEK 16,509 m. (25,765) attributable to derivatives, bank balances, liabilities and interest expenses on lease liabilities (IFRS 16).

NOTE 7 – TAXES

Tax expense/Income for the year	2021	2020
Current tax [1]	–4,208	–2,681
Deferred tax	568	254
Total	**–3,640**	**–2,427**
1 Of which, taxes paid	–4,613	–3,009

Deferred tax is attributable to the following:	2021	2020
Tax related to temporary differences	90	–119
Tax due to changes in tax rates and tax rules [2]	–30	–2
Tax income due to tax value of loss carry-forwards recognised during the year	135	58
Tax expense due to utilisation/revaluation of previously recognised tax value of tax loss carry-forwards	–42	–12
Tax related to change in provision to tax allocation reserve	157	345
Other deferred tax liabilities/assets [3]	258	–16
Total	**568**	**254**

2 This year's effect of the change in the tax rate mainly relates to the UK, the Netherlands and Germany.

3 A temporary tax reduction for investments in inventories has been introduced in Sweden. The reduction applies to the income year 2022. The legislation will enter into force on 1 January 2022, and applies to inventories acquired in 2021, and are kept until the end of 2022. The effect on deferred tax income is SEK 247 m. in 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 7 – TAXES, CONTINUED

	2021		2020	
Reconciliation of effective tax	Amount	%	Amount	%
Income before tax	10,816		7,827	
Tax calculated using Swedish tax rate	–2,228	20.6	–1,675	21.4
Tax effect and percentage influence:				
Difference between Swedish and foreign tax rates	–890	8.2	–356	4.5
Non-taxable income	575	–5.3	68	–0.9
Non-deductible expenses [4]	–1,278	11.9	–265	3.4
Valuation of tax value in loss carry-forwards not previously capitalised	16	–0.2	–	–
Not recognised tax loss carry-forward	–83	0.8	–55	0.7
Adjustment for taxes pertaining to previous years	31	–0.3	–148	1.9
Changed tax rates	–30	0.3	–7	0.1
Other [3]	247	–2.3	11	–0.1
Tax recognised	**–3,640**	**33.7**	**–2,427**	**31.0**

3 A temporary tax reduction for investments in inventories has been introduced in Sweden. The reduction applies to the income year 2022. The legislation will enter into force on 1 January 2022, and applies to inventories acquired in 2021, and are kept until the end of 2022. The effect on deferred tax income is SEK 247 m. in 2021.

4 The tax effect of non-deductible expenses includes the effect of the EU Truck case provision with SEK 1,077 m.

Deferred tax assets and liabilities are attributable to the following:	2021	2020
Deferred tax assets		
Provisions and other liabilities	8,830	8,085
Provisions for pensions	2,542	2,425
Non-current assets	1,364	1,455
Inventories	1,026	821
Unutilised tax loss carry-forwards [5]	436	375
Offset within tax jurisdictions	–8,628	–7,990
Total deferred tax assets	**5,570**	**5,171**
Deferred tax liabilities		
Provisions and other liabilities	884	776
Non-current assets	10,838	10,319
Tax allocation reserve [6]	189	345
Other	126	42
Offset within tax jurisdictions	–8,628	–7,990
Total deferred tax liabilities	**3,409**	**3,492**
Deferred tax assets (–)/tax liabilities (+), net amount	**–2,161**	**–1,679**

5 Deferred tax assets related to tax loss carry-forwards are recognised to the extent that it is likely that the loss carry-forwards can be utilised to offset profits in future tax returns. Deferred tax assets related to unutilised tax loss carry-forwards of SEK 497 m. (471) were not assigned a value. Unused tax loss carry-forwards for which no deferred tax asset is recognised can be utilised without time limit.

6 In Sweden, tax laws permit provisions to an untaxed reserve called a tax allocation reserve. Deductions for provisions to this reserve are allowed up to a maximum of 25 percent of taxable profits. Each provision to this reserve may be freely withdrawn and face taxation, and must be withdrawn no later than the sixth year after the provision was made.

Reconciliation of deferred tax assets (–)/liabilities (+), net amount	2021	2020
Carrying value on 1 January	–1,679	–1,688
Deferred taxes recognised in the year's income	–568	–254
Exchange rate differences	–39	325
Acquired/divested operations	2	–
Recognised in "Other comprehensive income," changes attributable to:		
– remeasurements of defined-benefit plans	23	–88
– fair value adjustment, equity instruments	100	26
Deferred tax assets (–)/tax liabilities (+), net amount	**–2,161**	**–1,679**

NOTE 8 – DEPRECIATION/AMORTISATION

	Vehicles and Services		Financial Services		Elimination [1]		Scania Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Intangible assets								
Research and development expenses	956	764	–	–	–	–	956	764
Selling expenses	126	151	16	14	–	–	142	165
Total	**1,082**	**915**	**16**	**14**	**–**	**–**	**1,098**	**929**
Tangible non-current assets								
Cost of goods sold and services rendered	9,316	9,382	3,864	3,995	–3,855	–3,986	9,325	9,391
Research and development expenses	240	195	–	–	–	–	240	195
Selling expenses	527	525	50	52	–27	–31	550	546
Administrative expenses	26	36	–	–	–	–	26	36
Total	**10,109**	**10,138**	**3,914**	**4,047**	**–3,882**	**–4,017**	**10,141**	**10,168**
Total depreciation/amortisation [2]	**11,191**	**11,053**	**3,930**	**4,061**	**–3,882**	**–4,017**	**11,239**	**11,097**

1 Elimination relates to depreciation on right of use assets for Scania Group internal leases.
2 Whereof SEK 15 m. (276) is an impairment loss.

NOTE 9 – INTANGIBLE ASSETS

	Goodwill		Development		Other intangibles [1]		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Accumulated cost								
1 January	1,334	1,466	17,239	15,632	1,525	1,596	20,098	18,694
Additions	–	–	1,986	1,624	73	69	2,059	1,693
Acquisition of subsidiaries	36	19	–	–	16	–	52	19
Divestments and disposals	–	–	–	–	–144	–60	–144	–60
Reclassifications	–	–	–	–	12	21	12	21
Exchange rate differences	42	–151	1	–17	27	–101	70	–269
Total	**1,412**	**1,334**	**19,226**	**17,239**	**1,509**	**1,525**	**22,147**	**20,098**
Accumulated amortisation and impairment losses								
1 January	35	36	6,498	5,759	1,052	994	7,585	6,789
Amortisation for the year	–	–	939	744	159	170	1,098	914
Impairment loss of the year	–	–	–	–	–	15	–	15
Divestments and disposals	–	–	–	–	–144	–53	–144	–53
Reclassifications	–	–	–	–	–2	–2	–2	–2
Exchange rate differences	1	–1	1	–5	21	–72	23	–78
Total	**36**	**35**	**7,438**	**6,498**	**1,086**	**1,052**	**8,560**	**7,585**
Carrying amount, 31 December	**1,376**	**1,299**	**11,788**	**10,741**	**423**	**473**	**13,587**	**12,513**
– of which capitalised expenditures for projects that have been placed in service	–	–	7,241	6,795	–	–	7,241	6,795
– of which capitalised expenditures for projects under development	–	–	4,547	3,946	–	–	4,547	3,946

1 Refers mainly to software, which is purchased externally in its entirety, and customer relationships capitalised upon acquisitions of subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 9 – INTANGIBLE ASSETS, CONTINUED

Scania tests the value of goodwill and other intangible assets not yet available for use at least annually. Goodwill has been allocated to the cash-generating unit to which it belongs, which usually corresponds to a reporting unit. Goodwill has been allocated among a number of cash-generating units, and the amount allocated to each unit is not significant compared to the Group's total carrying amount for goodwill. Goodwill that has been allocated to cash-generating units coincides with the total carrying value of goodwill. Goodwill is tested for impairment on the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment. The assumptions used in estimating recoverable amounts are disclosed in Note 2, "Key judgements and estimates".

Intangible assets are essentially attributable to capitalised product development expenditures and "acquisition goodwill". All goodwill items are attributable to acquisitions of previously independent importers/dealers that comprise separate cash-generating units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 10 – TANGIBLE ASSETS

	Buildings and land		Machinery and equipment		Construction in progress and advance payments		Lease assets [1]		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Accumulated cost										
1 January	28,377	28,946	45,791	46,908	7,397	4,726	37,415	40,278	118,980	120,858
Acquisitions/divestment of subsidiaries[2]	–	–	12	–	–	–	–	–	12	–
Additions	1,707	1,190	923	1,064	5,400	5,622	7,645	7,989	15,675	15,865
Divestments and disposals	–623	–441	–1,411	–1,815	–15	–19	–7,411	–6,360	–9,460	–8,635
Reclassifications	1,380	504	3,827	2,029	–5,235	–2,654	–1,267	–1,725	–1,295	–1,846
Exchange rate differences	758	–1,822	598	–2,538	61	–278	1,575	–2,767	2,992	–7,405
Total	**31,599**	**28,377**	**49,740**	**45,791**	**7,608**	**7,397**	**37,957**	**37,415**	**126,904**	**118,980**
Accumulated depreciation and impairment losses										
1 January	11,909	11,419	31,402	30,680	–	–	9,955	8,942	53,266	51,041
Acquisition/divestment of subsidiaries[2]	–	–	–19	–	–	–	–	–	.–19	–
Depreciation for the year	1,308	1,236	3,908	3,669	–	–	4,910	5,002	10,126	9,907
Impairment loss for the year	15	155	–	106	–	–	–	–	15	261
Divestments and disposals	–352	–249	–1,375	–1,613	–	–	–3,767	–2,640	–5,494	–4,502
Reclassifications	7	–1	–5	–8	–	–	–332	–523	–330	–532
Exchange rate differences	286	–651	398	–1,466	–	–	532	–826	1,216	–2,943
Total	**13,173**	**11,909**	**34,309**	**31,402**	**–**	**–**	**11,298**	**9,955**	**58,780**	**53,266**
Carrying amount, 31 December	**18,426**	**16,468**	**15,431**	**14,389**	**7,608**	**7,397**	**26,659**	**27,460**	**68,124**	**65,714**
– of which Buildings	10,830	9,694	–	–	–	–	–	–	10,830	9,694
– of which Land	3,239	3,137	–	–	–	–	–	–	3,239	3,137
– of which Right-of-use assets	4,357	3,637	900	952	–	–	–	–	5,257	4,589
– of which Financial Services	150	164	59	58	2	0	81	72	292	294

1 Including assets for short-term rentals and assets capitalised due to repurchase obligations.
2 Whereof increase from acquisition of subsidiary of SEK 41 m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 11 – LEASES

Scania as a lessee

The Scania Group acts as a lessee in many areas of the company. These transactions relate primarily to leases of office equipment, real estate, and other production facilities. The leases are individually negotiated and contain a large number of contractual terms and conditions. Right-of-use assets arising from leases are reported in the following balance sheet items:

Right-of-use assets

	Buildings and land		Machinery and equipment		Total	
	2021	2020	2021	2020	2021	2020
Accumulated cost						
1 January	4,698	4,426	1,650	1,631	6,348	6,057
Acquisitions/divestments of subsidiaries	–	–	–13	–	–13	–
Additions	1,419	909	440	404	1,859	1,313
Disposals	–432	–309	–302	–308	–734	–617
Transfers	–1	0	0	0	–1	0
Exchange rate differences	204	–328	29	–77	233	–405
Total	**5,888**	**4,698**	**1,804**	**1,650**	**7,692**	**6,348**
Accumulated depreciation and impairment losses						
1 January	1,061	606	698	462	1,759	1,068
Acquisitions/divestments of subsidiaries	–	–	–6	–	–6	–
Depreciation for the year	681	630	484	492	1,165	1,122
Impairment loss for the year	–	58	–	5	–	63
Disposals	–256	–155	–286	–229	–542	–384
Transfers	–1	–4	0	1	–1	–3
Exchange rate differences	46	–74	14	–33	60	–107
Total	**1,531**	**1,061**	**904**	**698**	**2,435**	**1,759**
Carrying amount, 31 December	**4,357**	**3,637**	**900**	**952**	**5,257**	**4,589**

Amounts recognised in profit and loss	2021	2020
Depreciation expense on right-of-use assets	–1,166	–1,185
Interest expense on lease liabilities	–148	–163
Expense relating to short-term leases	–71	–70
Expense relating to leases of low value assets	–150	–168
Total	**–1,535**	**–1,586**

At 31 December 2021, the Group is committed to SEK 62 m. (27) for short-term leases.

The total cash outflow for leases amount to SEK 1,327 m. (1,298).

The following table shows an overview of potential future cash outflows from leases that were not included in the measurement of lease liabilities:

Potential exposure to future cash outflows from	2021	2020
Extension options	–424	–341
Termination options	–6	–5
Leases not yet commenced (contractual commitment)	–2	–435

Lease liabilities

	2021	2020
Interest-bearing liabilities – non-current	4,439	3,867
Interest-bearing liabilities – current	1,103	969
Total	**5,542**	**4,836**

	2021	2020
Maturity analysis		
Not later than 1 year	1,239	1,102
Later than 1 year and not later than 5 years	3,846	3,383
Later than 5 years	1,394	1,251

The Group does not face a significant liquidity risk with regard to its lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 12 – HOLDINGS IN ASSOCIATED COMPANIES AND JOINT VENTURES

	2021	2020
Carrying amount, 1 January	840	747
Acquisitions, capital contributions, divestments and impairment losses during the year [1]	180	13
Exchange rate differences	78	–86
Share in income for the year [2]	–19	169
Dividend	–5	–3
Carrying amount, 31 December	**1,074**	**840**
Contingent liabilities	–	–

1 In 2021 Scania made an additional investment of SEK 180 m. in sennder GmbH.
2 SEK 60 m. (102) is attributable to a dilution of ownership in sennder GmbH. In 2021, sennder made directed new share issues, which resulted in a decrease of Scania's shareholding from 14.64 to 13.69 percent. The dilution effect of SEK 60 m. is the sum of the reduced ownership share and Scania's share of the contributed capital from the new share issues.

			Value of Scania's share in consolidated financial statements	
Associated companies/Corporate ID number/ Country of registration	Ownership, %	Carrying amount in Parent Company financial statements	2021	2020
BITS DATA i Södertälje AB, 556121-2613, Sweden	33.0	2	8	8
ScaValencia S.A., A46332995, Spain	26.0	16	31	30
Telematics GmbH, HRB 203799 B, Germany	46.73	15	15	15
sennder GmbH, HRB 170455 B, Germany	13.69	307	321	180
Holdings in associated companies		340	375	233
Share of:				
– net income			–44	77
– total comprehensive income			–44	77

			Value of Scania's share in consolidated financial statements	
Joint ventures/Corporate ID number/ Country of registration	Ownership, %	Carrying amount in Parent Company financial statements	2021	2020
Cummins-Scania XPI Manufacturing LLC, 20-3394999, USA	50	502	691	594
Oppland Tungbilservice A/S, 982 787 602, Norway	50	1	5	7
Tynset Diesel A/S, 982 787 580, Norway	50	1	3	6
Holdings in joint ventures		504	699	607
Share of:				
– net income			25	92
– total comprehensive income			25	92
Holdings in associated companies and joint ventures			**1,074**	**840**

Summarised financial information regarding Scania's holdings in the joint venture Cummins-Scania XPI Manufacturing LLC is set out below:

Income statement, condensed	2021	2020
Net sales	2,561	2,284
Operating income [1]	51	106
Interest income/expenses and Other financial expenses	14	–29
Taxes	–6	103
Net income for the year	**59**	**180**
Other comprehensive income for the year	**–**	**–**
Total comprehensive income for the year	**59**	**180**
Scania Group's share (50%)	30	90

1 Depreciation amounting to SEK 115 m. (107) is included in Operating income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 12 – HOLDINGS IN ASSOCIATED COMPANIES AND JOINT VENTURES, CONTINUED

Balance sheet, condensed	2021	2020
Non-current assets	731	712
Current investments and cash and cash equivalents	79	123
Other current assets	1,295	948
Total assets	**2,105**	**1,783**
Equity	1,383	1,187
Other current liabilities	722	596
Total equity and liabilities	**2,105**	**1,783**
Scania Group's share of equity (50%)	692	594
Carrying amount	**692**	**594**

Scania did not receive dividends from Cummins-Scania XPI Manufacturing LLC in 2020 or 2021. Cummins-Scania XPI Manufacturing LLC is a joint venture with Scania and Cummins as partners. The joint venture manufactures fuel injection systems with extra-high pressure injection (XPI). The ownership in Cummins-Scania XPI Manufacturing LLC is recognised using the equity method.

NOTE 13 – INVENTORIES

	2021	2020
Raw materials, components and supplies	4,703	3,152
Work in progress	1,919	1,739
Finished goods [1]	17,321	16,214
Total [2]	**23,943**	**21,105**

1 Whereof used vehicles SEK 822 m. (1,067).
2 Whereof value adjustment reserve SEK –1,011 m. (–939).

NOTE 14 – OTHER RECEIVABLES

	2021	2020
Prepaid expenses and accrued income	339	340
Derivatives with positive market value	845	2,565
Advance payments	41	35
Pension asset	292	5
Other receivables	834	355
Total other non-current receivables	**2,351**	**3,300**
Prepaid expenses and accrued income	1,717	2,070
Derivatives with positive market value	863	826
Value-added tax	2,553	1,883
Advance payments	586	296
Other receivables	2,324	2,185
Total other current receivables	**8,043**	**7,260**
Total other receivables	**10,394**	**10,560**

NOTE 15 – EQUITY

The consolidated statements of changes in equity shows a complete reconciliation of all changes in equity.

The share capital of Scania AB consists of 400,000,000 Series A shares outstanding with voting rights of one vote per share and 400,000,000 Series B shares outstanding with voting rights of 1/10 vote per share. A and B shares carry the same right to a portion of the company's assets and profit. The nominal value of both A and B shares is SEK 2.50 per share. All shares are fully paid and no shares are reserved for transfer of ownership. No shares are held by the company itself or its subsidiaries.

Other contributed capital consists of a statutory reserve contributed by the owners of Scania AB when it became a limited company in 1995.

The currency translation reserve arises when translating net assets outside Sweden according to the current method of accounting. The currency translation reserve also includes currency rate differences related to monetary items for businesses outside Sweden deemed to be a part of the company's net investment. The exchange rate difference of SEK 1,545 m. (–4,470) arose as a result of the Swedish krona's weakening against currencies important to Scania. The exchange rate differences were mainly due to that the krona has weakened against the BRL, EUR and USD.

Retained earnings consist not only of accrued profits but also of the change in pension liability attributable to remeasurements of defined-benefit plans etc. recognised in "Total other comprehensive income." Regarding changes in actuarial assumptions, see also Note 16, "Provisions for pensions and similar commitments."

The Board of Directors proposes to the 2022 Annual General Meeting that an amount of SEK 3,588 m. as ordinary dividend which represents 50 percent of the net income SEK 7,176 m. for 2021.

Retained earnings amounting to SEK 12,404 m. will be carried forward.

Non-controlling interests refer to the share of equity held by external owners outside of Scania in certain subsidiaries in the Group. Scania Group has only a few non-wholly owned subsidiaries of which none is considered to have a substantial non-controlling interest. In 2021, net income attributable to non-controlling interests amounted to SEK 4 m. (3) and accumulated non-controlling interests in the company amounted to SEK 24 m. (12) as of 31 December 2021.

Reconciliation of change in number of shares outstanding	2021	2020
Number of A shares outstanding, 1 January	400,000,000	400,000,000
Number of A shares outstanding, 31 December	**400,000,000**	**400,000,000**
Number of B shares outstanding, 1 January	400,000,000	400,000,000
Number of B shares outstanding, 31 December	**400,000,000**	**400,000,000**
Total number of shares, 31 December	**800,000,000**	**800,000,000**

The equity of the Scania Group consists of the sum of equity attributable to Scania's shareholders and equity attributable to non-controlling interests. At year-end 2021, the Group's equity totalled SEK 68,213 m. (61,547). According to the Group's Financial Policy, the Group's financial position shall meet the requirements of the business objectives it has established. At present, this is deemed to presuppose a financial position equivalent to the requirements for obtaining a Standard & Poor's Investment Grade Stand Alone Rating of BBB.

In order to maintain the necessary capital structure, the Group may adjust the amount of its dividend to shareholders, distribute capital to the shareholders or sell assets and thereby reduce debt.

Financial Services includes 14 companies that are subject to oversight by national financial inspection authorities. In some countries, Scania must comply with local capital adequacy requirements. During 2021, these units met their capital adequacy requirements.

The Group's Financial Policy contains targets for key ratios related to the Group's financial position. These coincide with the ratios used by Standard & Poor's. At the end of 2021 Scania's Issuer Credit Rating according to Standard and Poor's was:

- long-term borrowing: BBB
- outlook: Stable
- short-term borrowing: A-2
- short-term borrowing, Sweden: K-2

NOTE 16 – PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

The Group's employees, former employees and their survivors may be included in both defined contribution and defined benefit plans related to post-employment compensation. The plans include retirement pensions, early retirement pensions, survivor pensions, health care and severance pay. For defined contribution plans, Scania makes continuous payments to public authorities and independent organisations, which thus take over obligations towards employees.

The Group's expenses for defined-contribution plans amounted to SEK 1,649 m. (1,670) during 2021. The commitment that is recognised in the balance sheet stems from the defined benefit plans. The plans are secured through reinsured provisions in the balance sheet, foundations and funds. Calculations are performed according to the Projected Unit Credit Method, using the assumptions presented under each country below.

Scania's forecast pension payments related to defined benefit plans, both funded and unfunded plans, is SEK 840 m. for 2022.

The largest plans are described in more detail below.

Sweden
Blue-collar workers are covered by the Avtalspension SAF-LO plan, which is a defined-contribution multi employer plan based on collective agreements, covering a number of different sectors.

Salaried employees are covered by the ITP plan, which is also a multi employer plan based on collective agreements, covering a number of different sectors. The ITP plan has two parts, firstly, ITP1, which is a defined contribution pension plan applying to employees born in 1979 or later, and secondly, ITP2, which is a defined benefit pension plan applying to employees born before 1979.

Most of the ITP2 plan is managed internally by Scania in the PRI system. Financing occurs partly through provisions to an account in the balance sheet and partly through provisions to a pension foundation, both safeguarded by credit insurance from the mutual insurance company Försäkringsbolaget PRI Pensionsgaranti. However, a portion of the ITP2 plan is safeguarded via premiums to the retirement insurance company Alecta. These obligations are recognised under the heading "Multi employer defined benefit plans."

Aside from these obligations, there are early retirement defined benefit obligations in Scania CV relating to blue-collar workers who at the age of 62 have worked for 30 years or who at the age of 63 have worked for 25 years in the company, as well as to a limited number of persons in managerial positions. Special payroll tax is included in the provision for pension provisions.

Switzerland
The Pensionskasse and the Wohlfahrtsstiftung are the legal carriers of the pension plans and they review early retirement pension. There are two pension plans:

1. A basic pension plan for employees and management, covering retirement pension, disability pension, spouse pension, children's pension and life insurance.
2. A supplementary plan for members of the management, covering retirement pension, disability pension, spouse pension, children's pension and life insurance. This plan also includes early retirement pension, which covers employees with at least five years of service or who have retired prematurely at the request of the company.

Contributions are split between employer and employees for the basic pension plan and in the supplementary plan for members of the management.

Brazil
Employees at Scania Latin America Ltda are covered by four post-employment defined benefit plans. Three health care plans cover medical, dental and pharmaceutical expenses as well as the cost of a life insurance plan. The health care plans became unfunded in February 2018. The plans are open to personnel retiring at a minimum age of 55 with at least 10 years' service.

Great Britain
Employees at Scania Great Britain (SGB) are covered by a premium based occupational pension. Both the company and employees contribute to the plan. There are defined-benefit plans, which are closed for future accruals since 31 May 2003. The defined-benefit plans operated by SGB include the following:

1. The Scania Staff Pension Plan
2. The Scania Executive Pension Plan
3. The Scania Reliable Vehicles Staff Pension Plan

All plans are administered by trustees who are responsible for ensuring that SGB has sufficient financing to fully meet all vested/earned benefits for all members.

The normal retirement age in the schemes is 65.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 16 – PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS, CONTINUED

Multi–employer defined benefit plans

Sweden

A portion of the ITP2 plan is safeguarded by premiums to Alecta. These obligations are also defined benefit plans but since Alecta cannot present information necessary to account for the plan as a defined benefit plan, it is accounted for as a defined contribution plan.

At year-end 2021, Alecta's surplus, in the form of a collective consolidation level (assets in relation to the insurance obligation), amounted to 169 percent (144). If the consolidation level falls below or exceeds the normal range (125–175), Alecta shall take measures, for example raise agreed subscription prices and extension of existing benefits, or introduce premium reductions.

Alecta's insurance obligation is calculated according to Alecta's actuarial methods and assumptions, which deviate from the methods and assumptions applied in measurement of defined benefit pensions according to IAS 19. Premiums to Alecta amounted to SEK 122 m. (111).

The Netherlands

Employees at Scania's Dutch companies are covered by the Dutch collectively agreed pension plans, which are multi-employer defined benefit plans. The plans Pensioenfonds Metaal en Techniek (PMT) and Bedrijfstakpensioenfonds Metalelktro (PME) are administered by MN Services. PMT and PME do not have information about allocation and therefore these obligations are recognised as a defined contribution plan. In the Dutch plans, both companies and employees contribute to the plan. Companies' premiums to MN Services totalled SEK 153 m. (155).
The consolidation level of PMT was 103 percent (95) and for PME 105 percent (97).

Information regarding the largest plans during 2021	Sweden	Switzerland	Brazil	Great Britain
Present value of defined benefit obligations	13,271	1,227	427	991
Fair value of plan assets	–2,215	–1,510	–57	–971
Net assets not fully valued due to curtailment rule	–	–	7	–
Recognised as pension liability/(asset) in the balance sheet, SEK m.	**11,056**	**–283**	**377**	**20**
Breakdown into categories				
Present value of defined benefit obligations for persons in active employment, SEK m.	8,481	700	–166	–
Persons in active employment, number	11,915	271	2,544	–
Present value of defined benefit obligations for paid-up policy holders, SEK m.	2,125	–	–	540
Paid–up policy holders, number	2,968	–	–	332
Present value of defined benefit obligations for retired employees, SEK m.	2,664	527	593	451
Retired employees, number	2,727	114	1,316	271
Assumptions/Conditions				
Discount rate, %	2.0	0.2	8.9	2.0
Average life expectancy, women/men, years	88	88	86	88
Average duration of obligations, years	22,4	15,7	9,5	18,0
Sensitivity analysis concerning change in present value of obligations, SEK m.				
0.5% increase in discount rate	–1,356	–89	–9	–80
0.5% decrease in discount rate	1,555	102	4	94
1 year increase in life expectancy	571	39	46	55

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 16 – PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS, CONTINUED

Information regarding the largest plans during 2020	Sweden	Switzerland	Brazil	Great Britain
Present value of defined benefit obligations	12,449	1,211	405	1,041
Fair value of plan assets	–1,523	–1,216	–52	–922
Net assets not fully valued due to curtailment rule	–	–	0	–
Recognised as pension liability/(asset) in the balance sheet, SEK m.	**10,926**	**–5**	**353**	**119**
Breakdown into categories				
Present value of defined benefit obligations for persons in active employment, SEK m.	7,953	708	–209	–
Persons in active employment, number	10,356	282	2,544	–
Present value of defined benefit obligations for paid-up policy holders, SEK m.	2,072	–	–	700
Paid–up policy holders, number	2,880	–	–	399
Present value of defined benefit obligations for retired employees, SEK m.	2,424	503	614	341
Retired employees, number	2,693	109	1,224	208
Assumptions/Conditions				
Discount rate, %	1.3	0.1	7.6	1.4
Average life expectancy, women/men, years	88	88	86	88
Average duration of obligations, years	22.9	16.0	11.5	20.0
Sensitivity analysis concerning change in present value of obligations, SEK m.				
0.5% increase in discount rate	–1,305	–91	–27	–97
0.5% decrease in discount rate	1,503	103	16	109
1 year increase in life expectancy	539	35	42	43

	Expenses for pensions and similar commitments	
Expenses for pensions and other defined benefit payments recognised in the income statement	2021	2020
Current service expenses	–611	–606
Net Interest income/expenses	–171	–193
Past service expenses	–2	12
Net gains (+) and losses (–) due to curtailments and settlements	16	–2
Total expense for defined benefit payments recognised in the income statement	**–768**	**–789**

Pension expenses and other defined benefit payments are found in the income statement under the headings "Research and development expenses," SEK 146 m. (126), "Cost of goods sold," SEK 291 m. (271), "Selling expenses," SEK 113 m. (126) and "Administrative expenses," SEK 47 m. (73). The interest portion of the net liability is recognised as an interest expense and the interest portion in net assets is recognised as interest income.

	Expenses related to pensions and similar commitments	
Expenses for pensions and other defined benefit payments recognised in "Other comprehensive income"	2021	2020
Experience-based adjustments in net liabilities	–514	–134
Effects of changes in demographic assumptions	39	–2
Effects of changes in financial assumptions	353	–303
Actual return on plan assets excluding amount included in interest income	366	44
Changes in present value of asset ceiling not included in interest expense	–7	1
Total expense/revenue for defined benefit payments recognised in "Other comprehensive income"	**237**	**–394**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 16 – PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS, CONTINUED

	Pension commitments	
Recognised as provision for pensions in the balance sheet	2021	2020
Present value of defined benefit obligations, wholly or partly funded	14,912	14,233
Present value of defined benefit obligations, unfunded	2,402	2,268
Present value of defined benefit obligations	17,314	16,501
Fair value of plan assets	–5,159	–4,122
Net assets not fully valued due to curtailment rule	8	0
Recognised in the balance sheet	**12,163**	**12,379**
– of which, pension liabilities recognised under the heading “Provisions for pensions”	12,455	12,384
– of which, pension assets recognised under the heading “Other long-term receivables”	–292	–5

	Liabilities related to pensions and similar commitments	
Present value of defined benefit obligations changed during the year as follows:	2021	2020
Present value of defined benefit obligations, 1 January	16,501	15,947
Present value of reclassified obligations, 1 January	12	–4
Current service expenses	611	606
Interest expenses	209	237
Payments made by pension plan participants	18	18
Experience-based actuarial gains and losses	529	134
Adjustment effects from changes in demographic assumptions	–39	2
Adjustment effects from changes in financial assumptions	–353	303
Exchange rate differences	220	–379
Payments from the company’s assets	–269	–255
Payments from plan assets	–111	–96
Past service expenses	2	–12
Gains and losses depending on net adjustments for the year	–16	–
Present value of defined benefit obligations, 31 December	**17,314**	**16,501**

	Plan assets related to pensions and similar commitments	
Fair value of plan assets changed as follows during the year:	2021	2020
Fair value of plan assets, 1 January	4,122	3,717
Fair value of plan assets related to reclassified obligations, 1 January	1	–5
Interest income on plan assets	38	44
Actual return on plan assets excluding amount included in interest income	367	44
Effects of changes in financial assumptions	0	0
Exchange rate differences	191	–175
Payments made by employers	533	576
Payments made by pension plan participants	18	18
Payments from plan assets	–111	–96
Fair value of plan assets in acquired/divested companies	0	–1
Fair value of plan assets, 31 December	**5,159**	**4,122**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 16 – PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS, CONTINUED

	Asset ceiling	
Present value of asset ceiling	2021	2020
Present value of asset ceiling, 1 January	0	2
Interest expenses	–	0
Changes in present value of asset ceiling not included in interest expense	7	–1
Exchange rate differences	–	–1
Present value of asset ceiling, 31 December	**7**	**0**

	2021		2020	
Allocation of fair value in plan assets	Quoted price in an active market	Unquoted price	Quoted price in an active market	Unquoted price
Cash and cash equivalents	140	–	195	–
Equity instruments issued by others	1,027	–	973	–
Debt instruments issued by Scania	–	47	–	–
Debt instruments issued by others	1,376	–	794	–
Properties leased to Scania companies	–	51	–	48
Investment properties	–	–	–	–
Equity mutual funds	729	–	538	–
Fixed income mutual funds	622	–	455	47
Real estate funds	170	–	238	–
Other investment funds	319	–	300	–
Other plan assets	227	451	48	486
Total	**4,610**	**549**	**3,541**	**581**

NOTE 17 – OTHER PROVISIONS

2021	Product obligations	Legal and tax risks [2]	Other provisions [1,3]	Total
1 January	1,682	4,465	4,680	10,827
Provisions during the year	1,019	5,420	2,408	8,847
Provisions used during the year	–870	–41	–1,612	–2,523
Provisions reversed during the year	–108	–54	–68	–230
Exchange rate differences	2	2	9	13
31 December	**1,725**	**9,792**	**5,417**	**16,934**
– of which, current provisions	1,235	9,215	3,091	13,540
– of which, non–current provisions	490	577	2,326	3,394

2020	Product obligations	Legal and tax risks [2]	Other provisions [1]	Total
1 January	1,828	4,624	4,310	10,762
Provisions during the year	1,053	145	2,167	3,365
Provisions used during the year	–1,116	–274	–1,737	–3,127
Provisions reversed during the year	–84	–39	–60	–183
Exchange rate differences	1	9	0	10
31 December	**1,682**	**4,465**	**4,680**	**10,827**
– of which, current provisions	1,247	221	2,494	3,962
– of which, non–current provisions	435	4,244	2,186	6,865

1 "Other provisions" include provisions for potential losses on service agreements. Total number of contracts increased during 2021 by 19,500 contracts (7,300) and amounted to 279,200 contracts (259,600) at year-end.
2 Includes provision for EU Truck case of SEK 9,029 m. (MEUR 880.5), of which SEK 5,229 m. affected 2021 and SEK 3,800 m. 2016.
3 "Other provisions" include provisions for interest regarding the EU truck case of SEK 542 m., of which SEK 315 m. affected 2021.

NOTE 18 – ACCRUED EXPENSES AND DEFERRED INCOME

	2021	2020
Accrued employee-related expenses	7,477	6,172
Deferred income related to service and repair contracts	6,866	6,439
Deferred income related to repurchase obligations [1]	5,905	6,001
Other accrued expenses and deferred income	4,668	3,772
Total	**24,916**	**22,384**
– of which, current	18,014	14,882
– of which, non-current	6,902	7,502
Of the above total, the following was attributable to Financial Services operations	1,419	794

1 Of the above deferred income related to vehicles sold with repurchase obligations, SEK 1,995 m. (2,039) is expected to be recognised as revenue within 12 months. SEK 313 m. (284) is expected to be recognised as revenue after more than five years.

The following table provides an explanation of the changes of contract liabilities during the year.

SEK m.	2021	2020
Contract liabilities as of 1 January	6,439	7,176
Additions and disposals	99	–242
Currency translation adjustments	328	–495
Contract liabilities as of 31 December	**6,866**	**6,439**

Sales revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period totalled SEK 2,649 m. (3,076).

NOTE 19 – ASSETS PLEDGED AND CONTINGENT LIABILITIES

Assets pledged	2021	2020
Financial receivables	663	–
Other	0	0
Total [1]	**663**	**0**
[1] Of which, assets pledged for:		
Long-term borrowing	532	–
Short-term borrowing	131	–
– liabilities of others	–	–

Contingent liabilities	2021	2020
Contingent liability related to FPG credit insurance	100	93
Other guarantees	180	247
Other contingent liability related to tax	459	629
Total	**739**	**969**

In addition to the above contingent liabilities, the Group has issued vehicle repurchase guarantees worth SEK 12 m. (6) to customers' creditors.

NOTE 20 – GOVERNMENT GRANTS AND ASSISTANCE

During 2021, the Scania Group received government grants amounting to SEK 59 m. (953) attributable to operating expenses of SEK 5,516 m. (14,144). Scania also received government grants of SEK 9 m. (–) attributable to investments with a gross cost of SEK 40 m. (–). Scania recognised grants of SEK 249 m. related to short-term allowances of employees due to COVID-19 received in 2020.

NOTE 21 – CASH FLOW STATEMENT

In those cases a breakdown in segment is not done, the cash flow specification below refers to the Scania Group.

	2021	2020
a. Interest and dividends received/paid		
Dividends received from associated companies	5	3
Interest received	4,617	4,243
Interest paid	–2,370	–2,460

	2021	2020
b. Items not affecting cash flow		
Depreciation/amortisation	11,239	11,097
Associated companies	24	–166
Provision for pensions	–21	–48
Other	–266	783
Total	**10,976**	**11,666**

	2021	2020
c. Financial Services: Net investments in credit portfolio etc.		
New financing [1]	–56,417	–42,439
Payments of principal and completed contracts	44,726	39,752
Total	**–11,691**	**–2,687**

1 Refers mainly to financing of customers purchases of Scania vehicles.

	2021	2020
d. Net investment through acquisitions/divestments of businesses [2]		
Divestments of businesses	13	0
Acquisitions of businesses	–58	–27
Total	**–45**	**–27**

2 See Note 22, "Business acquired/divested."

	2021	2020
e. Vehicles and Services: Acquisitions of non-current assets		
Investments in non-current assets [3]	–8,174	–8,235
Divestments of non-current assets	209	228
Investments in shares in other companies	–631	–103
Total	**–8,596**	**–8,110**

3 Of which, SEK 1,986 m. (1,624) in capitalised research and development expenditures.

	2021	2020
f. Change in debt through financing activities		
Decrease in current liabilities	–49,795	–48,740
Increase in current liabilities	24,530	18,367
Decrease in non-current liabilities	–90	–1,107
Increase in non-current liabilities	28,138	34,755
Lease liabilities	–1,106	–1,067
Total	**1,677**	**2,208**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 21 – CASH FLOW STATEMENT, CONTINUED

Reconciliation of liabilities arising from financing activities

	2020	Cash flow	Non-cash changes			2021
			Foreign exchange movements	Re-classifications	New leases	
Non-current interest-bearing liabilities	49,697	28,048	350	–20,342	–	57,753
Current interest-bearing liabilities	41,147	–25,265	242	20,342	–	36,466
Lease liabilities	4,836	–1,106	–47	–	1,859	5,542
	95,680	**1,677**	**545**	**0**	**1,859**	**99,761**
Cash and cash equivalents	32,268	–3,411	405	–	–	29,262
	127,948	**–1,734**	**950**	**0**	**1,859**	**129,023**

	2019	Cash flow	Non-cash changes			2020
			Foreign exchange movements	Re-classifications	New leases	
Non-current interest-bearing liabilities	49,967	33,648	–2,423	–31,495	–	49,697
Current interest-bearing liabilities	42,517	–30,373	–2,492	31,495	–	41,147
Lease liabilities	5,116	–1,067	–526	–	1,313	4,836
	97,600	**2,208**	**–5,441**	**0**	**1,313**	**95,680**
Cash and cash equivalents	20,981	12,221	–934	–		32,268
	118,581	**14,429**	**–6,375**	**0**	**1,313**	**127,948**

	2021	2020
g. Cash and cash equivalents		
Cash and bank balances	8,830	7,066
Short-term investments comprising cash and cash equivalents	20,432	25,202
Total	**29,262**	**32,268**

NOTE 22 – BUSINESSES ACQUIRED/DIVESTED

Scania is not an acquisition-intensive Group or a Group that divests businesses to a large extent. No significant acquisitions or divestments have occurred during the years 2020-2021.

NOTE 23 – WAGES, SALARIES AND OTHER REMUNERATION AND NUMBER OF EMPLOYEES

Wages, salaries and other remuneration, pension expenses and other mandatory payroll fees (excluding personnel on hire)	2021	2020
Boards of Directors, Presidents and Executive Vice Presidents [1]	511	499
– of which bonuses	178	189
Other employees	21,299	19,967
Subtotal	**21,811**	**20,466**
Pension expenses and other mandatory payroll fees	7,141	7,082
– of which pension expenses [2]	2,250	2,269
Total	**28,952**	**27,548**

1 The number of Board members and executive officers was 671 (562).

2 Of the pension expense in the Group, SEK 32 m. (23) was for Boards of Directors and executive officers in the Scania Group. At year-end, the total pension obligation was SEK 205 m. (209) for this category.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 23 – WAGES, SALARIES AND OTHER REMUNERATION AND NUMBER OF EMPLOYEES, CONTINUED

	2021		2020	
Average number of employees (excluding personnel on hire)	Total	Women	Total	Women
Sweden	18,518	24%	18,137	24%
Europe (excluding Sweden)	16,486	15%	16,477	14%
Eurasia	646	27%	758	25%
America	8,847	13%	7,665	13%
Asia	1,899	22%	1,973	21%
Africa and Oceania	1,986	18%	2,006	18%
Total	**48,382**	**18%**	**47,016**	**18%**

Gender distribution	2021	2020
Board members in subsidiaries and the Parent Company	510	435
– of whom, men	474	401
– of whom, women	36	34
Presidents/Managing Directors of subsidiaries and the Parent Company, plus the Group's Executive Board	161	127
– of whom, men	151	121
– of whom, women	10	6

Number of employees, 31 December	2021	2020
Vehicles and Services		
Production and corporate units	28,340	25,825
Research and development	5,249	4,229
Sales and service companies	19,205	18,896
Subtotal	52,794	48,950
Financial Services	1,206	1,061
Total	**54,000**	**50,011**
– of whom, on temporary contracts and on hire	7,274	4,707

NOTE 24 – RELATED PARTY TRANSACTIONS

	Revenue		Expenses		Receivables		Liabilities	
	2021	2020	2021	2020	2021	2020	2021	2020
Volkswagen Group (excl. TRATON GROUP)	20	14	1,132	886	155	142	608	484
TRATON GROUP	1,167	856	172	95	20,177	24,273	14,286	294
Associated companies and joint ventures	305	291	585	751	29	20	0	2

Disclosures of relationships with related parties that include a controlling influence are provided in the list of subsidiaries. See also the presentation of Scania's Board of Directors and Executive Board as well as Note 25, "Compensation to executive officers." Disclosures of dividends from, and capital contributions to, associated companies and joint ventures etc. are provided in Note 12, "Holdings in associated companies and joint ventures." Disclosures of pension plans are provided in Note 16, "Provisions for pensions and similar commitments" and Note 23, "Wages, salaries and other remuneration and number of employees." Purchases and leases of company cars are included in the transactions with the TRATON GROUP. TRATON GROUP receivables mainly refer to short-term investments which are included in the Scania Group's cash and cash equivalents. All related party transactions occur on market terms.

NOTE 25 – COMPENSATION TO EXECUTIVE OFFICERS

Principles for compensation to executive officers

The principles for compensation to Scania executive officers are adopted by Scania's Board of Directors. The purpose is to offer a market-related compensation package that will enable the company to recruit and retain executive officers. Compensation to executive officers consists of the following parts:

1. Fixed salary
2. Variable earnings-dependent salary
3. Pension

The fixed salary of executive officers shall be competitive in relation to position, individual qualifications and performance. The fixed salary is reviewed annually. The size of the variable salary is dependent on Scania Group´s operating income, TRATON GROUP´s return of sales and a Volkswagen long-term incentive index. For the CEO, part of the annual fixed salary is paid from TRATON SE. The CEO has variable earnings-dependent salary based on the TRATON GROUP's return on sales, return on invested capital and a share-related programme TRATON SE. Executive officers are covered under the ITP Plan. Executive officers covered under the defined benefit ITP Plan are also covered under a defined contribution pension plan that applies in addition to the public pension and the ITP Plan.

The share-related programme relates to a long-term incentive (LTI) bonus which is determined by the Supervisory Board of TRATON SE at its reasonable discretion. The LTI was introduced in January 2019. The terms and conditions for the LTI provide for a period of three years for calculating the target achievement, and may be amended from time to time. In this plan, a new performance period ("performance period") starts at the beginning of each fiscal year.

At the beginning of each new performance period the CEO is conditionally awarded a certain number of performance shares. The number of performance shares depends (i) on the individual target amounts and (ii) on the calculated price of Volkswagen AG preferred shares (in the pre-IPO phase) or the price of TRATON SE shares (in the post-IPO phase), with the arithmetic mean of the closing prices of the 30 trading days preceding the performance period being used to calculate the price.

If the employment contract begins or ends in the course of a year, the target amount for the LTI is calculated rateably for the period of service.

The number of performance shares at the end of a performance period ("final number of performance shares") depends on the number of performance shares conditionally awarded at the beginning of the performance period and the achievement of the "earnings per share" target amounts. These are determined at the beginning of the performance period. The payout amount depends on the final number of performance shares and the calculated price of Volkswagen AG preferred shares (in the pre-IPO phase) or the price of TRATON SE shares (in the post-IPO phase), using the arithmetic mean of the closing prices of the last 30 trading days of the performance period and including any dividends paid out during the performance period.

The amount paid out is capped at 200 percent of the target amount.

In the case of extraordinary events or developments, e.g., a business combination, significant changes in the shareholder structure, or certain corporate actions or structural measures implemented by the company, the company is entitled, under certain conditions, to modify the terms and conditions of the plan or the number of performance shares. In "bad leaver" cases, which are defined in the relevant performance share plan (in particular in the case of the extraordinary termination of an Executive Board member), all the performance shares of a current performance period are forfeited and not replaced or otherwise compensated.

The terms and conditions of the LTI for each performance period are determined by the Supervisory Board of TRATON SE at its reasonable discretion. The Supervisory Board of TRATON SE has introduced provisions governing penalties and salary clawbacks in the event of misconduct (including breaches of oversight or organisational duties as a "cultural and integrity corrective"), which can lead to a reduction or the complete forfeiture of the LTI or to the clawback of an LTI that has already been paid out.

In the 2021 financial year, the following performance shares were awarded to the CEO:

A total of 11,857 (32,417) performance shares were awarded to Mr. Henrik Henriksson, who was CEO until 30 April 2021. The fair value of the performance shares obligation as of 31 December 2021 was SEK 11.6 (1) m. The expenses under the plan amounting to SEK 14.2 (3) m. were recognized in personnel expenses. At 30 April 2021, the obligation (intrinsic value) was SEK 6.1 (0) m.

A total of 8,893 performance shares were awarded to Mr. Christian Levin, who was appointed CEO on 1 May 2021, for the time period between 1 May 2021 and 30 September 2021. The fair value of the performance shares obligation as of 31 December 2021 was SEK 0.6 m. The expenses under the plan amounting to SEK 0.6 m. were recognized in personnel expenses. If Mr. Christian Levin had left the Company as of 31 December 2021, the obligation (intrinsic value) would have been SEK 0 m.

Termination conditions for the executive board

If the President and CEO resigns of his own volition, he is entitled to his salary for a 12-month notice period. Any variable salary during the year in question is disbursed according to conditions adopted by Scania's Board of Directors. In case of termination by the company, a 12-month notice period applies with retained benefits and severance pay equivalent to 24 months of salary is payable.

If the company terminates their employment, the other members of the Executive Board are entitled to severance pay equivalent to a maximum of 18 months of salary, in addition to their salary during the six-month notice period. If they obtain new employment within 18 months, counting from their termination date, the severance pay ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 25 – COMPENSATION TO EXECUTIVE OFFICERS, CONTINUED

2021, SEK thousand	Fixed salary	Board remuneration[1]	Variable salary	LTI	Other remuneration[2]	Total salary and remuneration	Pension expenses, defined contribution system	Pension expenses, defined benefit system	Total pension expenses	Pension obligations
Chairman of the Board	–	–	–	–	–	0	–	–	0	–
President and CEO	6,257	–	–	–	15,973	22,230	4,320	572	4,892	7,399
Rest of Executive Board (8 persons)	23,215	–	34,335	–	1,760	59,310	8,984	3,180	12,164	20,499

1 Other Board members' total fees, SEK thousand: Matthias Gründler 0; Peter Wallenberg Jr. 550; Stephanie Porsche-Schröder 350; Nina Macpherson 700; Christian Schulz 0; Lilian Fossum Biner 700; Gunnar Kilian 0; Julia Kuhn-Piëch 275; Mark Philipp Porsche 275; Christian Porsche 275; Lisa Lorentzon 0; Michael Lyngsie 0; Mari Carlquist 0; Mikael Johansson 0.

Matthias Gründler and Christian Schulz resigned 30 September 2021, Annette Danielski was elected on 25 November 2021.

2 Includes loyalty bonus to the former CEO. SEK 865 thousand will be paid monthly during the period 2021-05-01 and 2022-10-31.

3 Includes pension obligation to the former CEO of SEK 3,889,345.

2020, SEK thousand	Fixed salary	Board remuneration[1]	Variable salary	LTI	Other remuneration	Total salary and remuneration	Pension expenses, defined contribution system	Pension expenses, defined benefit system	Total pension expenses	Pension obligations
Chairman of the Board	–	–	–	–	–	0	–	–	0	–
President and CEO	6,026	–	4,705	2,782	469	11,200	3,243	495	3,738	3,742
Rest of Executive Board (7 persons)	24,369	–	37,546	–	1,754	63,669	7,628	3,306	10,934	24,550

1 Other Board members' total fees, SEK thousand: Andreas Renschler 0, Peter Wallenberg Jr 550, Mattias Gründler 0, Lisa Lorentzon 0, Stephanie Porsche-Schröder 0; Nina Macpherson 700; Christian Schulz 0; Lillian Fossum Biner 700, Michael Lyngsie 0.

Mattias Gründler acceded on 11 August, Gunnar Killian, Julia Kuhn-Piëch, Christian Porsche and Mark Philipp Porsche all appointed on 20 October 2020.

Andreas Renschler resigned on 15 July 2020.

NOTE 25 – COMPENSATION TO EXECUTIVE OFFICERS, CONTINUED

Pension expenses, defined-contribution system: annual premiums according to a defined contribution pension system and ITPK (defined contribution portion of the ITP occupational pension).

Pension expenses, defined-benefit system (ITP): risk insurance premiums and the increase of retirement pension liability according to the ITP occupational pension plan.

Other remuneration: taxable portion of car allowance, newspaper subscriptions and other perquisites.

Retirement age: the President and CEO is covered by the ITP plan and a defined contribution pension plan with premiums up to 65 years. Members of the Executive Board are covered by the ITP Plan with premiums up to 65 years. Members of the Executive Board covered under the defined benefit ITP Plan are also covered under defined contribution pension plan with premiums payments up to 65 years and, to a lesser extent, with premium payments up to 60 years.

NOTE 26 – FEES AND OTHER REMUNERATION TO AUDITORS

Fees and other remuneration to auditors that were expensed during the year are reported below. Remuneration for consultations is reported in cases where the same public accountancy firm has the assignment to audit an individual company. "Auditing assignments" refers to statutory examination of the annual accounts as well as the administration of the Board of Directors and the President and CEO. "Auditing activities beyond auditing assignments" refer to examination of administration or financial information that shall be performed in accordance with laws, articles of association, statutes or agreements that is also intended for parties other than the client, and which is not included in the auditing assignment. "Tax consultancy" is consultation on matters of tax law. "Other services" refers to consultancy that cannot be attributed to any of the other categories. Auditing expenses that have arisen because Scania is a subsidiary of Volkswagen have been reinvoiced.

	2021		2020	
Auditing firm	EY	Other auditors	EY	Other auditors
Auditing assignments	43	3	40	4
Auditing activities beyond auditing assignments	3	0	1	0
Tax consultancy	2	2	10	3
Other services	2	1	0	0
Total	**50**	**6**	**51**	**7**

NOTE 27 – FINANCIAL RISK MANAGEMENT

Financial risk management in the Scania Group

In addition to business risks, Scania is exposed to various financial risks in its operations. The financial risks that are of the greatest importance are currency, interest rate, credit and refinancing risk, which are regulated by Scania Group Policies adopted by Scania's Board of Directors.

Credit risk related to customer commitments is managed, within established limits, on a decentralised basis by means of local credit assessments. Decisions on major credit commitments are made in corporate credit committees. Other risks are managed primarily at corporate level by Scania's treasury unit. On a daily basis, the corporate treasury unit measures the risks of outstanding positions, which are managed within established limits in compliance with the Scania Group Policy – Treasury.

Liquidity risk

Liquidity risk describes the risk that the Scania Group will have difficulty in meeting its obligations associated with financial liabilities or that it can only procure liquidity at a higher price.

To counter this risk, cash inflows and outflows and due dates are continuously monitored and managed. Cash requirements are primarily met by our operating business and by external financing arrangements. As a result, there are no material concentrations of risk.

The solvency and liquidity of Scania are ensured at all times by rolling liquidity planning, a liquidity reserve in the form of cash, confirmed credit lines and the issuance of securities on the international money and capital markets. For Scania Financial Services, there shall be dedicated funding covering the net of the next coming three months of maturing debt less 50 percent of maturing customer contracts. There shall also always be borrowings and/or dedicated equity that safeguard the existing portfolio.

Local cash funds in certain countries (e.g. Brazil, China, India, Russia and South Korea) are only available to the Group for cross-border transactions subject to exchange controls. There are no significant restrictions over and above these.

Currency risk

Currency risk is the risk of negative effects on earnings and balance sheet items denominated in foreign currency, due to currency movements. Changes in exchange rates also affect Scania's income statement and balance sheet as follows:

- An individual company may have monetary assets and liabilities in a currency other than its functional currency, which are translated to the functional currency using the exchange rate on the balance sheet date. When settling monetary assets and liabilities, an exchange rate difference arises between the exchange rate on the balance sheet date and on the payment date. All changes in exchange rates attributable to translation or settlement of monetary items are recognised in the income statement (transaction effect).
- Revenue, expenses, assets and liabilities in a functional currency other than the reporting currency of the Parent Company (SEK) are translated at the average exchange rate during the year and the exchange rate on the balance sheet date, respectively. The effect that arises because the exchange rate on the balance sheet date is changed from the beginning of the year and the average exchange rate of the year deviates from the balance sheet rate is recognised in the translation reserve in other comprehensive income (translation effect).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 – FINANCIAL RISK MANAGEMENT, CONTINUED

During 2021, 95 (94) percent of Scania's sales occurred in countries outside Sweden. Since a large proportion of production occurs in Sweden, at costs denominated in Swedish kronor, this means that Scania has large net inflows of foreign currencies.

During 2021, total currency exposure in Scania's operating income amounted to about SEK 52,400 m. (35,800). The largest currencies in this flow were USD, GBP and EUR. The table below shows currency exposure in Scania's operating income in the most commonly occurring currencies.

Currency exposure in operating income, Vehicles and Services	2021	2020
Euro (EUR)	12,100	5,300
Russian rouble (RUB)	6,300	3,700
British pound (GBP)	6,200	5,900
US dollar (USD)	6,100	6,200
Norwegian krone (NOK)	3,500	3,500
Korean won (KRW)	2,700	2,300
Danish krone (DKK)	2,100	1,600
Australian dollar (AUD)	2,000	600
Chinese yuan remnimbi (CNY)	1,700	2,600
Swiss franc (CHF)	1,600	1,700
Taiwandollar (TWD)	1,600	1,400
Polish zloty (PLN)	–1,500	–1,500
Other currencies	5,600	900
Total currency exposure in operating income	**50,000**	**34,200**

Currency exposure in operating income, Financial Services	2021	2020
Euro (EUR)	800	600
Other currencies	1,600	1,000
Total currency exposure in operating income	**2,400**	**1,600**

Based on revenue and expenses in foreign currencies during 2021, a one percentage point change in the Swedish krona against other currencies, excluding currency hedges, has an impact on operating income of about SEK 524 m. (358) on an annual basis. In Vehicles and Services, compared to 2020, the total currency rate effects amounted to SEK 1,409 m. (–1,762).

According to Scania Group Policy – Treasury, the CFO has a mandate to approve hedging of up to 75 percent of anticipated exposure by currency up to six months. The CEO has a mandate to approve hedging of up to 50 percent of anticipated exposure by currency for a period from above six months up to 12 months. When currency risks are hedged, currencies are mainly sold by means of forward contracts, but currency options may also be used.

To ensure efficiency and risk control, borrowings in Scania's subsidiaries largely occur through the corporate treasury unit, mainly in EUR and SEK, and are then transferred to subsidiaries in the form of internal loans in their local currencies.

By means of derivative contracts, corporate-level borrowings are converted to lending currencies. In Financial Services, assets should be financed by liabilities in the same currency. Scania's borrowings in various currencies excluding and including currency derivatives can be seen in the table "Borrowings" in the section on interest rate risk.

At the end of 2021, Scania's net assets in foreign currencies amounted to SEK 33,200 m. (27,400). The net foreign assets of subsidiaries are normally not hedged. To the extent subsidiaries have significant net monetary assets in functional currencies, however, they may be hedged. At year-end 2021 no foreign net assets were hedged (–).

Net assets, Vehicles and Services	2021	2020
Brazilian real (BRL)	6,800	4,600
US dollar (USD)	2,100	1,600
Euro (EUR)	1,800	3,400
Chinese yuan remnimbi (CNY)	1,200	600
Swiss franc (CHF)	1,000	400
Taiwandollar (TWD)	900	600
Korean won (KRW)	700	500
South African rand (ZAR)	600	500
Colombian pesos (COP)	500	500
Norwegian krone (NOK)	400	500
Kenyan shilling (KES)	400	200
Australian dollar (AUD)	400	400
Danish krone (DKK)	300	400
Other currencies	2,800	2,500
Total net assets in foreign currencies, Vehicles and Services	**19,900**	**16,700**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 – FINANCIAL RISK MANAGEMENT, CONTINUED

Net assets, Financial Services	2021	2020
Euro (EUR)	5,700	5,300
Other currencies	7,600	5,400
Total net assets in foreign currencies, Financial Services	**13,300**	**10,700**
Total net assets in foreign currencies, Scania Group	**33,200**	**27,400**

Effect on exchange rate differences on net income

Net income for the year was affected by exchange rate differences as shown in the following table:

	2021	2020
Operating income	179	–56
Financial income and expenses	–161	–446
Taxes	–4	155
Effect on net income for the year	**14**	**–347**

Interest rate risk

Interest rate risk is the risk of negative effects on interest income and expenses due to movements in interest rates. For Scania's assets and liabilities that carry variable interest rates, a change in market interest rates has a direct effect on cash flow, while for fixed-interest assets and liabilities, the fair value of the portfolio is affected instead. To manage interest rate risks, Scania primarily uses interest rate derivatives in the form of interest rate swap agreements.

At year-end 2021, Scania's interest-bearing assets mainly consisted of assets in Financial Services and of short-term investments and cash and cash equivalents. Interest-bearing liabilities consisted mainly of loans, to a great extent intended to fund lending in Financial Services operations and to a lesser extent to fund working capital in Vehicles and Services.

Interest rate risk in Vehicles and Services

Borrowings in Vehicles and Services are mainly used for funding of working capital. To match the turnover rate of working capital, a short interest rate refixing period is used in the borrowing portfolio. Scania's Group policy – Treasury concerning interest rate risks in the Vehicles and Services segment is that the interest rate refixing period on its net debt should normally be within 0–6 month range, but that divergences are allowed up to 24 months. The Board of Directors approves maturities of more than 24 months.

Net cash in Vehicles and Services was SEK 25,520 m. (21,824) at year-end 2021. The borrowing portfolio amounted to SEK 5,526 m. (9,765). Short-term investments and cash and cash equivalents amounted to SEK 31,046 m. (31,589) and the average interest rate refixing period on these assets was less than 2 (2) month. Net cash does not include derivatives as of 2019.

Given the same loan liabilities, short-term investments, cash and cash equivalents and interest rate refixing periods as at year-end 2021, a change in market interest rates of 100 basis points (1 percentage point) would change the interest expenses by approximately SEK 41 (98) m. and interest income in Vehicles and Services by approximately SEK 260 m. (315) on an annual basis.

Interest rate risk in Financial Services

In accordance with Scania Group Policy – Treasury interest rate risks in the Financial Services segment is that assets and liabilities should match in terms of interest rates and maturity periods. Interest rate refixing related to the credit portfolio and borrowing in Financial Services had the following structure as of 31 December 2021:

Interest rate refixing in Financial Services, 31 December 2021	Interest-bearing portfolio[1]	Interest-bearing liabilities[2]
2022	52,744	51,324
2023	23,523	22,284
2024	16,795	15,941
2025	9,728	5,789
2026	4,334	1,106
2027 and later	1,735	656
Total	**108,859**	**97,100**

Interest rate refixing in Financial Services, 31 December 2020	Interest-bearing portfolio[1]	Interest-bearing liabilities[2]
2021	47,906	47,262
2022	20,265	19,359
2023	14,422	13,169
2024	8,096	4,933
2025	3,372	964
2026 and later	1,372	557
Total	**95,433**	**86,244**

1 Including operating leases.
2 Including the effect of interest rate derivatives. Other funding consists mostly of equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 – FINANCIAL RISK MANAGEMENT, CONTINUED

Given the same lending and borrowing structure as at year-end 2021, a change in market interest rate of 50 basis points (0.5 percent point) would change the interest in Financial Services by about SEK 9.1 m. (4.8) on an annual basis.

Scania's total borrowing portfolio amounted to SEK 94,604 m. (91,205) at year-end 2021.

Borrowings, 31 December 2021	Borrowings incl. currency swap agreements	Borrowings excl. currency swap agreements
EUR	53,704	46,594
BRL	5,724	3,148
GBP	5,249	3,051
RUB	4,952	43
USD	3,369	858
CLP	2,732	1,697
ZAR	2,456	1,729
KRW	2,446	49
NOK	1,725	4,515
DKK	1,571	–
CHF	1,570	48
AUD	1,426	–
THB	842	–
SEK	2,456	30,193
Other currencies	3,997	2,294
Total [1]	**94,220**	**94,220**
Accrued interest	384	384
Total	**94,604**	**94,604**

1 Total borrowings excluded SEK 384 m. (361) related to accrued interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 – FINANCIAL RISK MANAGEMENT, CONTINUED

Credit risk

Credit risk is the risk that the counterparty in a transaction will not fulfil its contractual obligations and that any collateral will not cover the company's claim. An overwhelming share of the credit risk for Scania is related to receivables from customers. Scania sales are distributed among a large number of end customers with a large geographic dispersion, which limits the concentration of credit risk.

Reconciliation of loss allowance for financial assets measured at amortised cost, including lease receivables

	2021					2020				
	General approach			Simplified approach	Total	General approach			Simplified approach	Total
	12 month expected credit loss (Stage 1)	Life time expected credit loss – not impaired (Stage 2)	Life time expected credit loss – impaired (Stage 3)			12 month expected credit loss (Stage 1)	Life time expected credit loss – not impaired (Stage 2)	Life time expected credit loss – impaired (Stage 3)		
Loss allowance as at 1 January	117	34	208	1,292	2,011[1]	59	45	306	1,289	1,699
Changes due to financial instruments recognised as at 1 January										
Transfer to stage 1	0	–9	–2		–11	4	–19	–13		–28
Transfer to stage 2	–21	38	–2		15	–14	33	–11		8
Transfer to stage 3	–37	–12	85		36	–14	–8	48		26
Write-offs (Utilisation)			–55	–80	–135			–77	–133	–210
Financial assets acquired/issued	84			267	351	93			378	471
Changes to models or risk parameters					–225[2]					360[1]
Reversals	–60	–11	–62	–489	–397[2]	–22	–11	–44	–368	–445
Foreign exchange movements	3	1	4	27	35	–10	–9	–63	–88	–170
Other changes within a stage	2	1	46	122	171	21	3	62	214	300
Loss allowance as at 31 December	**88**	**42**	**222**	**1,139**	**1,851**[1]	**117**	**34**	**208**	**1,292**	**2,011**

1 The total amount includes a manual overlay of SEK 360 m. added in 2020. This group adjustment is included in the opening balance loss allowance of SEK 2,011 m. For more information see Note 2.
2 During 2021 SEK 225 m. of the manual overlay was allocated to offset reversals of loss allowance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 – FINANCIAL RISK MANAGEMENT, CONTINUED

Reconciliation of gross carrying amount for financial assets measured at amortised cost, including lease receivables

	2021					2020				
	General approach			Simplified approach	Total	General approach			Simplified approach	Total
SEK m.	12 month expected credit loss (Stage 1)	Life time expected credit loss – not impaired (Stage 2)	Life time expected credit loss – impaired (Stage 3)			12 month expected credit loss (Stage 1)	Life time expected credit loss – not impaired (Stage 2)	Life time expected credit loss – impaired (Stage 3)		
Gross carrying amount as at 1 January	68,950	898	718	51,480	122,046	58,886	1,419	995	56,648	117,948
Transfer to stage 1	201	–183	–18			469	–427	–42		0
Transfer to stage 2	–628	644	–16			–479	511	–32		0
Transfer to stage 3	–136	–113	249			–93	–166	259		0
Changes in gross carrying amount (due to additions and disposals, significant modifications)	4,647	104	–244	5,863	10,370	15,648	–213	–311	–683	14,441
Foreign exchange movements	1,618	44	15	1,759	3,426	–5,481	–226	–151	–4,485	–10,343
Gross carrying amount as at 31 December	**74,652**	**1,394**	**704**	**59,102**	**135,852**	**68,950**	**898**	**718**	**51,480**	**122,046**

Gross carrying amount of Scania´s irrevocable credit commitments related to lending at 31 December 2021 amounts to SEK 7,186 m. (4,949) with a loss allowance of SEK 2 m. (2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 – FINANCIAL RISK MANAGEMENT, CONTINUED

Gross carrying amounts of financial assets by rating category

	2021					2020				
SEK m.	12 month expected credit loss (Stage 1)	Life time expected credit loss – not impaired (Stage 2)	Life time expected credit loss – impaired (Stage 3)	Financial assets – simplified approach	Total	12 month expected credit loss (Stage 1)	Life time expected credit loss – not impaired (Stage 2)	Life time expected credit loss – impaired (Stage 3)	Financial assets – simplified approach	Total
Rating Grade										
Credit Risk Rating Grade 1	74,652			54,444	129,096	68,950			46,612	115,562
Credit Risk Rating Grade 2		1,394		3,459	4,853		898		3,577	4,475
Credit Risk Rating Grade 3			704	1,199	1,903			718	1,291	2,009
Total	**74,652**	**1,394**	**704**	**59,102**	**135,852**	**68,950**	**898**	**718**	**51,480**	**122,046**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 – FINANCIAL RISK MANAGEMENT, CONTINUED

Credit risk in Vehicles and Services

In the Vehicles and Services segment, carried receivables before provisions for bad debts from customers totalled SEK 10,166 m. (8,506), most of which consisted of receivables from independent dealerships and end customers. The total estimated fair value of collateral was SEK 1,143 m. Most of the collateral consisted of bank guarantees, mortgages and similar securities. During the year, collateral corresponding to SEK 307 m. was obtained.

	Past-due payments	
Timing analysis of portfolio assets past due but not recognised as impairment losses	2021	2020
< 30 days	723	783
30–90 days	235	441
91–365 days	195	66
> 180 days	206	24
Total	**1,359**	**1,314**

Provisions for bad debts amounted to SEK 508 m. (492), equivalent to 5.4 (6.4) percent of total receivables. The year's bad debt expense amounted to SEK 54 m. (167).

Provisions for bad debts changed as follows:

Provisions for bad debts	2021	2020
Provisions, 1 January	492	455
Provisions for potential losses	126	198
Withdrawals due to actual credit losses	–114	–122
Currency rate effects	10	–33
Other	–6	–6
Provisions, 31 December	**508**	**492**

Credit risk in Financial Services

The credit portfolio including operating leases in the Financial Services segment can be seen in the table below:

Credit portfolio	2021	2020
Exposure	110,198	96,952
– of which, operating leases	16,977	17,917
Credit risk reserve	1,339	–1,519
Carrying amount	**108,859**	**95,433**
– of which, operating leases	16,730	17,675

To maintain a controlled level of credit risk in the segment, the process of issuing credit is supported by a credit policy as well as credit instructions. Credit risks are limited by active credit assessment, management of the loan portfolio and its underlying assets as well as an intensive focus and constructive dialogue with those customers who do not follow the agreed payment plan. Collateral in Financial Services operations mainly exist in the form of the possibility of repossessing the financed assets.

The portfolio mainly consists of financing of trucks, buses and trailers for small and medium-sized companies. The credit risk concentration in 2021 was equal to that of 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 – FINANCIAL RISK MANAGEMENT, CONTINUED

Timing analysis of portfolio assets

	2021			2020		
Past due receivables	Past-due payments	Total exposure[1]	Estimated fair value of collateral	Past-due payments	Total exposure[1]	Estimated fair value of collateral
< 30 days	104	3,658	3,629	73	3,119	2,925
30–90 days	95	1,648	1,592	85	1,563	1,441
91–180 days	39	498	405	71	511	480
> 180 days	122	383	375	174	684	599
Inactive contracts	220	521	342	197	744	424
Total	**580**	**6,708**	**6,343**	**600**	**6,621**	**5,869**

1 Exposure is defined as maximum potential loss, without regard to the value of any collateral.

A description of credit risk exposure can be seen in the table below.

	31 December 2021			31 December 2020		
Concentration of credit risk	Number of customers	Percentage of total number of customers	Percentage of portfolio value	Number of customers	Percentage of total number of customers	Percentage of portfolio value
Exposure < SEK 15 m.	45,051	97.8	67.1	42,270	97.9	66.7
Exposure SEK 15–50 m.	774	1.7	16.2	752	1.7	17.6
Exposure > SEK 50 m.	250	0.5	16.7	175	0.4	15.7
Total	**46,075**	**100.0**	**100.0**	**43,197**	**100.0**	**100.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 – FINANCIAL RISK MANAGEMENT, CONTINUED

Accounts with past-due receivables normally lead to quick repossession of the financed vehicle. Reschedulings only occur in those cases where, after a new credit evaluation, Financial Services deems the customer's payment problems to be of a short-term and temporary nature and where rescheduling can take place without greatly worsening the risk position.

In 2020, the rescheduling of financing contracts increased sharply during the first and second quarters due to the pandemic's effects on societies and transport systems.

During the second half of 2020, the vast majority of customers returned to their original payment plans. The reschedulings returned to normal levels and have remained there throughout 2021, with the exception of customers operating in the tourism and passenger transport industry which continues to experience weak demand.

The carrying amount of the financial assets, whose terms had been rescheduled at any time, amounted to SEK 16,312 m. (22,554) at year-end. Contracts are regarded as impaired when payment is more than 90 days past due or when there is information that causes Scania to terminate the contracts early.

The market for used vehicles has been well-functioning throughout 2021. Shortages and delays throughout the supply chain for components for new trucks as a consequence of the pandemic has created a strong demand for used trucks. During the year, 955 (1,652) financed vehicles were repossessed. At year-end, the number of repossessed but not yet sold vehicles amounted to 141 (248), with a total carrying amount of SEK 66 m. (103). Financial Services sell the majority of repossessed vehicles to the Scania dealer network, who in turn sell the vehicles to new end customers.

Provisions for bad debts changed as follows:

Provisions for bad debts	2021	2020
Provisions, 1 January	1,519	1,243
Provisions for potential losses	–71	657
Utilisation due to actual credit losses	–134	–242
Exchange rate differences	25	–139
Provisions, 31 December	**1,339**	**1,519**
Provisions as percentage of gross portfolio	1.2	1.6

The year's expenses for actual and potential credit losses amounted to a positive SEK 130 m. (–730).

Asset-Backed Securities Transaction
As of the reporting date, financial liabilities included asset-backed securities transactions implemented to refinance the Financial Services segment with a carrying amount of SEK 782 m (1,750). The corresponding carrying amount of financial services receivables is SEK 1,116 m (2,068). Collateral totalling SEK 1,116 m. (2,068) was provided in connection with asset-backed securities transactions. The expected payments to structured entities are assigned in this process and ownership of the financed vehicles pledged as collateral is transferred. These asset-backed securities transactions did not lead to the derecognition of financial services receivables in the balance sheet because the Scania group retains the bad debt and payment date risk. The difference between the amount of receivables assigned and the associated liabilities is the result of different terms and conditions and the proportion of bonds held by Scania itself.

Under certain conditions, the asset-backed securities transactions implemented by the Scania Group may be repaid early (clean-up call). The assigned receivables cannot be assigned a second time or used as collateral in any other way. The bondholders' claims are limited to the assigned receivables, the cash inflows arising from these receivables are intended for the settlement of the corresponding liability.

As of 31 December 2021, the fair value of assigned receivables that continue to be recognised in the balance sheet was SEK 1,116 m. (2,068). The fair value of the associated liabilities amounted to SEK 782 m. (1,750) as of that date. The resulting net position is SEK 334 m. (318).

Other credit risks at Scania
The administration of the financial credit risks that arise primarily in corporate treasury operations, among other things when investing liquidity and in derivatives trading, is regulated in Scania Group Policy – Treasury. Transactions occur only within established limits and with selected, creditworthy counterparties. To reduce credit risk, the volume of exposure allowed per counterparty is limited, depending on the counterparty's credit rating. To further limit credit risk, Scania has entered into International Swaps and Derivatives Association (ISDA) netting contracts with all of its counterparties.

The corporate treasury unit is responsible for ensuring compliance with the rules of Scania Group Policy – Treasury.

Net exposure to counterparty risk related to derivatives trading amounted to SEK 978 m. (2,686) at the end of 2021. Estimated gross exposure to counterparty risks related to derivatives trading totalled SEK 1,661 m. (3,391). Estimated gross exposure to cash and cash equivalents and short-term investments amounted to SEK 29,636 m. (32,322). Short-term investments are mainly deposited with TRATON.

Scania had short-term investments worth SEK 20,804 m. (25,256), of which SEK 20,482 m. (25,253) consists of investments with a maturity of less than 90 days and SEK 322 m. (3) consisted of investments with a maturity of 91–365 days. In addition to short-term investments, Scania had bank balances worth SEK m. 8,830 (7,066).

Refinancing risk

Refinancing risk is the risk of not being able to meet the need for future funding. Scania applies a conservative policy concerning refinancing risk. For Vehicles and Services, there shall be a liquidity reserve consisting of available cash and cash equivalents as well as unutilised credit facilities which exceeds the funding needs over a two-year period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 – FINANCIAL RISK MANAGEMENT, CONTINUED

For Financial Services, there shall be dedicated funding covering the net of the next coming three months of maturing debt less 50 percent of maturing customer contracts. There shall also always be borrowings and/or dedicated equity that safeguard the refinancing of the existing portfolio.

At the end of 2021, Scania's liquidity reserve, consisting of guaranteed credit facilities, cash and cash equivalents and short-term investments, amounted to SEK 52,721 m. (61,391). Scania's credit facilities include customary Change of Control clauses, which means that the counterparty could demand early payment in case of significant changes in ownership involving a change in control of the company.

At year-end, Scania had borrowings, in some cases with related ceilings, as follows:

Borrowings, 2021	Total borrowings	Ceiling
European Medium Term Note Programme	50,796	92,293
Credit facility (EUR)	–	23,073
Commercial paper, Sweden	–	10,000
Commercial paper, Belgium	10,203	15,382
Bank loans and Other loans	33,221	–
Total [1,2]	**94,220**	**140,748**

Borrowings, 2020	Total borrowings	Ceiling
European Medium Term Note Programme	70,178	120,296
Credit facility (EUR, SEK)	–	28,069
Commercial paper, Sweden	–	10,000
Commercial paper, Belgium	2,105	15,037
Bank loans and Other loans	18,561	–
Total [1,2]	**90,844**	**173,402**

1 Of the total ceiling, SEK 23,073 m. (28,069) consisted of guaranteed revolving credit facilities.
2 Total borrowings excluded SEK 384 m. (361) related to accrued interest and fair value adjustments on bonds where hedge accounting was previously applied.

Controlling Scania's refinancing risk includes safeguarding access to credit facilities and ensuring that the maturity structure of borrowings is diversified. At year-end, Scania's total borrowings had the following maturity structure:

Maturity structure of Scania's borrowings	2021	2020
2021	–	41,147
2022	36,467	23,577
2023	27,981	14,331
2024	17,060	1,940
2025	10,759	8,320
2026	1,426	1,041
2027 and later	527	488
Total [1]	**94,220**	**90,844**

1 Total borrowings excluded SEK 384 m. (361) related to accrued interest and lease liabilities. Maturity structure for lease liabilities, see Note 11.

Maturity structure of derivatives attributable to borrowings, 2021	Derivatives with positive value	Derivatives with negative value
2022	22	–11
2023	5	–19
2024	–	–32
2025	–	–44
2026 and later	–	–
Total [2]	**27**	**–106**

Maturity structure of derivatives attributable to borrowings, 2020	Derivatives with positive value	Derivatives with negative value
2021	2	–49
2022	57	–2
2023	19	0
2024	0	–18
2025 and later	47	0
Total [2]	**125**	**–69**

2 Does not include accrued interest.

NOTE 28 – FINANCIAL INSTRUMENTS

Financial assets in the Scania Group mainly consist of financial leases and hire purchase receivables that have arisen in the Financial Services segment due to financing of customers' vehicle purchases. Other financial assets of significance are trade receivables from independent dealerships and end customers in the Vehicles and Services segment plus short-term investments and cash and cash equivalents. Scania's financial liabilities consist largely of loans, mainly taken out to fund Financial Services' lending and leasing to customers and, to a lesser extent, to fund capital employed in Vehicles and Services. Financial assets and liabilities give rise to various kinds of risks, which are largely managed by means of various derivative instruments. Scania uses derivative instruments, mainly for the purpose of:

- Transforming corporate-level borrowings in a limited number of currencies to the currencies in which the financed assets are denominated.
- Transforming the interest rate refixing period for borrowings in Financial Services as well as achieving the desired interest rate refixing period for other borrowings.
- Converting future commercial payments to functional currency.
- To a lesser extent, converting surplus liquidity in foreign currencies to SEK.

Fair value of financial instruments

In Scania's balance sheet, items carried at fair value are mainly derivatives, current investments and equity instruments. For derivatives for which hedge accounting is not applied, fair value adjustment is carried at fair value via the income statement. Fair value is established according to various levels, defined in IFRS 13, that reflect the extent to which market values have been utilised. Current investments and cash and cash equivalents are carried according to Level 1, i.e. quoted prices in active markets for identical assets, and amounted to SEK 136 m. (130). Other assets that are carried at fair value refer to derivatives. These assets are carried according to Level 2, which is based on data other than the quoted prices that are part of Level 1 and refer to directly or indirectly observable market data. Scania applies a valuation technique that consists of estimating the present value of future cash flows based on observable yield curves. The yield curve applied is derived from relevant listed yields for the respective period during which cash flows are received or paid. The derivatives are recognised under other non-current assets, other current assets, other non-current liabilities and other current liabilities and amounted to SEK 942 m. (2,686) net.

For financial instruments that are carried at amortised cost, fair value disclosures are provided in the table below. The carrying amounts of interest-bearing assets and liabilities in the balance sheet may diverge from their fair value, among other things as a consequence of changes in market interest rates. To establish the fair value of financial assets and liabilities, official market quotations have been used for those assets and liabilities that are traded in an active market.

In those cases where assets and liabilities are not traded in an active market, fair value has been established by discounting future payment flows at current market interest rates and then converting to SEK at the current exchange rate.

Fair value of financial instruments such as trade receivables, trade payables and other non-interest-bearing financial assets and liabilities that are recognised at accrued cost minus any impairment losses, is regarded as coinciding with the carrying amount.

Impairment losses on assets occur only when there is reason to believe that the counterparty will not fullfil its contractual obligations, not as a consequence of changes in market interest rates.

Financial assets and liabilities that can be offset against each other consist of derivatives covered by legally binding master netting agreements. Carrying amounts of assets and liabilities amounted to SEK 1,661 m. (3,337) and SEK –684 m. (–672). The amount that can be offset from each amount was SEK 564 m. (636).

NOTE 28 – FINANCIAL INSTRUMENTS, CONTINUED

	2021					2020				
Scania Group, SEK m.	Measured at fair value	Measured at amortised cost	Financial liabilities measured at amortised cost	Total carrying amount	Total fair value	Measured at fair value	Measured at amortised cost	Financial liabilities measured at amortised cost	Total carrying amount	Total fair value
Equity instruments	1,144			1,144	1,144	341			341	341
Non-current interest-bearing receivables		57,507		57,507	56,378		48,004		48,004	48,103
Current interest-bearing receivables		35,643		35,643	36,147		30,815		30,815	30,906
Non-interest-bearing trade receivables		8,859		8,859	8,859		6,936		6,936	6,936
Current investments and Cash and cash equivalents	136	29,512		29,648	29,598	130	32,192		32,322	32,317
Other non-current receivables [1]	845	203		1,048	1,048	2,565	50		2,615	2,615
Other current receivables [2]	863	94		956	956	826			826	826
Total assets	**2,988**	**131,818**	**–**	**134,805**	**134,130**	**3,862**	**117,997**	**–**	**121,859**	**122,043**
Non-current interest-bearing liabilities			57,753	57,753	58,154			49,696	49,696	50,980
Current interest-bearing liabilities			36,850	36,850	36,882			41,509	41,509	41,359
Trade payables			15,301	15,301	15,301			13,886	13,886	13,886
Other non-current liabilities [3]	384			384	384	355			355	355
Other current liabilities [4]	381		3,976	4,357	4,357	350		2,927	3,277	3,277
Total liabilities	**765**	**–**	**113,880**	**114,645**	**115,078**	**705**	**–**	**108,018**	**108,723**	**109,857**

1 Financial instruments included in the balance sheet under “Other non-current receivables,” SEK 2,351 m. (3,300).
2 Financial instruments included in the balance sheet under “Trade receivables and Other current receivables,” SEK 16,904 m. (14,196).
3 Financial instruments included in the balance sheet under “Other non-current liabilities,” SEK 4,866 m. (5,303).
4 Financial instruments included in the balance sheet under “Other current liabilities,” SEK 7,417 m. (6,898).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 28 – FINANCIAL INSTRUMENTS, CONTINUED

Hedge accounting

During 2021 Scania has not applied hedge accounting.

Scania considers that it is hedged economically, and risk management follows the financial policy approved by the Board. For more detailed information on accounting for hedging instruments and hedged items, see Note 1 Accounting principles.

Net gains/losses on financial instruments recognised in the income statement

The table below shows the following items that are recognised in the income statement:

- Gains and losses related to currency rate differences, including gains and losses attributable to derivatives.

Net gains/losses	2021	2020
Financial assets and liabilities carried at fair value	451	424
Financial assets measured at amortised cost[1]	568	–784
Financial liabilities measured at amortised cost	–555	–237
Total	**464**	**–597**

1 Also includes operating leases.

Gains and losses due to currency rate differences related to derivatives, loan receivables and borrowings mainly arise in Scania's treasury unit. Most of the loan receivables that give rise to currency rate differences comprise the treasury unit's receivables from Group companies.

Interest income and expenses on financial instruments

The table below shows interest income and interest expenses for all of Scania's financial assets and financial liabilities:

	2021	2020
Interest income on financial assets [1]	5,067	4,100
Interest expenses on financial liabilities [2,3]	–2,110	–2,091
Total	**2,957**	**2,009**

1 SEK 440 m. (393) consists of interest income generated from financial assets carried at fair value.

2 Also includes interest expenses related to lease liabilities and interest expenses related to Financial Services that were recognised in the operating income.

3 SEK –958 m. (–1,064) consists of interest expenses generated from financial liabilities carried at fair value.

The reason why income diverges from recognised interest income in net financial items is largely that Financial Services is included in the table and that interest income and interest expenses attributable to pensions are excluded.

NOTE 29 – EVENTS AFTER THE REPORTING PERIOD

On 3 January 2022, Scania Sverige AB acquired Bilmetro AB and three real estate companies. The acquisition relates to 100 percent of the shares. Bilmetro AB is an authorized dealer of Scania trucks as well as of the passenger car brands Volkswagen, Audi, ŠKODA. SEAT, CUPRA and Volkswagen Commercial Vehicles.

The passenger car business was sold to Din Bil Sverige AB as of 3 January 2022.

Bilmetro AB is located in Central Sweden with operations in 11 locations in Gävleborg, Dalarna and Uppsala.

The balance sheet total for Bilmetro AB, excluding Din Bil Sverige AB, as of the acquisition date amounted to SEK 3,406 million, including a financing portfolio amounting to SEK 2,620 million. The acquisition analysis shows no material goodwill and has no material impact on Scania's Group's sales and balance sheet total.

In February 2022, the EU General court delivered its judgement in the EU truck case, dismissing Scania's appeal and upholding the full amount of fines as set by the EC. Scania is currently reviewing the judgement, and considers lodging another appeal to the European Court of Justice. (For further details see Note 2.)

The impact of the Russian invasion of Ukraine in February 2022 is at this point difficult to assess, and on how it develops, and which measures different countries take to handle the situation. Scania will continuously assess the situation and potential impacts on future development and/or risks that can affect the future financial position. The situation can lead to:

- Decreased market demand in the short and medium term in several important markets for Scania, leading to decreased sales of vehicles and services and also price pressure on new and used vehicles. This, in turn, also can lead to needs to make write-downs in vehicle inventory and changed estimates of residual value on buy-back commitments.
- The supplier network could be unable to deliver components and articles, leading to shorter or longer periods of close down of Scania's global production system.
- Customers facing financial problems leading to deteriorating ability to pay outstanding receivables to Scania.
- Impairment of goodwill and other intangible assets.

The text above is not an exhaustive list and one or several of them can occur independently or in combination and could have a negative impact on the Scania Group's business, financial development and performance. Our operations within the Russian and Ukraine markets amounts to 6 percent of the turnover of which Ukraine represents less than 1 percent. Balance sheet value amounts to 3 percent of which Ukraine represents much less than 1 percent Read more under Risk and Risk management on page 40 and Note 27, which describes financial risks, such as currency risk and interest rate risk.

NOTE 30 – SHARES AND PARTICIPATIONS IN SUBSIDIARIES

The following listing shows shareholdings owned directly and indirectly by the Parent Company as of 31 December 2021:

Company	Corporate ID no.	Registered office	Country	% Ownership
Vehicles and services				
Fastighetsaktiebolaget Flygmotorn	556528-9112	Södertälje	Sweden	100
Fastighetsaktiebolaget Hjulnavet	556084-1198	Södertälje	Sweden	100
Fastighetaktiebolaget Vindbron	556040-0938	Södertälje	Sweden	100
HTD i Oskarshamn AB	556707-3472	Södertälje	Sweden	100
Kai Tak Holding AB	556548-4739	Södertälje	Sweden	100
LOTS Group AB	556593-3057	Södertälje	Sweden	100
MW-hallen Restaurang AB	556616-7747	Södertälje	Sweden	100
Mälardalens Tekniska Gymnasium AB	556548-4754	Södertälje	Sweden	80
Scania Bus Financing AB	556728-9433	Södertälje	Sweden	100
Scania CV AB	556084-0976	Södertälje	Sweden	100
Scania Delivery Center AB	556593-2976	Södertälje	Sweden	100
Scania Growth Capital AB	559090-6524	Södertälje	Sweden	90.10
Scania Industrial Maintenance AB	556070-4818	Södertälje	Sweden	100
Scania IT AB	556084-1206	Södertälje	Sweden	100
Scania Overseas AB	556593-2984	Södertälje	Sweden	100
Scania Real Estate Lund AB	556791-9823	Södertälje	Sweden	100
Scania Real Estate Services AB	556593-3024	Södertälje	Sweden	100
Scania Sales and Services AB	556593-3073	Södertälje	Sweden	100
Scania Sverige AB	556051-4621	Södertälje	Sweden	100
Scania Transportlaboratorium AB	556528-9294	Södertälje	Sweden	100
Scania Treasury AB	556528-9351	Södertälje	Sweden	100
Scania Trucks & Buses AB	556267-1585	Södertälje	Sweden	100
Sågverket 6 AB	556528-9062	Södertälje	Sweden	100
Vabis Försäkringsaktiebolag	516401-7856	Södertälje	Sweden	100
Vindbron Arendal AB	556822-2367	Södertälje	Sweden	100
TRATON AB	556528-9104	Södertälje	Sweden	100
Laxå Specialvehicles AB	556548-4705	Laxå	Sweden	100
Ferruform AB	556528-9120	Luleå	Sweden	100
Scania Vabis 118 AB	556387-4659	Värnamo	Sweden	100
Scania Argentina S.A.	30-51742430-3	Buenos Aires	Argentina	100
Scania Australia Pty Ltd.	000537333	Melbourne	Australia	100
Scania Real Estate Österreich GmbH	FN95419y	Brunn am Gebirge	Austria	100
Scania Österreich GmbH	FN366024x	Brunn am Gebirge	Austria	100
Scania Belgium N.V.	BE0402.607.507	Neder-Over-Heembeek	Belgium	100
Scania Real Estate Belgium N.V.	BE0423.251.481	Neder-Over-Heembeek	Belgium	100
Scania BH d.o.o., Sarajevo	4200363460007	Sarajevo	Bosnia-Herzegovina	100
Scania Botswana (Pty) Ltd.	CO.2000/6045	Gaborone	Botswana	100
Codema Comercial e Importadora Ltda.	60.849.197/0001-60	Guarulhos	Brazil	99.98
LOTS Latin América Logística de Transportes Ltda.	29.094.173/0001-06	São Bernardo do Campo	Brazil	100
Scania Latin America Ltda.	59.104.901/0001-76	São Bernardo do Campo	Brazil	100
Scania Bulgaria EOOD	BG121796861	Sofia	Bulgaria	100
Scania Real Estate Bulgaria EOOD	BG201589120	Sofia	Bulgaria	100
LOTS Ventures Canada Inc.	BC1306486	Victoria British Columbia	Canada	80
Scania Chile S.A.	96.538.460-K	Santiago de Chile	Chile	100
LOTS Chile S.p.A	77.418.964-5	Santiago de Chile	Chile	100
Lots Logistics (Guangxi) Co.Ltd.	32956526-9	Beihai, Guangxi Province	China	100
Scania Sales (China) Co.Ltd	110000450001661	Beijing	China	100
Scania Sales and Service (Guangzhou) Co., Ltd.	440101400126397	Guangzhou	China	100
Scania (Hong Kong) Ltd.	1205987	Hong Kong	China	100
Scania Production (China) Co., Ltd.	91360924754233361N	Rugao City	China	100
Scania Colombia S.A.S.	900.353.873-2	Bogotá	Colombia	100
Scania Hrvatska d.o.o.	080213913	Zagreb	Croatia	100
Scania Czech Republic s.r.o.	CZ61251186	Praha	Czech Republic	100
Scania Real Estate Czech Republic s.r.o.	24196746	Praha	Czech Republic	100
Scania Danmark A/S	DK17045210	Ishøj	Denmark	100
Scania Danmark Ejendom Aps	33156332	Ishøj	Denmark	100
Scania Eesti AS	10238872	Tallinn	Estonia	100
Scania Real Estate Finland Oy	2559582-1	Helsinki	Finland	100
Scania Real Estate Holding Oy	2566377-5	Helsinki	Finland	100
Scania Suomi Oy	0202014-4	Helsinki	Finland	100
SOE Busproduction Finland Oy	26121679	Lahti	Finland	100
Scania France S.A.S.	307166934	Angers	France	100
Scania Holding France S.A.S.	403092786	Angers	France	100
Scania IT France S.A.S.	412282626	Angers	France	100
Scania Production Angers S.A.S.	378442982	Angers	France	100
Scania Real Estate France S.A.S.	78961241300011	Angers	France	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 30 – SHARES AND PARTICIPATIONS IN SUBSIDIARIES, CONTINUED

Company	Corporate ID no.	Registered office	Country	% Ownership
Tachy Experts S.A.S	824579163	Angers	France	100
Scania CV Deutschland Holding GmbH	HRB 6077	Koblenz	Germany	100
SCANIA DEUTSCHLAND GmbH	HRB 532	Koblenz	Germany	100
SCANIA Real Estate Deutschland GmbH	HRB 23798	Koblenz	Germany	100
SCANIA Vertrieb und Service GmbH	HRB 20490	Koblenz	Germany	100
Scania West Africa Ltd.	CS450862014	Accra	Ghana	100
Scania Great Britain Ltd.	831017	Milton Keynes	Great Britain	100
Scania Real Estate (UK) Ltd.	7648886	Milton Keynes	Great Britain	100
Griffin Automotive Ltd.	27922106	Road Town	Great Britain	100
Scania Hungaria Kft.	10415577	Biatorbágy	Hungary	100
Scania Real Estate Hungaria Kft.	13-09-159119	Biatorbágy	Hungary	100
Scania Commercial Vehicles India Pvt. Ltd.	U35999KA2011FTC05698	Bangalore	India	100
SST Sustainable Transport Solutions India Private Ltd	U74999MH2017PTC29098	Nagpur	India	99,99
PT Scania Parts Indonesia	AHU-09655.40.10.2014	Balikpapan	Indonesia	100
Italscania S.p.A.	11749110158	Trento	Italy	100
Scania Commerciale S.p.A.	IT 01184460226	Trento	Italy	100
Scania Milano S.p.A.	IT 02170120220	Trento	Italy	100
N.W.S. S.r.L.	IT 1541500227	Trento	Italy	52,50
Scania Japan Ltd.	0104-01-083452	Tokyo	Japan	100
Scania Central Asia LLP	84931-1910-TOO	Almaty	Kazakhstan	100
Scania East Africa Ltd.	PO51426902Z	Nairobi	Kenya	100
Scania Real Estate Kenya Ltd.	PVT-XYUME96	Nairobi	Kenya	100
Scania Latvia SIA	50003118401	Riga	Latvia	100
UAB Scania Lietuva	123873025	Vilnius	Lithuania	100
Scania Luxembourg S.A.	B53.044	Münsbach	Luxembourg	100
Scania Real Estate Holding Luxembourg S.àr.l	B160795	Münsbach	Luxembourg	100
Scania Makedonija d.o.o.e.l	7027532	Ilinden	North Macedonia	100
Scania (Malaysia) Sdn. Bhd.	518606-D	Shah Alam	Malaysia	100
Scania Comercial, S.A. de C.V.	SCO031124MF5	Queretaro	Mexico	100
Scania Servicios, S.A. de C.V.	SSE031124MF5	Queretaro	Mexico	100
Scania Maroc S.A.	06100472	Casablanca	Morocco	100
Scania Moçambique, S.A.	100453150	Beira	Mozambique	100
Scania Crna Gora d.o.o	50950351	Danilovgrad	Montenegro	100
Scania Namibia (Pty) Ltd.	2004/438	Windhoek	Namibia	100
Scania New Zealand Limited	9429047066823	Wellington	New Zealand	100
Norsk Scania A/S	879263662	Oslo	Norway	100
Norsk Scania Eiendom A/S	996036545	Oslo	Norway	100

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania del Perú S.A.	20101363008	Lima	Peru	100
Scania Polska S.A.	KRS0000091840	Nadarzyn	Poland	100
Scania Real Estate Polska Sp.z o.o.	435941	Nadarzyn	Poland	100
Scania Production Slupsk S.A.	KRS0000083601	Slupsk	Poland	100
Scania Power Polska Sp. z o.o.	517301	Warszawa	Poland	100
Scania Portugal Unipessoal Lda.	PT502929995	Santa Iria de Azóia	Portugal	100
Scania Investimentos Imobiliários S.A.	PT508948118	Vialonga	Portugal	100
Scania Real Estate Romania S.R.L.	J23/2019/29.07.2011	Ciorogârla	Romania	100
Scania Romania S.R.L.	J23/588/27.04.2004	Ciorogârla	Romania	100
OOO Scania Service	1035006456044	Golitsino	Russia	100
OOO Scania-Rus	1025004070079	Golitsino	Russia	100
OOO Scania Peter	1027804908372	St. Petersburg	Russia	100
Scania Senegal SUARL	SN.DKR.2018.B.25840	Dakar	Senegal	100
Scania Srbija d.o.o.	17333321	Krnjesevci	Serbia	100
Scania Singapore Pte. Ltd.	200309593R	Singapore	Singapore	100
Scania Real Estate Slovakia s.r.o.	44767668	Senec	Slovakia	100
Scania Slovakia s.r.o.	35826649	Senec	Slovakia	100
Scania Slovenija d.o.o.	1124773	Ljubljana	Slovenia	100
Scania South Africa Pty Ltd.	1995/001275/07	Aeroton	South Africa	100
Scania Korea Group Ltd.	110111-5304681	Seoul	South Korea	100
Scania Hispania Holding S.L.	B82853938	San Fernando de Henares	Spain	100
Scania Hispania S.A.	A59596734	San Fernando de Henares	Spain	100
Scania Real Estate Hispania, S.L.U.	B36682003	San Fernando de Henares	Spain	100
SLA Treasury Spain S.L.U	B67626788	Barcelona	Spain	100
Scania Schweiz AG	CH-020.3.926.624-8	Kloten	Switzerland	100
Scania Real Estate Schweiz AG	CH-020.3.035.714-4	Kloten	Switzerland	100
Scania Tanzania Ltd.	39320	Dar es Salaam	Tanzania	100
Power Vehicle Co. Ltd.	01055547132895	Bangkok	Thailand	100
Scan Siam Service Co. Ltd.	0105545023525	Bangkok	Thailand	100
Scania Siam Co Ltd.	0105543060121	Bangkok	Thailand	100
Scania Thailand Co Ltd.	0105534098031	Bangkok	Thailand	100
Scania Group (Thailand) Co., Ltd.	0115560001383	Smutprakarn	Thailand	100
Scania Manufacturing (Thailand) Co., Ltd.	0115560001375	Smutprakarn	Thailand	100
Scania Nederland B.V.	27136821	Breda	The Netherlands	100
Scania Real Estate The Netherlands B.V.	50687921	Breda	The Netherlands	100
Scania Production Meppel B.V.	05046846	Meppel	The Netherlands	100
Scania IT Nederland B.V.	05062402	Zwolle	The Netherlands	100
Scania Logistics Netherlands B.V.	56552793	Zwolle	The Netherlands	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 30 – SHARES AND PARTICIPATIONS IN SUBSIDIARIES, CONTINUED

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania Production Zwolle B.V.	05020370	Zwolle	The Netherlands	100
Scania Middle East FZE	150175	Dubai	The United Arab Emirates	100
TOV Kyiv-Scan	35706433	Kyiv	Ukraine	100
TOV Scania Ukraine	30107866	Kyiv	Ukraine	100
TOV Scania-Lviv	37497108	Lviv	Ukraine	100
TOV Donbas-Scan-Service	34516735	Makijivka	Ukraine	100
Scania USA Inc.	06-1288161	San Antonio/TX	United States	100
Scania Holding Inc.	4019619	Wilmington	United States	100
Scanexpo International S.A.	21.490591.0012	Montevideo	Uruguay	100
Scania de Venezuela S.A.	J-30532829-3	Valencia	Venezuela	100
Financial Services				
Scania Credit AB	556062-7373	Södertälje	Sweden	100
Scania Finance Holding AB	556548-4697	Södertälje	Sweden	100
Scania Finans AB	556049-2570	Södertälje	Sweden	100
Scania Credit Argentina S.A.U	30717023990	Buenos Aires	Argentina	100
Scania Finance Australia Pty Ltd.	609637596	Melbourne	Australia	100
Scania Leasing Österreich GmbH	FN246699v	Brunn am Gebirge	Austria	100
Scania Österreich Holding GmbH	FN 316321 d	Brunn am Gebirge	Austria	100
Scania Finance Belgium N.V.	BE0413.545.048	Neder-Over-Heembeek	Belgium	100
Scania Administradora de Consórcios Ltda.	96.479.258/0001-91	Cotia	Brazil	99.99
Scania Banco S.A.	CNPJ11.417.016/00011	São Bernardo do Campo	Brazil	100
Scania Corretora de Seguros Ltda.	CNPJ11.513.179/00105	São Bernardo do Campo	Brazil	100
Scania Finance Bulgaria EOOD	BG175108126	Sofia	Bulgaria	100
Scania Finance Chile S.A.	76.574.810-0	Santiago de Chile	Chile	100
Scania Financial Leasing (China) Co Ltd.	41000002201903280018	Shanghai	China	100
Scania Finance Colombia S.A.S.	901197448	Bogotá	Colombia	100
Scania Credit Hrvatska d.o.o.	80516047	Lucko	Croatia	100
Scania Finance Czech Republic spol. s r.o.	CZ25657496	Prague	Czech Republic	100
Scania Finance France S.A.S.	350890661	Angers	France	100
Scania Location S.A.S.	402496442	Angers	France	100
Scania Finance Deutschland GmbH	HRB 3917	Koblenz	Germany	100
Scania Versicherungsvermittlung GmbH	HRB 22831	Koblenz	Germany	100
Scania Finance Great Britain Ltd.	2173954	London	Great Britain	100
Scania Finance Magyarország Zrt.	13-10-040959	Biatorbágy	Hungary	100
Scania Lízing Kft.	13-09-107823	Biatorbágy	Hungary	100
Scania Finance Ireland Ltd.	482137	Dublin	Ireland	100
Scania Finance Israel Ltd	515988814	Ashdod	Israel	100
Scania Finance Italy S.p.A.	03333020158	Milano	Italy	100
Scania Finance Luxembourg S.A.	B0082907	Münsbach	Luxembourg	100
Scania Credit (Malaysia) Sdn. Bhd.	1011611-H	Shah Alam	Malaysia	100
Scania Finance Mexico, S.A. de C.V. SOFOM, E.N.R.	NPR19158-4	Querétaro	Mexico	100
Scania Finance New Zealand Limited	7857037	Auckland	New Zealand	100
Scania Services del Perú S.A.	20392923277	Lima	Peru	100
Scania Finance Polska Sp.z.o.o.	0000036594	Stara Wies	Poland	100
Scania Insurance Polska Sp.z o.o.	0000478529	Stara Wies	Poland	100
Scanrent – Alguer de Viaturas sem Condutor, S.A.	502631910	Santa Iria de Azóia	Portugal	100
Scania Credit Romania IFN S.A.	J23/1818/2005	Ciorogârla	Romania	100
Scania Regional Agent de Asigurare S.R.L.	J23/534/2011	Ciorogârla	Romania	100
Scania Rent Romania S.R.L.	J23/1669/2008	Ciorogârla	Romania	100
OOO Scania Finance	1045005504774	Moscow	Russia	100
OOO Scania Leasing	1027700203970	Moscow	Russia	100
OOO Scania Strachovanie	1127747003097	Moscow	Russia	100
Scania Leasing RS d.o.o.	21401625	Krnjesevci	Serbia	100
Scania Credit Singapore Pte. Ltd.	201816765C	Singapore	Singapore	100
Scania Finance Slovak Republic s.r.o.	43874746	Senec	Slovakia	100
Scania Leasing d.o.o.	356417700	Ljubljana	Slovenia	100
Scania Credit Solutions Pty Ltd.	2009/016998/07	Aeroton, Gauteng	South Africa	100
Scania Finance Southern Africa (Pty) Ltd.	2000/025215/07	Aeroton, Guateng	South Africa	100
Scania Finance Korea Ltd.	195411-0007994	Chung-Ang	South Korea	100
Scania Commercial Vehicles Renting S.A.	A82853995	San Fernando de Henares	Spain	100
Scania Finance Hispania EFC S.A.	A82853987	San Fernando de Henares	Spain	100
Scania Finance Schweiz AG	CH-020.3.029.627-6	Kloten	Switzerland	100
Scania Credit Taiwan Ltd.	54330725	Taipeh	Taiwan	100
Scania Siam Leasing Co. Ltd.	0105550082925	Bangkok	Thailand	100
Scania Finance Nederland B.V.	3446773	Breda	The Netherlands	100
Scania Insurance Nederland B.V.	1745773	Middelharnis	The Netherlands	100
TOV Scania Credit Ukraine	33052443	Kyiv	Ukraine	100

Dormant companies are not included.

PARENT COMPANY FINANCIAL STATEMENTS, SCANIA AB

Income statement

January–December, SEK m.	Note	2021	2020
Administrative expenses		–	–
Operating income		–	0
Financial income and expenses		6,000	–
Income after financial items		6,000	0
Income before taxes		6,000	0
Taxes		–	–
Net income		**6,000**	**0**

Statement of other comprehensive income

January–December, SEK m.	2021	2020
Net income	6,000	0
Other comprehensive income	–	0
Total comprehensive income	**6,000**	**0**

Balance sheet

31 December, SEK m.	Note	2021	2020
Assets			
Financial non-current assets			
Shares in subsidiaries	1	8,435	8,435
Current assets			
Due from subsidiaries	2	9,501	6,201
Due from parent company		208	–
Total assets		**18,144**	**14,636**
Shareholders' equity	3		
Restricted equity			
Share capital		2,000	2,000
Statutory reserve		1,120	1,120
Unrestricted shareholders' equity			
Retained earnings		9,024	11,516
Net income		6,000	0
Total shareholders' equity		**18,144**	**14,636**
Current liabilities			
Interest-bearing liabilities		0	0
Total equity and liabilities		**18,144**	**14,636**

PARENT COMPANY FINANCIAL STATEMENTS, SCANIA AB, CONTINUED

Statement of changes in equity

2021 (SEK m.)	Restricted equity: Share capital	Restricted equity: Statutory reserve	Unrestricted shareholders' equity	Total
Equity, 1 January	2,000	1,120	11,516	14,636
Total comprehensive income for the year	–	–	6,000	6,000
Capital contribution	–	–	208	208
Dividend	–	–	–2,700	–2,700
Equity, 31 December 2021	**2,000**	**1,120**	**15,024**	**18,144**

2020 (SEK m.)	Restricted equity: Share capital	Restricted equity: Statutory reserve	Unrestricted shareholders' equity	Total
Equity, 1 January	2,000	1,120	11,516	14,636
Total comprehensive income for the year	–	–	0	0
Dividend	–	–	–	–
Equity, 31 December 2020	**2,000**	**1,120**	**11,516**	**14,636**

Cash flow statement

January–December, SEK m.	Note	2021	2020
Operating activities			
Income after financial items	4	6,000	0
Items not affecting cash flow		–	–
Taxes paid		–	–
Cash flow from operating activities before change in working capital		**6,000**	**0**
Cash flow from change in working capital			
Receivable subsidiaries		–3,300	–
Receivable parent company		–208	–
Cash flow from operating activities		**2,492**	**0**
Investing activities			
Shareholders' contribution paid		–	–
Cash flow from investing activities		**–**	**–**
Total cash flow before financing activities		**–**	**–**
Financing activities		**–**	**–**
Shareholders' contribution received		208	–
Dividend paid		–2,700	–
Cash flow from financing activities		**2,492**	**–**
Cash flow for the year		**0**	**0**
Cash and cash equivalents, 1 January		**0**	**0**
Cash and cash equivalents, 31 December		**0**	**0**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Amounts in the tables are reported in millions of Swedish kronor (SEK m.), unless otherwise stated. A presentation of the Parent Company's accounting principles is found in Note 1 to the consolidated financial statements. Taking into account that the operations of the Parent Company consists exclusively of share ownership in Group companies, aside from the notes below, the Scania Group's Report of the Directors and notes otherwise apply where appropriate.

NOTE 1 – SHARES IN SUBSIDIARIES

Subsidiary / Corporate ID number/registered office	Ownership, %	Thousands of shares	Carrying amount 2021	Carrying amount 2020
Scania CV AB, 556084-0976, Södertälje	100.0	1,000	8,435	8,435
Total			**8,435**	**8,435**

Scania CV AB is a public company and parent company of the Scania CV Group, which includes all production, sales and service and finance companies in the Scania AB Group.

NOTE 2 – DUE FROM SUBSIDIARIES

	2021	2020
Current interest-bearing receivable from Scania CV AB	9,501	6,201
Total	**9,501**	**6,201**

The receivables are in SEK, so there is no currency risk.

NOTE 3 – EQUITY

For changes in equity, see the equity report.

Under Swedish law, **equity** shall be allocated between non-distributable (restricted) and distributable (unrestricted) funds.

Restricted equity consists of share capital plus statutory reserve. Scania AB has 400,000,000 Series A shares outstanding with voting rights of one vote per share and 400,000,000 Series B shares outstanding with voting rights of 1/10 vote per share. A and B shares carry the same right to a portion of the company's assets and profit. The nominal value of both A and B shares is SEK 2.50 per share. All shares are fully paid and no shares are reserved for transfer of ownership. No shares are held by the company itself or its subsidiaries.

NOTE 4 – CASH FLOW STATEMENT

Interest received was SEK 0 m. (0).

NOTE 5 – CONTINGENT LIABILITIES

	2021	2020
Loan guarantees on behalf of borrowings in Scania CV AB	64,332	75,541
Total	**64,332**	**75,541**

NOTE 6 – SALARIES AND REMUNERATION TO BOARD OF DIRECTORS, EXECUTIVE OFFICERS AND AUDITORS

The Board of Directors, the President and CEO of Scania AB and the other executive officers hold identical positions in Scania CV AB. Wages, salaries and other remuneration are paid by Scania CV AB. The reader is therefore referred to the notes to the consolidated financial statements: Note 23, "Wages, salaries and other remuneration and number of employees" and Note 25, "Compensation to executive officers." Compensation of SEK 0 (10,000) was paid to EY as auditors with respect to the Parent Company.

NOTE 7 – TRANSACTIONS WITH RELATED PARTIES

The sole shareholder of Scania AB is TRATON SE who owns and controls 100 percent of the shares in Scania. TRATON SE is a subsidiary of Volkswagen AG and is listed on the Frankfurt Stock Exchange and the Nasdaq Stockholm Stock Exchange. Both Scania and TRATON are members of the Volkswagen Group.

The consolidated Annual Report of Scania's foreign parent company is available on the website www.volkswagenag.com.

Transactions with related parties consist of dividends paid and share holders contribution received to and from TRATON SE. Dividends decided in 2021 amounted to SEK 2,700 m. (–) to TRATON SE. Received shareholders contribution in 2021 amounted to SEK 208 (–).

PROPOSED DISTRIBUTION OF EARNINGS

The Board of Directors proposes to the 2022 Annual General Meeting that an amount of SEK 3,588 m. as ordinary dividend, which represents 50 percent of the net income SEK 7,176 m. for 2021, to be distributed to the shareholders as cash dividend.

Amounts in SEK m.	
Retained earnings	9,024
Net income for the year	6,000
Other comprehensive income for the year	–
Total	**15,024**

Shall be distributed as follows:	
To the shareholders, a dividend of SEK m.	3,588
To be carried forward	11,436
Total	**15,024**

After implementing the proposed distribution of earnings, the equity of the Parent Company, Scania AB, is as follows:

Amounts in SEK m.	
Share capital	2,000
Statutory reserve	1,120
Retained earnings	11,436
Total	**14,556**

The undersigned certify that the consolidated accounts and the annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted for use in the European Union, and generally accepted accounting principles respectively, and give a true and fair view of the financial positions and results of the Group and the Parent Company, and that the Report of the Directors for the Group and the Parent Company gives a true and fair review of the development of the operations, financial positions and results of the Group and the Parent Company and describes substantial risks and uncertainties faced by the companies in the Group. The Annual Report also contains the Group's and Parent Company's sustainability reporting in accordance with the Swedish Annual Accounts Act, Chapter 6, Section 11, see page 54, and the Sustainability Report in accordance with the Global Reporting Initiative, GRI, see the GRI index on pages 154–158. The annual accounts and the consolidated financial statements and the Group's and Parent Company's sustainability reporting were approved for issuance by the Board of Directors on 10 March 2022 The consolidated income statement and balance sheet and the Parent Company income statement and balance sheet will be subject to adoption by the Annual General Meeting on 5 May 2022.

Södertälje, 10 March 2022

Christian Levin
Board member
President and CEO

Annette Danielski
Chairman of the Board

Gunnar Kilian
Board member

Julia Kuhn-Piëch
Board member

Nina Macpherson
Board member

Christian Porsche
Board member

Mark Philipp Porsche
Board member

Stephanie Porsche-Schröder
Board member

Lilian Fossum Biner
Board member

Peter Wallenberg Jr
Board member

Mari Carlquist
Board member
Employee Representative

Lisa Lorentzon
Board member
Employee Representative

Mikael Johansson
Board member
Employee Representative

Michael Lyngsie
Board Member
Employee Representative

Our Audit Report was submitted on 11 March 2022
Ernst & Young AB

Heléne Siberg Wendin
Authorised Public Accountant

AUDITOR'S REPORT

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

To the general meeting of the shareholders of Scania AB (publ), corporate identity number 556184-8564

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts of Scania AB (publ) for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 40–126 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters
Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor´s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements. The provision for risks from EU antitrust proceedings also affect the parent company.

AUDITOR'S REPORT, CONTINUED

Key Audit Matters, the Group

Provision from EU antitrust proceedings

Description of the matter	How this matter has been reflected in the audit
In September 2017, the EU Commission issued a decision holding Scania liable for an infringement of the competition law in the form of a cartel for price coordination and alleged exchange of information. According to the decision Scania was imposed to pay a fine totaling EUR 880.5 million. Scania appealed this decision in December 2017 to the European Court of Justice and provided a bank guarantee as cash-backed security until the verdict has been reached. In February 2022, the European Court of Justice rejected Scania´s appeal and upheld the EU Commission´s fine. As of December 31, 2021, Scania has accounted for a provision corresponding to the entire fine amounting to SEK 9,029 million (EUR 880.5 million) and accrued interest amounting to SEK 543 million (EUR 52.8 million), which overall results in a total provision of SEK 9,572 million. Disclosures regarding provision of the EU antitrust proceedings are set out in; Note 2, Key judgements and estimates, Note 17, Other provisions and Note 29, Events after the reporting period. As a result of the material amount and the complexity of the case, we have assessed this as a Key Audit Matter in our audit.	As part of our audit procedures, we have evaluated the company´s process for managing the EU Commission´s investigation, the verdict of the European Court of Justice as of February 2, 2022, and the company´s process for valuation and accounting of the related provision. We have reviewed the material estimates and assumptions made by the company in connection with the valuation of the provision. Our audit procedures have included a rewiew of the verdict of the European Court of Justice, information from the company´s internal lawyers and assessments from the company's external legal advisors. Furthermore, we have discussed and evaluated the estimates and assessments based on current developments including the verdict from the European Court of Justice together with the company´s management and internal lawyers. We have also assessed the appropriateness of the disclosures presented in the annual report.

Revenue recognition for vehicles delivered with residual value commitment and allocation of revenue for service contracts

Description of the matter	How this matter has been reflected in the audit
Scania is a global group operating in several geographic markets and with multiple different customer offerings, which include sales with repurchase commitments as well as service contracts. For vehicles that Scania deliver with repurchase commitments, the Group's revenues during the year amounted to SEK 18,467 million. The revenue is recognized over the contracted duration of the commitment, in that control remains with Scania. Assessments and estimates are required for Scania to determine the value of the repurchase commitment and thus also the revenue to be recognized over time. For service and repair contracts, revenues are recognized as the work is performed, based on costs incurred in relation to total estimated costs. This requires management's assessment and estimate in terms of the time of completion and the total estimated cost. Scania has in its accounting manual developed instructions and models for how revenues should be recognized over time for these transactions with customers. Disclosure of Accounting policies are set out in Note 1, Key judgements and estimates in Note 2, Other provisions in Note 17 and Accrued costs and deferred income in Note 18. Due to the material amounts and the need for significant estimates and assessments by the company to evaluate and account for repurchase commitments and service contracts, we have assessed this as a Key Audit Matter in our audit.	In our audit, we have assessed the company's processes for revenue recognition. Furthermore, we have evaluated the accounting principles applied based on current accounting standards and reviewed whether the accounting policies have been applied consistently throughout the Group. We have reviewed the company's material assumptions and assessments in the calculation models applied within the Group. Our work includes, but is not limited to, the following audit procedures: • Tested the models for clerical accuracy and assessed the assumptions/estimates used to recognize revenues over time. • Tested the model against underlying contracts and tested the completeness of the model. • Reconciliation to carrying amounts on the associated income statements and balance sheets. We have also assessed the appropriateness of the disclosures made in the annual report.

AUDITOR'S REPORT, CONTINUED

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 01–39 and 131–163. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor´s responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

AUDITOR'S REPORT, CONTINUED

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Scania AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor´s responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Göteborg, 11 March 2022
Ernst & Young AB

Heléne Siberg Wendin
Authorized Public Accountant

KEY FINANCIAL RATIOS AND FIGURES

Scania presents certain performance measures that are used to explain relevant trends and performance of the Group, of which not all are defined under IFRS. As these performance measures are not uniformly defined by all companies, these are not always comparable with the measures used by other companies. These performance measures should therefore not be viewed as substitutes for IFRS-defined measures. The following are the performance measures used by Scania that are not defined under IFRS, unless otherwise stated.

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Scania Group										
Operating margin, % [3]	7.7	7.1	11.5	10.1	10.1	6.1	10.2	9.5	9.7	10.4
– excl. items affecting comparability [2,3]	11.3	7.1	11.5	10.1	10.1	9.7	10.2	9.5	9.7	10.4
Equity/assets ratio, %	26.5	26.1	25.5	27.1	28.3	26.0	26.8	31.4	31.2	30.6
Net debt, excl. provisions for pensions, SEK m. [1,4]	70,125	63,356	75,799	63,351	51,581	49,788	42,183	35,780	34,696	31,591
Net debt/equity ratio [1,4]	1.03	1.03	1.24	1.17	1.03	1.18	1.11	0.86	0.93	0.90
Vehicles and Services										
Operating margin, % [3]	6.4	6.4	10.8	9.3	9.3	5.2	9.1	8.4	8.9	9.7
– excl. items affecting comparability [2,3]	10.1	6.4	10.8	9.3	9.3	8.8	9.1	8.4	8.9	9.7
Capital turnover rate, times	1.90	1.71	2.24	2.44	2.45	2.31	1.99	2.18	2.15	2.02
– excl. items affecting comparability [2]	1.80	1.62	2.11	2.28	2.28	2.21	1.99	2.18	2.15	2.02
Return on capital employed, % [3]	14.0	12.9	25.4	24.1	24.4	14.0	19.3	19.9	20.9	21.4
– excl. items affecting comparability [2,3]	19.9	12.2	24.0	22.6	22.7	21.4	19.3	19.9	20.9	21.4
Return on operating capital, % [3]	20.3	17.3	33.2	31.3	32.5	15.6	25.6	24.5	26.0	27.1
– excl. items affecting comparability [2,3]	29.2	16.0	30.8	28.6	29.3	25.2	25.6	24.5	26.0	27.1
Net debt, excl. provisions for pensions, SEK m. [1,4]	–25,520	–21,824	–17,057	–16,926	–17,058	–10,954	–7,579	–12,139	–8,019	–8,026
Net debt/equity ratio [1,4]	–0.43	–0.39	–0.32	–0.34	–0.29	–0.31	–0.24	–0.35	–0.25	–0.27
Financial Services										
Operating margin, %	2.1	1.1	1.6	1.7	1.8	1.6	1.9	1.9	1.5	1.4
Equity/assets ratio, %	10.7	9.7	9.4	8.9	9.0	9.0	9.8	11.5	10.4	10.3

1 Net debt (+) and net cash position (–).
2 Adjusted for the provision for the EU Truck case, see Note 2.
3 2017 years figures have been adjusted as a result of the changes in income statement made in 2018.
4 2018 years figures have been adjusted as a result of the changes due to alignment with Volkswagen regarding presentation of cash flow 2019.

KEY FINANCIAL RATIOS AND FIGURES, CONTINUED

Scania Group

Net debt, excluding provision for pensions [4]	2021	2020
Assets		
Current investments	386	54
Cash and cash equivalents	29,262	32,268
Borrowing Volkswagen Group	2	4
Accrued interest current investments	–14	–1
	29,636	**32,325**
Liabilities		
Interest-bearing liabilities, non-current	62,192	53,564
Interest-bearing liabilities, current	37,953	42,478
Accrued interest, Interest-bearing liabilities	–383	–361
	99,762	**95,681**
Net debt	**70,125**	**63,356**

Vehicles and Services

Net debt, excluding provision for pensions [4]	2021	2020
Assets		
Current investments	2,779	54
Cash and cash equivalents	28,280	31,535
Accrued interest current investment	–13	0
	31,046	31,589
Liabilities		
Interest-bearing liabilities, non-current	4,430	3,837
Interest-bearing liabilities, current	1,096	5,928
	5,526	9,765
Net debt	**–25,520**	**–21,824**

Capital Employed [2]	2021	2020
Total assets	158,862	153,428
– other non-current provisions + current provisions [2]	7,440	6,703
– other liabilities	72,052	71,499
– net derivatives	823	965
Capital Employed	**78,546**	**74,261**

KEY FINANCIAL RATIOS AND FIGURES, CONTINUED

VEHICLES AND SERVICES, CONTINUED

Operating Capital [2]	2021	2020
Total assets	158,862	153,428
Cash and Cash equivalents	29,517	25,600
Operating liabilities		
– other non-current provisions + current provisions [2]	7,440	6,703
– other liabilities	72,052	71,499
– net derivatives	823	965
Operating Capital [2]	**49,030**	**48,661**

Return on Capital Employed [2]	2021	2020
Operating income [2]	14,329	7,764
Financial income	1,305	1,310
Capital employed [2]	78,546	74,261
Return on Capital Employed [2]	**19.9**	**12.2**

Capital turnover	2021	2020
Net sales	141,305	120,590
Capital employed [2]	78,546	74,261
Capital turnover	**1.80**	**1.62**

Return on operating capital [2]	2021	2020
Operating income [2]	14,329	7,764
Operating capital [2]	49,030	48,661
Return on operating capital [2]	**29.2**	**16.0**

Financial Services

Operating margin	2021	2020
Operating income	2,194	1,123
Average portfolio	102,146	99,607
Operating margin	**2.1%**	**1.1%**

Equity/asset ratio %	2021	2020
Equity	12,166	9,631
Assets	114,231	99,637
Equity/asset ratio %	**10.7%**	**9.7%**

DEFINITIONS

Operating margin
Operating income as a percentage of net sales.

Net margin
Net profit for the year as a percentage of net sales.

Equity/assets ratio
Total equity as a percentage of total assets on each respective balance sheet date.

Net debt, net cash excluding provision for pensions
Current and non-current interest borrowings (excluding pension liabilities) less cash and cash equivalents, current investments and non-current intra-group loans to Volkswagen entities.

Net debt/equity ratio
Net debt, net cash as a percentage of total equity.

Capital employed
Total assets minus operating liabilities. [1]

Operating capital
Total assets minus cash, cash equivalents and operating liabilities. [1]

Capital turnover
Net sales divided by capital employed. [1]

Return on capital employed
Operating income plus financial income as a percentage of capital employed. [1]

Return on operating capital
Operating income as a percentage of operating capital. [1]

Operating margin, Financial Services
Operating income as a percentage of average portfolio.

1 Calculations are based on average capital employed and operating capital for the 13 most recent months.

Geographic areas

Europe: Albania, Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Montenegro, The Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom.

Eurasia: Belarus, Georgia, Kazakhstan, Russia, Ukraine.

Asia: Bahrain, Bangladesh, Bhutan, Brunei, China, Hong Kong, India, Indonesia, Iran, Iraq, Israel, Japan, Jordan, Kuwait, Laos, Lebanon, Malaysia, Mongolia, Myanmar, Oman, Pakistan, Philippines, Qatar, Saudi Arabia, Singapore, South Korea, Sri Lanka, Syria, Taiwan, Thailand, Turkey, the United Arab Emirates, Vietnam, Yemen.

America: Argentina, Barbados, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Trinidad and Tobago, the United States, Uruguay, Venezuela.

Africa and Oceania: Algeria, Angola, Australia, Botswana, Burkina Faso, Egypt, Ethiopia, Ghana, Guinea, Ivory Coast, Kenya, Mali, Morocco, Mozambique, Namibia, New Caledonia, New Zealand, Nigeria, Rwanda, Senegal, South Africa, Sudan, Tanzania, Tunisia, Uganda, Zambia, Zimbabwe.

MULTI-YEAR STATISTICAL REVIEW

SEK m. unless otherwise stated	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Delivery value by market area										
Europe	88,313	80,349	105,404	91,583	78,869	73,363	65,100	53,211	46,712	43,490
Eurasia	9,840	6,671	8,162	9,003	7,081	3,291	2,623	5,319	6,047	5,966
America [1]	23,712	17,216	22,267	17,357	14,348	10,746	11,799	17,648	23,552	18,391
Asia	13,863	13,556	12,813	14,922	16,708	13,187	13,044	12,155	7,758	7,853
Africa and Oceania	10,921	8,451	10,872	9,854	8,927	8,358	7,991	6,952	5,925	5,796
Adjustment for lease income [2]	–503	–1,118	–7,099	–5,593	–2,567	–5,018	–5,660	–3,234	–3,146	–1,894
Total	**146,145**	**125,125**	**152,419**	**137,126**	**123,366**	**103,927**	**94,897**	**92,051**	**86,847**	**79,603**
Operating income										
Vehicles and Services	9,100	7,764	15,977	12,392	11,160	5,309	8,601	7,705	7,736	7,694
– adjusted for items affecting comparability [3]	14,329	7,764	15,977	12,392	11,160	9,109	8,601	7,705	7,736	7,694
Financial Services	2,194	1,123	1,511	1,440	1,274	1,015	1,040	1,016	719	606
Total	**11,294**	**8,887**	**17,488**	**13,832**	**12,434**	**6,324**	**9,641**	**8,721**	**8,455**	**8,300**
Operating margin, %										
Vehicles and Services	6.4	6.4	10.8	9.3	9.3	5.2	9.1	8.4	8.9	9.7
– adjusted for items affecting comparability [3]	10.1	6.4	10.8	9.3	9.3	8.8	9.1	8.4	8.9	9.7
Total [4]	**7.7**	**7.1**	**11.5**	**10.1**	**10.1**	**6.1**	**10.2**	**9.5**	**9.7**	**10.4**
Net financial items	–478	–1,060	–1,012	–513	–352	–361	–532	–399	–47	–19
Net income	7,176	5,400	12,384	9,734	8,705	3,243	6,753	6,009	6,194	6,640
– adjusted for items affecting comparability [3]	12,655	5,400	12,384	9,734	8,705	7,043	6,753	6,009	6,194	6,640

1 Refers mainly to Latin America.
2 The adjustment amount consists of the difference between sales value based on delivery and revenue recognised as income. This difference arises when a lease or delivery is combined with a residual value guarantee or a repurchase obligation. Significant risks remain, therefore recognition is based on an operating lease contract. This means that recognition of revenue and earnings is allocated based on the term of the obligation. See also Note 3.
3 Adjusted for the provision of SEK 3,800 m. recognised in 2016 relating to the EU investigation, see Note 2.
4 Includes Financial Services.

MULTI-YEAR STATISTICAL REVIEW, CONTINUED

SEK m. unless otherwise stated	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Specification of research and development expenses										
Expenditures	–7,458	–6,528	–7,245	–7,602	–6,682	–7,199	–7,043	–6,401	–5,854	–5,312
Capitalisation	1,986	1,624	1,788	1,996	1,367	1,682	1,863	1,454	1,123	860
Amortisation	–939	–744	–706	–728	–454	–387	–393	–357	–293	–229
Research and development expenses	**–6,411**	**–5,648**	**–6,162**	**–6,334**	**–5,769**	**–5,904**	**–5,573**	**–5,304**	**–5,024**	**–4,681**
Net investments through acquisitions/divestments of businesses	45	27	0	–2	32	0	125	154	26	–25
Net investments in non-current assets	8,664	8,131	7,518	7,139	5,905	7,864	7,612	5,561	5,294	4,480
Portfolio, Financial Services operations	108,583	95,433	103,781	89,166	77,028	67,935	56,486	55,556	48,863	45,038
Cash flow, Vehicles and Services	5.688	9,180	10,994	3,718	5,696	3,427	4,376	4,690	3,231	3,025
Inventory turnover rate, times [5]	5.9	5.0	5.2	5.2	5.4	5.4	5.3	5.4	5.8	5.4

5 Calculated as net sales divided by average inventory.

MULTI-YEAR STATISTICAL REVIEW, CONTINUED

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Number of vehicles produced										
Trucks	89,528	67,106	89,276	92,679	87,454	75,452	72,382	75,287	75,957	60,647
Buses	3,190	5,430	7,719	8,696	8,327	8,488	6,964	6,921	6,897	6,283
Total	**92,718**	**72,536**	**96,995**	**101,375**	**95,781**	**83,940**	**79,346**	**82,208**	**82,854**	**66,930**
Number of trucks delivered by market area										
Europe	42,365	36,747	58,851	52,016	48,436	49,102	43,082	34,008	32,625	27,720
Eurasia	7,724	5,148	5,763	8,006	6,748	3,233	2,583	5,964	6,260	6,798
America	21,201	12,173	14,905	12,725	9,701	7,022	8,118	16,150	23,756	15,391
Asia	9,649	9,072	7,703	10,464	13,175	9,287	11,514	12,889	7,400	8,089
Africa and Oceania	4,991	3,759	4,458	4,784	4,412	4,449	4,465	4,004	3,570	3,053
Total	**85,930**	**66,899**	**91,680**	**87,995**	**82,472**	**73,093**	**69,762**	**73,015**	**73,611**	**61,051**
Number of buses and coaches delivered by market area										
Europe	1,606	1,827	2,099	2,212	2,009	2,094	1,917	1,361	1,000	1,312
Eurasia	40	84	109	344	365	62	94	105	850	198
America [6]	1,526	2,182	3,422	2,805	2,302	2,350	2,123	2,542	2,778	2,738
Asia	350	582	1,062	2,058	2,821	2,568	1,806	1,620	1,388	1,304
Africa and Oceania	914	511	1,085	1,063	808	1,179	859	1,139	837	798
Total	**4,436**	**5,186**	**7,777**	**8,482**	**8,305**	**8,253**	**6,799**	**6,767**	**6,853**	**6,350**
Total number of vehicles delivered	**90,366**	**72,085**	**99,457**	**96,477**	**90,777**	**81,346**	**76,561**	**79,782**	**80,464**	**67,401**

6 Refers to Latin America.

MULTI-YEAR STATISTICAL REVIEW, CONTINUED

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Number of industrial and marine engines delivered by market area										
Europe	4,846	3,807	4,150	5,968	3,938	3,272	2,664	2,823	2,719	3,664
America	2,719	2,439	2,874	2,667	1,368	1,727	3,180	3,176	2,925	2,582
Other markets	4,221	4,745	3,128	4,174	3,215	2,801	2,641	2,288	1,139	817
Total	**11,786**	**10,991**	**10,152**	**12,809**	**8,521**	**7,800**	**8,485**	**8,287**	**6,783**	**7,063**
Total market for heavy trucks and buses, units										
Europe (EU28) [7]										
Trucks	246,829	231,742	323,357	322,276	303,909	302,527	265,769	223,187	237,325	221,188
Buses	27,283	26,311	34,393	30,632	29,728	29,141	27,928	24,815	22,962	21,813
Number of employees December 31 [8]										
Production and corporate units	28,340	25,825	25,224	25,941	24,298	21,736	20,453	19,304	19,069	17,663
Research and development	5,249	4,229	4,651	4,203	3,908	3,900	3,801	3,671	3,596	3,509
Sales and service companies	19,205	18,896	20,345	20,966	20,166	19,718	19,331	18,395	17,549	16,734
Total Vehicles and Services	**52,794**	**48,950**	**50,220**	**51,110**	**48,372**	**45,354**	**43,585**	**41,370**	**40,214**	**37,906**
Financial Services companies	**1,206**	**1,061**	**1,058**	**993**	**891**	**889**	**824**	**759**	**739**	**691**
Total	**54,000**	**50,011**	**51,278**	**52,103**	**49,263**	**46,243**	**44,409**	**42,129**	**40,953**	**38,597**

7 27 of the European Union member countries (all EU countries except Malta plus Norway and Switzerland).
8 Including employees with temporary contracts and employees on hire.

SUSTAINABILITY REPORT

CONTENTS

Guidance on the sustainability report including audit guidance can be found on page 153.

SUSTAINABILITY MANAGEMENT AND KPIs

At Scania, there is no separate strategy for sustainability. Instead, sustainability is at the core of our business strategy aiming to align our targets and activities with sustainable development. Scania's overarching purpose is to drive the shift towards a sustainable transport system. To achieve this goal, Scania must both do the right things in terms of solutions for sustainable transport but also do things in the right way and act as a responsible business – environmentally, socially and ethically.

Scania's corporate focus areas for sustainability in the coming decade are defined by our social and environmental impact and in dialogue with our stakeholders.

Established in 2016, Scania Sustainability Board is Scania's forum for cross-functional coordination of sustainability, bringing together all parts of the company. It plays a key role to track progress, follow up and act on deviations as part of the business strategy through four identified roadmaps: Internal and supply chain decarbonisation, sustainable transport, people sustainability and circular business.

We measure and follow up on our sustainability performance in relation to set targets. To track our performance, we have developed 18 sustainability indicators linked to our most material areas with connection to impact, risk and the life cycle of our products. The indicators included in this section therefore do not cover all external available Scania sustainability and ESG data. The section is complemented with a table of additional ESG disclosures (page 150).

Risks and opportunities within sustainability are managed and integrated in Scania's ordinary risk process and in some cases supported by separated specific processes for example within purchasing.

During 2020 Scania set science-based targets related to decarbonisation. The science-based targets are part of our corporate targets, and will impact on investment decisions across our business areas, from production and logistics to product development and sales priorities.

Scania's ambition is to always measure the impact from our global operation with a life cycle perspective, including the impact of our products and the impact of our actions across the value chain. This means that we continuously assess and develop what we measure and how we measure.

With this ambition, availability and quality of data can be challenging. Where the scope is limited we aim to expand the collection as the data quality improves. Scope for each indicator is stated in definitions. Performance against all targets is monitored and followed up by Scania management at different levels regularly.

Science-based target – user phase

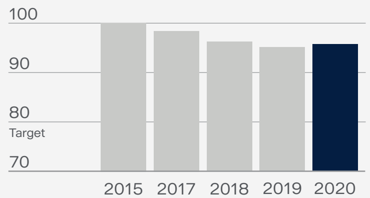
More than 90 percent of the carbon emissions from our business is generated when our products are in use. We are aiming to reach the science-based target for our products by:

- Improving the efficiency of our traditional products and services.
- Shifting to renewable sources of fuel for combustion engines.
- Increasing the share of electrified vehicles, while ensuring that the electricity used comes from renewable sources

We are closely following up on the impact from the user phase including actions taken that is contributing to the journey. Scania's ambition is to measure the well-to-wheel emissions from fuel consumption during the use of its products, taking into account the emissions generated in the production of the fuel or electricity.

CO_2e emissions from product (Science-based target)[1]

%



	%
2020	**95.8**
2019	95.1
2018	96.2
2017	98.4
2015	100.0

The graph shows the journey towards the target of 20 percent CO_2 reduction from products during the user phase. Starting on 100 percent in 2015, we are aiming to reach 80 percent by 2025 at the latest. Currently we are on 95.8 percent, a reduction of just above 4 percent since 2015. The pandemic affected sales in a way that resulted in a decreased market share for regions and segments that traditionally achieve higher CO_2 reductions than others. This led to overall scope 3 emissions increasing, despite reductions within each region and segment. Taking into account the normalisation in the markets post-covid, the roll out and increasing volumes of battery electric vehicles, increased share of renewable fuels in our customers tanks, improved engines and powertrains and more focus on energy efficiency related services, we are expecting to see the rate of reduction accelerate significantly in the coming years.

Target

20%

CO_2 reduction 2015-2025 (CO_2e/km) WtW.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Definitions:

1. Climate emissions indicator, scope 3 category 11 user phase, for all trucks and buses produced by Scania globally in a calendar year, calculated in a well-to-wheel perspective as CO_2e/vehicle-km (intensity target). The graph shows the Scania journey towards the target of 20 percent CO_2e reduction per vehicle km from products during the user phase. For absolute numbers see page 150. Relevant regional conditions that influence, in general common rate of biodiesel blend and different electricity mixes, are taken into account. The emissions are calculated based on operational data from our connected vehicles and service readouts. The baseline is all vehicles produced 2015. Input data is CO_2e/km from operative months within 12 months and starting after the month of production, causing reporting to lag one year. The target is in line with a below 2 degree scenario stated in the Paris agreement according to Science Based Targets initiative.

SUSTAINABILITY MANAGEMENT AND KPIs, CONTINUED

Energy efficiency

Energy efficiency is a core priority for Scania, regardless of fuel type or energy source. Fuel consumption is the number one factor for customers buying a truck or a bus today. Improving energy efficiency plays an important role in helping us reach our science-based target.

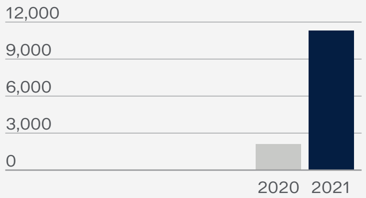
With the launch of our new engine platform, at least eight percent fuel reduction is achieved, a huge milestone in here and now reductions. The fuel reduction was calculated by comparing the new engine platform to the current platform.

Driver performance has a major impact on fuel consumption and therefore on emission levels. We work relentlessly to improve the efficiency of our vehicles and to increase the sales of our related services such as driver evaluation, resulting in emission reduction and safer driving.

As we grow the number of Scania Flexible Maintenance contracts, resource efficiency at our workshops is improved and our customers experience fewer standstills.

With the launch of Scania ProCare this year, we are taking the next step in increasing uptime for our customers, by improving service plannability and predictivity of their vehicles.

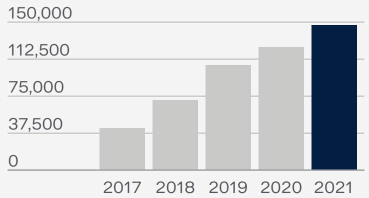
Driver evaluation[2]
No. of active subscriptions



	No. of subscriptions
2021	**11,277**
2020	2,075

Since driver evaluation was launched in 2020 the numbers have gone up dramatically and the end of 2021 Scania landed on 11,277 active subscriptions. The Driver Evaluation service makes hauliers aware of their drivers' behaviours and supplies suggestions on improvement. The drivers can follow their performance in a mobile app.

Scania Flexible Maintenance[3]
No. of active contracts



	No. of active contracts
2021	**146,189**
2020	124,240
2019	106,322
2018	70,622
2017	42,084

In 2021 we continued to grow our Scania Flexible Maintenance contracts, which support customers with service adapted to their vehicle and operations. The growth rate has been well over the expected outcome for 2021 due to COVID-19 situation and the uncertainties when the predictions were made.

Definitions:

2. Number of active subscription Scania vehicles. Data is taken from Fleet Management database where all active subscriptions per market are included.

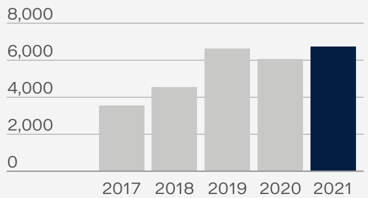
3. Number of active contracts of Scania flexible maintenance, data from 59 markets. Real time data is collected from Fleet Management database.

SUSTAINABILITY MANAGEMENT AND KPIs, CONTINUED

Renewable fuels and electrification

Increasing the use of renewable fuels and sales of electrified vehicles will play a key role in achieving our science-based targets. In order to decrease the use of fossil fuels, renewable fuels must become more available. Scania offers the broadest range of renewable or alternative fuel solutions on the market. All Scania diesel vehicles can be fuelled with HVO biodiesel, without any modifications or limitations. The supply of biomethane – purified biogas – remains a challenge for the transport industry. Although both production and distribution networks are growing, natural gas will continue to contribute to the transition. We will help to accelerate the transition by working closely with partners in the transport ecosystem such as customers, transport buyers, infrastructure providers, fuel providers and decision makers such as regulators and policy makers. Electrification of the transport sector is growing fast. As of today, Scania's electric solutions include hybrid buses and trucks as well as battery-powered electric trucks and buses. The portfolio is set to grow in the coming years. Scania is committed to introduce a broader offer of electrified vehicles every year this decade. Our target is for electric solutions to make up 10 percent of our total vehicles sales volume by 2025 and 50 percent by 2030.

Sales of alternative fuels and electrified vehicles[4]
No. of vehicles



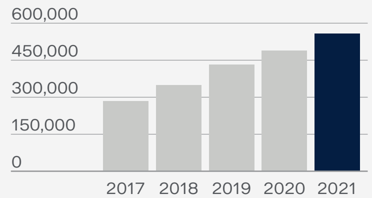
	No. of vehicles
2021	**6,636**
2020	6,063
2019	6,631
2018	4,538
2017	3,543

Increases in sales of gas, FAME, hybrids and battery electric trucks resulted in that the share of alternatives to diesel increased from 5.1 percent to 5.8 of total sales volume. The total bus sales dropped, but despite the lower sales volume we managed to keep the share of alternatives to diesel at 45–50 percent. The decrease of bus sales also resulted in a lower share of alternatives to diesel on the total level, though the truck share and total number of units increased.

Smart and safe transport

Digital technologies are key to making transport smarter, safer and more efficient. Since 2011, all Scania vehicles are equipped with the Scania Communicator as standard. The Communicator collects and analyses data in order for us to provide our customers, and in turn their customers, with insights on how to improve efficiency in the transport value chain. Our connected vehicles are a prerequisite for us to be able to measure our use phase CO_2 impact, develop related services and to be able to understand the true impact of our actions.

Connected vehicles[5]
No. of vehicles



	No. of vehicles
2021	**559,051**
2020	489,113
2019	434,117
2018	349,396
2017	285,956

Customers continued to see the value of connecting their vehicles during 2021 and 64 percent of our ten-year rolling fleet is now connected. This forms a strong basis for our continued efforts in providing customers with smart and safe transports. The growth during the year was, despite challenges with semiconductor components, even stronger than expected and we reached 559,051 connected vehicles by the end of 2021.

Definitions:
4. The number of invoiced products globally, trucks and buses (collected from sales department) with gas, ethanol (ED95), FAME, battery electric vehicles, fuel cell and hybrids. Data from previous years which was based on incomplete information regarding FAME has been corrected.
5. Number of connected Scania vehicles globally (accumulated). Connected trucks and buses are included but not connected engines. Data are collected from the new Quicksight database that enables monthly follow-up.

SUSTAINABILITY MANAGEMENT AND KPIs, CONTINUED

Environmental footprint

To proactively reducing the environmental footprint from the whole value chain by working actively with emission reduction, resource use and energy efficiency is central to Scania's daily operations. Scania's own environmental impact stems from our production processes, our global workshop facilities and our offices. However we also have an indirect environmental impact stemming from the materials that we source to build our products and the logistics required to be a manufacturer.

One part of Scania's strategic sustainability work is within the area of "internal footprint and supply chain decarbonisation", where we have an ongoing work related to Scope 1 and 2 emissions in accordance with the GHG protocol. There is also an active work within decarbonisation of our supply chain focusing on the materials with greatest impact as well as continuously improving the emission from our own logistics. The progress and deviations within the roadmap is continuously followed up and coordinated in the Scania Sustainability Board.

Scania's environmental management system builds on ISO 14001 and is regulated in a global environmental policy. The purpose of the policy is to ensure that Scania operates according to the highest global standard in all relevant environmental areas. Our product development and all our production sites are certified according to ISO 14001. All production sites have permits that comply with national legislation. In addition to legal requirements and the conditions included in these permits, operations may also be subject to local requirements and rules.

Our efforts are based on the precautionary principle and takes a life cycle perspective. Our core value "elimination of waste" guides us in our work to continuously improve our processes in areas such as CO_2 emissions, energy, waste and water. The environmental work shall be integrated into the daily operations and methods with risk management and continuous improvements. We have set one strong CO_2 reduction target that apply to the whole company, approved by the Science Based Targets initiative. By 2025, Scania aims to achieve a 50 percent CO_2 reduction in both our industrial and commercial operations compared to 2015. This is complemented with CO_2 reduction targets related to our logistics, energy and water use as well as the amount of fossil-free electricity in our operations. Scania is also working on decarbonisation roadmaps for the impacts stemming from our hotspot materials or components, aluminium, batteries, steel, plastics and iron.

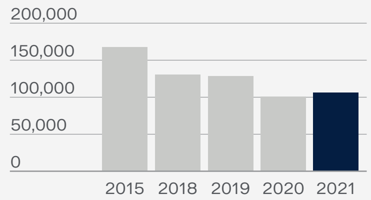
All environmental indicators are closely followed up by Scania management.

To support our employees in their work Scania has identified principles for environment within the areas of energy, waste, chemicals, water and emissions that guides us how to manage different challenges. They point out the background, ambition and how to act to take responsibility and reduce our environmental footprint. During 2021 Scania released a new basic environmental e-learning. It is translated into 29 languages and mandatory for all employees globally. The training also includes a more comprehensive manager training. Scania uses an internal audit programme to continuously evaluate our processes, methods and performance including management reviews of the environmental management system

During 2021, no accidents occurred that caused significant environmental impact or led to major clean-up expenses.

+ Read about our environmental performance

CO_2e from operations (Science-based target)[6]
Tonne CO_2e



	Tonne CO_2e
2021	**105,800**
2020	100,500
2019	128,100
2018	129,900
2015	167,400

2021 has been a year with high pressure on our facilities compared to 2020 where many facilities had to close during shorter periods. This has resulted in a slight increase of total emissions compared to 2020. However, compared to 2015 we still see a reduction of emissions of 37 percent. With a clear roadmap in place for the coming years Scania still sees a clear path towards reaching the target for 2025.

Target

50%

CO_2 reduction
2015-2025 (CO_2e).

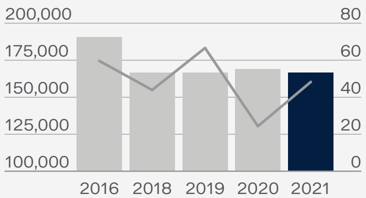
SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Definitions:

6. Absolute Scope 1 and 2 greenhouse gas (GHG) emissions are disclosed in accordance with the principles in the GHG Protocol (Read more on page 152). Covers Scania's global operations including industrial operations as well as commercial operations. Calculations of 2021 GHG emissions have partly been based on 2020 data due to deficiencies in the data collection processes from parts of the commercial network. An estimation of increased activity have been incorporated. The increase is due to 2020 result being affected by COVID-19 pandemic. Operations have been running on a higher level during 2021. Numbers for 2015-2019 have been recalculated due to improvements in data quality. Previous numbers were underestimated. The target is in line with a 1.5 degree scenario as stated in the Paris agreement according to the Science Based Targets initiative.

SUSTAINABILITY MANAGEMENT AND KPIs, CONTINUED

CO_2e emissions from land transport[7]



	— Total tonnes CO_2e	kg CO_2e/ transported tonne
2021	**160,177**	**53**
2020	130,301	55
2019	183,021	53
2018	154,736	53
2016	174,366	72

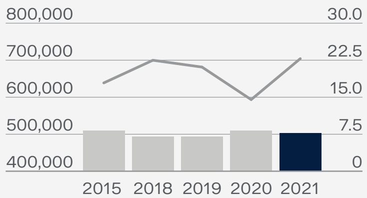
CO_2e per transported tonne decreased from 55 kg to 53 kg, despite supply chain disturbances caused by COVID-19 and the semiconductor shortage. Emissions per transported tonne has decreased by 26 percent compared to the baseline year 2016. Implementation of a new, more precise, calculation system impacts the values. Baseline has therefore been recalculated from 61 kg CO_2e to 72 kg CO_2e per transported tonne. Values for 2018 are still using the old system and shows a slightly smaller scope. An increased share of train transports has contributed to lowering emissions, together with use of alternative fuels.

Target

50%

reduction in CO_2e emissions from land transport per transported tonne between 2016 and 2025.

Energy consumption from industrial facilities[8]



	— Total MWh	MWh/Vehicle
2021	**704,362**	**7.6**
2020	593,828	8.2
2019	681,574	7.0
2018	700,010	6.9
2015	638,812	8.2

With production being back on a high level we see an increase in total energy use for 2021 compared to 2020 but at the same time a decrease of the use per produced vehicle. The number has decreased with 7.3 percent since 2015.

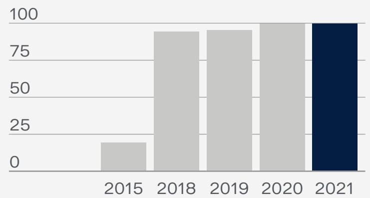
Target

25%

less energy per produced vehicle in industrial operations 2015-2025.

Fossil-free electricity[9]

% of total GWh



	% of total GWh
2021	**99.96**
2020	99.74
2019	95.53
2018	94.48
2015	19.33

During 2021 Scania's facilities ended up on 99.96 percent fossil-free electricity. The final 0.04 percent we were not able to cover this year due to challenges with availability of fossil-free alternatives in some markets. Scania will continuously follow the level of fossil-free electricity and always aim for the 100 percent target.

Target

100%

of our operations run on fossil-free electricity where the necessary prerequisites are in place.

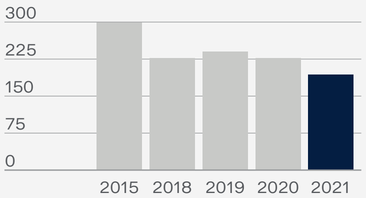
Definitions:

7. Total emissions of CO_2 equivalents in kg from Scania's land transport per transported tonne. Included transport are road, short sea and train transport of production material to our factories, our packaging network, transport of vehicles to the first address according to INCOTERM (International commercial terms) and transport of spare parts to our workshops. In 2021 a new calculation system was introduced. Values for 2018 are using the old system while the other years has been recalculated.
8. Covers the use of various energy sources in Scania premises including fuel consumed for engine testing. Energy used in vehicles is not included. Scope is industrial operations. (Industrial operation sites located in Luleå, Södertälje, Oskarshamn, Słupsk, Angers, Zwolle, Meppel, São Bernardo, Tucumán, Taipei, Kuala Lumpur, Bangalore and Johannesburg).
9. Fossil-free electricity purchased and internally generated. Share of GWh for Scania CV's industrial operations during one year in Södertälje, Luleå, Oskarshamn, Słupsk, Angers, Zwolle, Meppel, São Bernardo and Tucumán. The scope also includes Regional Product Centers in India, Malaysia, Taiwan and South Africa. The target concerns markets where there is a deregulated electricity market and availability of non-fossil alternatives in the grid.

SUSTAINABILITY MANAGEMENT AND KPIs, CONTINUED

Waste material that is not recycled[10]

Kg/Vehicle



	Kg/Vehicle
2021	**194**
2020	227
2019	240
2018	227
2015	299

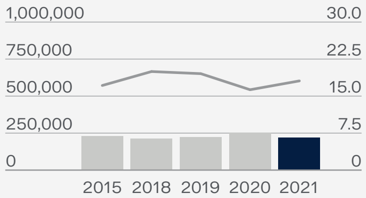
Waste material that was not recycled continued to decrease during 2021 and landed on 194 kg per produced vehicle corresponding to an 35 percent decrease since 2015.

Targets

50%

reduction of waste per produced vehicle that is not recycled in our industrial operations between 2015-2025.

Water usage[11]



	Total m^3	m^3 per vehicle
2021	**602,357**	**6.5**
2020	542,724	7.5
2019	651,316	6.7
2018	665,751	6.6
2015	571,391	7.2

Use of water per produced vehicle has decreased during 2021 down to a level of 6.5 cubic metres.

Target

40%

reduction of water use per produced vehicle between 2015-2025.

Definitions:

10. Sum of waste sent for energy recovery and waste sent for landfill divided by the total number of units produced. Scope is industrial operation. (Industrial operation sites located in Luleå, Södertälje, Oskarshamn, Słupsk, Angers, Zwolle, Meppel, São Bernardo, Tucumán, Taipei, Kuala Lumpur, Bangalore and Johannesburg).

11. Total amount of freshwater used divided with the number of produced vehicles. Scope is industrial operation (Industrial operation sites located in Luleå, Södertälje, Oskarshamn, Słupsk, Angers, Zwolle, Meppel, São Bernardo, Tucumán, Taipei, Kuala Lumpur, Bangalore and Johannesburg.

SUSTAINABILITY MANAGEMENT AND KPIs, CONTINUED

People sustainability

People Sustainability is a priority in the corporate strategy and strategic development in the area is managed by a cross-functional working process. The work is developed in close partnership with external experts including Volkswagen Group and TRATON GROUP.

The People Sustainability Roadmap covers the prioritised areas where Scania impacts people across the life cycle, including Sustainable Transport (in line with the Agenda 2030) and Human Rights management.

Scania is committed to respect human rights in our operations and in our value chain in line with the UN's Guiding Principles on Business and Human Rights. Scania's Human Rights Policy is complemented by related policies such as the Employment policy. During 2021, Scania identified its Salient Human Rights Issues (see page 19), the areas where we need to focus, based on impact and risk. This include issues that have been core to Scania's operations for decades, such as a commitment to safety and health and high standards for rights at work, social dialogue and diversity and inclusion. Scania addresses the salient issues either through topic specific efforts primarily in the areas related to employment, or management systems with the purpose of managing human rights risk.

Human rights management

We know that some of our biggest human and labour rights risks are in our supply chain. Scania sources materials, parts and other resources from around 1,000 direct and more than 10,000 indirect suppliers around the world. We are committed to assessing and mitigating human rights risk throughout our supply chain. We insist that our suppliers meet the highest standards and act in full accordance with our policies and guidelines concerning human and labour rights in the supply chain. Working with our partners in the Volkswagen Group, we have developed a group-wide approach that increases our leverage and ensures greater transparency on human rights challenges. As part of this approach the Volkswagen Group has a joint management system for sustainability rating for suppliers. In 2020 a management system for raw materials was established. In 2021 the approach was further developed with a system for human rights due diligence covering other materials outside the raw materials scope.

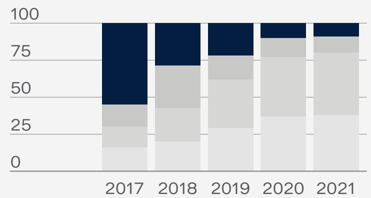
Scania is actively developing a company-wide approach to human rights risk and human rights due diligence, through integration of human rights management into key processes and to our general due diligence program.

All Scania entities were reviewed from a human rights risk perspective during 2021. This is part of Volkswagen Group's yearly risk process. Scania is working to further develop an own approach for human rights risk assessment. In the area of working conditions, Scania has rolled out a global group policy that regulates minimum standards such as working hours, weekly rest periods, vacation and sick leave for its employees. The policy also contains requirements for recruitment as well as termination of employment.

During 2021, Scania has developed a human rights e-learning that is available for all Scania employees. The e-learning focuses on education within the concept of human rights, as well as Scania's impacts and responsibilities in the area.

Sustainability risk assessed suppliers[12]

%



%

	A	B	C	N/A
2021	**38**	**42**	**11**	**9**
2020	37	40	13	10
2019	29	33	16	22
2018	20	23	29	29
2017	16	14	15	55

During 2021, Scania managed to increase the supplier's overall sustainability rating despite introducing stricter requirements with a new version of the Self Assessment Questionnaire: "4.0". Scania's target is to have the majority of suppliers in the highest rating (A) category and to reduce the high risk suppliers in the lowest rating (C) category to a minimum. Suppliers from both parts and services (existing and new) were assessed in the areas of Working conditions and Human Rights, Health and Safety, Business Ethics, Environment, Supplier Management and Responsible sourcing of raw materials.

Targets

65%
suppliers in the highest rating category (A) by 2025.

0
suppliers in lowest rating category (C) by 2025.

Definitions:

12. The sustainability rating includes country risk data, the audit scores together with the SAQ (self-assessment-questionnaire). Scope consists of new and existing suppliers from both parts and services in the areas of Working conditions and Human Rights, Health and Safety, Business Ethics, Environment, Supplier Management and Responsible sourcing of raw materials. Our ambition is that all suppliers shall be evaluated, both existing and new ones. The N/A category consist of suppliers that has not yet been assessed.

SUSTAINABILITY MANAGEMENT AND KPIs, CONTINUED

Social dialogue

We believe that good relations and social dialogue improve the work environment as well as company performance. Social Dialogue is in particular a key enabler in achieving a Just Transition in line with the Paris Agreement, and a very important enabler in the transformation that Scania is currently in the midst of as a company.

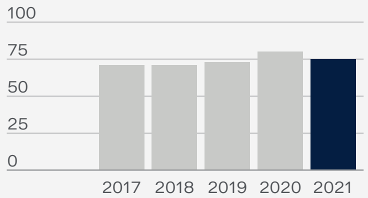
Scania European Committee is our highest labour relations forum, where we continuously inform and consult with our employee representatives globally. The involvement of employee representatives traditionally plays an important role in the Group subsidiaries. Scania has a European works council extended to include representatives from outside the EU, the SEC (Scania European Committee), which is also equipped with comprehensive participation rights.

Scania has been part of the creation and launch of the Global Deal, a high-level partnership with countries, organisations and businesses, working towards achieving Agenda 2030 with a focus on decent work and reduced inequalities.

Based on the Scania global principles for labour relations, a globally applicable “workshop concept” (Labour Relations Development Program) is being developed together with employee representatives to promote further participation and dialogue between company management and employee representatives. It is intended to be made available during 2022.

Collective bargaining agreements[13]

%



	%
2021	**75**
2020	80
2019	73
2018	71
2017	71

The percentage of employees covered by collective bargaining agreements have decreased slightly to a level of 75 percent of Scania employees.

Target

100%

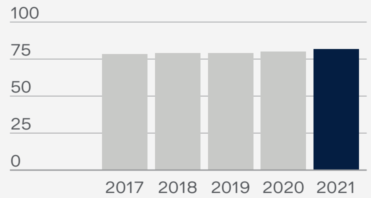
Our vision is that 100 percent of our employees should have the possibility to form collective bargaining agreements or in other ways engage in constructive dialogue.

Diversity and inclusion

Fostering a diverse workforce is critical to our success. The right mix of skills and perspectives, in combination with a working environment built on trust and inclusion, is a prerequisite for Scania to drive the shift towards a sustainable transport system. Skill Capture is the response to the challenges that are accompanying the transition to a new, more sustainable transportation industry. Our Skill Capture programme is designed to broaden the scope of diversity, taking into account all aspects of diversity including gender and cultural diversity as well as personality and experience. The programme also aims to improve our inclusiveness. It involves all levels of the organisation and covers the whole journey for each employee from initial awareness to action. Diversity and inclusion at Scania is about continuously developing our corporate culture, forming our strategy in the area by harnessing the collective intelligence of the Scania organisation. To achieve broad awareness of Skill Capture within the company, Scania are training managers and employees on this topic.

Diversity and inclusion index[14]

%



	%
2021	**81**
2020	80
2019	79
2018	79
2017	78

Despite COVID-19, we have made continued progress in diversity and inclusion. More than 48,000 employees had the opportunity to participate in the 2021 employee survey, (the Employee Satisfaction Barometer) which was more than in previous years. The Skill Capture program gives Scania's different markets the opportunity to highlight issues that are relevant to the local working environment.

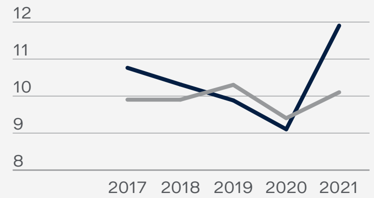
Target

>85%

score on the related questions in the Employee Satisfaction Barometer.

Gender equal opportunities[15]

— Woman — Man



	Woman	Man
2021	**10.10**	**11.90**
2020	9.40	9.10
2019	10.30	9.88
2018	9.90	10.31
2017	9.90	10.76

The result for the year shows a 1.8 percentage point (1.8 percent = 104 individuals) difference between men and women in management, which is an increase from the 2020 result. The work continues, with analytics to secure our understanding of the root cause, as well as other abilities within diversity and inclusion. The target – equal opportunities – still stands.

Target

EQUAL

opportunities to become managers for men and women.

Health and safety

As a natural part of a sustainable society and the aim of becoming the leader in sustainable transport, the safety and health of all Scania employees are a top priority. Our goal is to preserve and promote the safety, health and well-being at work for all our employees and visitors at our premises. All work within this area is executed and aligned with existing principles and our core values. We strive to achieve a sustainable workplace and a safe, healthy working environment. We are committed to complying with any demands in accordance with legal and other applicable requirements issued by national authorities and by Scania self-appointed targets within the area.

On our journey to become and remain a top employer with top employees, all our activities shall be based on the principle "By creating good working conditions all injuries and ill health can be prevented".

The Scania Health and Safety Policy is the guiding document globally and lays the foundation for the management system. Scania is in the process of continuously developing a global management system that is in line with requirements for ISO 45001.

The Health and Safety Policy focuses not only on preventing injuries and illnesses, but also on creating good working conditions. Another major step toward data-driven health and safety decisions was the introduction of a new incident and risk management software system within the area of working environment.

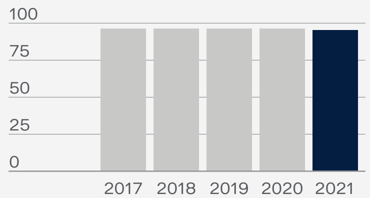
To complement the policy, Scania has Safety and Health Guidelines that describe basic conditions for achieving safe and healthy workplaces. These supporting documents guide all safety and health activities within the Scania organisation. The Safety and Health Guidelines consist of four parts: organisation, workplace design and working conditions, management of safety and health risks and learning from experience. The four areas are connected in a continuous process where follow-up, learning and continuous improvement are central.

Tragically, during 2021, a fatality involving a Scania employee occurred in Colombia. A fatal accident has also been reported in an independent Scania workshop in France.

We have investigated the incidents and the root cause. The learnings from these tragic events will be acted upon at Scania to prevent such accidents from reoccurring.

Healthy attendance[16]

%



	%
2021	**95.43**
2020	96.41
2019	96.53
2018	96.25
2017	96.21

Healthy attendance has decreased slightly during 2021 due to the COVID-19 situation and restrictions but is still up on a high level.

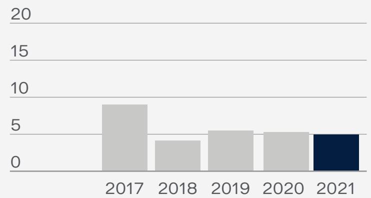
Target

97%

healthy attendance.

Occupational accidents with sick-leave[17]

No. of accidents per million hours



	Number of accidents per million hours
2021	**4.90**
2020	5.30
2019	5.40
2018	4.10
2017	8.99

The number of accidents decreased during 2021 and is down below our target level.

Target

5

or less accidents per million worked hours.

Definitions:

13. Percentage of Scania employees covered by central or local collective bargaining agreement. Data is collected from Scania's database for employee data, the numbers are manually reported by Scania's markets annually. The scope covers following markets Sweden, Benelux, France, Brazil, Argentina, Chile, Mexico, Finland, Denmark, Norway, Spain, Italy, Croatia, Slovenia, Bosnia, Serbia, North Macedonia, Portugal, Czech Republic, Hungary, Slovakia, Botswana, Kenya, Tanzania, Australia, Germany, Austria and South Korea.
14. Perception of Scania's diversity and inclusion climate from Barometer-survey: The KPI is a weighed result of three rating questions. The questions are from Scania's annual barometer survey concerning the employees' perception of the diversity and inclusion climate at their workplace. The result is covering 43 countries where Scania have operations.
15. Percentage of female managers in relation to percentage of female employees compared to the same number for men. This covers Scania's global operations and does not include employees on hire.
16. Hours of attendance relative to defined total working hours for parts of Scania's operations, (11 entities included) industrial operations plus commercial sites in Norway and Thailand is covered. Collected from employee system.
17. Total number of work related accidents with Scania employees with sick-leave relative to 1 million working hours for industrial operations (inclusive regional product centres and logistic centres). Information collected from the Incident and risk management system TIA for a majority of units and complemented with data from the employee system. Working hours is collected from industrial operations.

SUSTAINABILITY MANAGEMENT AND KPIs, CONTINUED

Business ethics

Scania has zero tolerance for corruption and unethical business practices. Wherever in the world Scania operates, we adhere to high ethical standards. The Scania Code of Conduct is mandatory for all employees and lays down the overarching framework and provides guidance for how employees are expected to act. All new employees shall read and sign that they have understood the code and all top management declare once per year the adherence of the code. The Code of Conduct is supplemented by several more detailed Scania Group Policies, applicable world-wide and covering compliance topics such as donation and sponsoring, benefits to and from business partners, prohibition of facilitation payments, anti money-laundering, competition law, avoidance of conflicts of interest and due diligence of sales intermediaries.

Scania Group Compliance, a dedicated central function with regional and local reach, manages Scania's compliance and business ethics program, by amongst other things advising on business ethics topic and providing training and support. Scania compliance program is fully supported by top management and fully implemented globally.

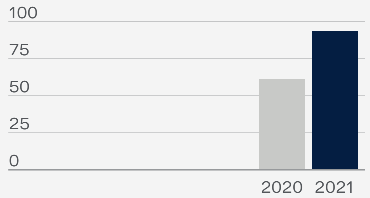
Scania strives to be a force for integrity and ethical business practices also in relation to business partners and society at large. Business partners, following due diligence checks, are required to act with equal high ethical standards. For suppliers, those standards are set out in the Scania Supplier Code of Conduct, and for independent members of Scania's authorised sales network, in the Scania Independent Distributor Code of Conduct. Scania is a signatory to UN Global Compact and adheres to its 10 principles, including anti-corruption. Moreover, Scania is a supporting member of the Swedish Anti-Corruption Institute (Institutet Mot Mutor) and a member of Transparency International Sweden's Corporate Supporters Forum.

Assessing and managing risks form an integral part of Scania's compliance work. To this effect, anti-corruption and other business ethics risks are covered by the risk management system, which is conducted in all Scania operations according to a yearly schedule. Additionally, a more comprehensive and detailed risk assessment with focus on anti-corruption is performed biyearly. In 2021, this assessment was carried out in hundred percent of operational Scania entities.

Another cornerstone of Scania's business ethics efforts is the whistleblowing system. There are several dedicated whistleblowing channels available to report suspected ethical violations conducted by Scania employees, and procedures are in place to conduct internal investigations.

Code of conduct training[18]

% of employees trained



	%
2021	**94**
2020	61

With two years into the launch of the new code of conduct e-learning 94 percent of employees have taken the course.

The course is mandatory for all employees and shall be repeated within an interval of 2–4 years depending on type of work.

Target

100%

of our employees are trained in the Scania Code of Conduct.

Definitions:

18. Several specialised business ethics trainings are provided, online as well as classroom training. This KPI covers the percentage of total global employees (accumulated) that has taken part in Code of Conduct training globally. The training was launched in 2020 and is available in 34 languages.

SUSTAINABILITY AND ESG DISCLOSURES

	2021	2020	2019	2018	2017	2016	2015
Emissions							
Scope 1: Direct greenhouse gas emissions (1,000 t CO_2e)	88	84	92	95	95	93	95
Scope 2: Indirect greenhouse gas emissions (1,000 t CO_2e)	18	16	36	35	34	49	73
Scope 3: Corporate value chain greenhouse gas emissions (1,000 t CO_2e)	99,974	81,952	108,843	116,311			
Out of scope emissions (tonnes CO_2e)	8,765	5,510	3,674	3,831	1,258	1,256	1,323
NOx (engine testing), tonnes	38	18	36	42	46	43	47
SOx (engine testing), tonnes	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	0.13
Volatile organic compounds (VOC) tonnes	297	261	353	417	314	241	238
Volatile organic compounds (VOC) kg/vehicle	3.2	3.6	3.6	4.1	3.3	2.9	3
Emissions of ozone-depleting substances (ODS)							
Total amount CFC installed, kg	0	0	0	0	0	0	0
Number of vehicles produced	92,718	72,356	96,995	101,375	95,781	83,940	79,346
Energy							
Electricity, gigajoule	1,662,120	1,432,800	1,620,000	1,666,800	1,634,400	1,540,800	1,504,800
District heating, gigajoule	425,520	309,600	363,600	327,600	313,200	331,200	270,000
Fossil fuels, gigajoule	393,840	367,200	468,000	514,800	511,200	489,600	511,200
Renewable fuels, gigajoule	63,000	27,000	19,080	7,560	11,160	15,120	14,400
Total vehicle, gigajoule	2,544,480	2,138,400	2,469,600	2,520,000	2,469,600	2,376,000	2,300,400
Per vehicle, gigajoule	27.36	29.52	25.56	24.84	25.92	28.44	29.16
Water							
Purchased municipal water, m^3	476,650	401,452	496,992	483,775	442,983	521,301	408,763
Ground water, m^3	125,707	141,273	154,324	181,976	173,031	164,610	162,628
Per vehicle, m^3	6.5	7.5	6.7	6.6	6.4	8.2	7.2
Total, m^3	602,357	542,724	651,316	665,751	616,014	685,911	571,391
Surface water, m^3	4,632,558	4,588,677	4,524,924	4,957,418	5,031,278	4,549,199	3,103,748

SUSTAINABILITY AND ESG DISCLOSURES, CONTINUED

	2021	2020	2019	2018	2017	2016	2015
Waste							
Non hazardous waste sent for material recovery, tonnes	107,038	83,249	104,300	107,500	96,000	87,250	81,300
Hazardous waste sent for material recovery, tonnes	2,629	2,158	3,100	3,500	3,650	3,600	3,200
Non hazardous waste sent for energy recovery, tonnes	8,921	8,171	10,300	11,700	10,850	11,850	9,700
Hazardous waste sent for energy recovery, tonnes	3,788	3,158	6,800	4,800	5,950	5,500	6,200
Non hazardous waste sent for disposal, tonnes	1,577	2,720	3,300	3,000	2,700	2,550	2,900
Hazardous waste sent for disposal, tonnes	3,677	2,972	3,400	3,900	3,450	3,950	6,100
Total, tonnes	127,630	102,428	131,200	134,400	122,600	114,700	109,400
Per vehicle, tonnes	1.38	1.41	1.35	1.33	1.28	1.37	1.38
Occupational health and safety							
Number of employees covered by an occupational health and management system	30,411	28,017	27,087	26,209	23,232	21,326	
Rate of employees covered by a occupational health and management system	60%	59%	56%	55%	53%	51%	
Number of fatalities on employees as a result of work-related injury	1	0	1	1	1	0	
Number of recorded work-related accidents on employees with sick leave	218	222	226	173	294	319	
Number of accidents on employees per million hours worked	4.9	5.25	5.4	4.1	8.99	8.6	
Number of hours worked	44,927,568	42,276,577	41,759,830	41,866,453	32,670,306	37,040,113	
Supplier sustainability assessment							
Percentage of new suppliers that were screened using sustainability criteria	100%	100%	100%	100%	Data not available	Data not available	

REPORTING PRINCIPLES

Scania's ambition is to always measure the impact from our global operations with a life cycle perspective, including both the impact of our products in use and the impact of our actions across the value chain.

This means that we continuously assess what we measure and how we measure based on the impact and risks. Scania's global operations are explained on page 07.

Sustainability is an integrated part of Scania's work. We are committed to transparent sustainability reporting. Our aim is to provide our stakeholders with regular and relevant information about our sustainability efforts. The reporting period is 1 January 2021 to 31 December 2021. Scania's report has been prepared in accordance with Global Reporting Initiative (GRI) Standards: core option.

The sustainability data and disclosures are reported monthly, quarterly or annually using different reporting tools. We measure and follow up on our sustainability performance in relation to set targets. We aim to increase the scope of sustainability reporting and improve the data quality. As a rule, Scania reports externally on performance and metrics only when data quality is on a reasonable quality level. Base year and scope is chosen based on the availability of data as well as the quality if nothing else is stated. The scope for each of our Sustainability indicators (pages 140–149) is stated in definitions section and complementing information is found in this section. The scope for numbers on pages 150–151 is the same if nothing else is stated.

Environmental data

For most of Scania's environmental reporting (e.g. waste, energy, Scope 1 and 2 emissions), the sustainability reporting tool Quentic is used for collection of data.

Environmental data is collected from all industrial operations sites including regional product centres but excluding logistic centres. When collecting waste data logistics centres are included due to waste being a material area for the centres. For greenhouse gas emissions the scope is extended to also include the commercial network.

Greenhouse gas and energy

Scania calculates and reports greenhouse gas emissions in accordance with the Greenhouse gas (GHG) Protocol. For consolidation, the operational approach is used. Scania reports in CO_2 equivalents including carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_20). Emissions are calculated with emission factors, net calorific values and GWP values from IPCC (2006 IPCC Guidelines, AR4, 2007. AR5 2014, is used for CH_4 and N_20). Emission factors from IEA (2018) are also used. For district heating in Sweden emission factors from Swedenergy is used (Fjärrvärmens lokala miljövärden 2020).

Scope 2 emissions are calculated using both market-based and location-based methods as outlined in the GHG Protocol Scope 2 Guidance. For markets where we buy fossil-free electricity the market based approach is used which is the case for our industrial operations (except for RPC in Taiwan) while on markets where we do not buy fossil-free electricity yet the location approach is used. Based on the challenge of collecting emission factors from all energy suppliers in the commercial network dual reporting, on a group wide level, is currently not possible. Scope 3 emissions are calculated in accordance with the GHG Protocol Corporate Value Chain Accounting and Reporting Standard. Activity data used for GHG calculations is based on invoiced data, real-time data, models and data reported by suppliers. Assumptions and estimations have been used when needed, in general using historical data. GHG emissions calculations are subject to inherent uncertainties in general due to data measurement methodologies, incomplete scientific knowledge behind emission factors and lack of specific data resulting in a need for estimations and assumptions.

For scope 1 and 2 emission data is consolidated through the tool Quentic. Due to unavailable data for 2021, figures for commercial operations are estimated based on the figures from 2020 with an increase of 5 percent. The estimated increase is based on that the activity level in the operations was less affected by COVID-19 during 2021 than what was the case for 2020. Historical data 2015-2019 has been recalculated due to improvements in the process for collection of activity data with more access to real data. Previous numbers were underestimated.

Safety, health and employees

Scania is in the process of implementing a global management system for occupational health and safety in line with ISO 45001. Due to being in the middle of implementation we are not yet ready to share a complete approach in our external report. The management approach is therefore not fully described in accordance with GRI requirements. This will be developed in the coming years.

For most of our employee reporting, data is collected from Scania's employee system and complemented with other systems for example within safety and health. The tools and systems are complemented with manual collection and calculations in spreadsheets when needed.

Employee data has different scope and coverage. In general workers on hire are not included in calculations done within our sustainability report, if not stated otherwise. Number of accidents are collected from our industrial operations (including regional product centres and logistics centres). Accidents are reported through our specific system for Incident and risk management (TIA). TIA is complemented with information from the system for employee data for a few units that is not covered by TIA yet. Reporting has previously been collected only through the employee system. However, TIA gives us more possibilities for better quality and follow up and will be used moving forward. Number of fatalities covers Scania employees and is from the global Scania organisation including the Scania owned commercial network. The data for fatalities is collected manually from the markets.

Healthy attendance is collected though the employee system from parts of the Scania organisation (11 sites, industrial plus commercial sites in Norway and Thailand). Our ambition is to be able to report with complete coverage in the coming years. Number of worked hours is collected from industrial operations.

The coverage of collective bargaining agreements (CBA) is combining information from our factories as well as manually reported data from the markets yearly, which could affect the data quality (in general different interpretation of CBA). As this is still an important data point and focus area for Scania, we choose to continuously report and improve the quality and process step by step.

SUSTAINABILITY REPORT INDEX

Sustainability is an integrated part of Scania's work. We are committed to transparent sustainability reporting. Our aim is to provide our stakeholders with regular and relevant information about our sustainability efforts.

Materiality assessment and stakeholder dialogue

Scania's materiality analysis is part of the company's strategic work and continuous improvement philosophy. We continuously engage with our stakeholders, including our partners, suppliers and customers, to find out what they believe are the most important subjects facing the transport industry as a whole and Scania as a company. Scania's approach to materiality is based on three areas: impact, risk and science. Material areas or issues for Scania are therefore always based on where and how big our impacts are, where the risk for negative impacts lays and how it can be mitigated. Our assessments are to the greatest extent possible externally validated and based on the latest science.

Scania has interactions with different stakeholders during the year through various channels and methods. Most of them are integrated in our regular work by for example ongoing dialogue with organisations, customers, suppliers and partners. Different steps have been taken each year to further improve our analyses and understanding. During 2020 Scania's new strategy was rolled out, where sustainability is placed at the core of the business strategy. Prioritised areas are decarbonisation, circular business and people sustainability. Development within these areas are followed in dialogue with stakeholders. During 2021 the strategy has been further tested and developed together with stakeholders on different levels in the company as well as externally.

The latest findings show that while the topics that for some years now have been part of Scania's material areas still are valid we can see that the agenda is shaped by global sustainability influences such as the Agenda 2030, push for more transparency, life cycle impact, due diligence and introduction of more legal and voluntary frameworks. These different trends are impacting on our ways of working within each area. We can also see new and emerging areas that will need to be integrated in ongoing processes and ways of working.

The results of this year's exercise show that our focus areas are in line with our stakeholders' expectations.

Scania's material areas on a high level:

- Environment and decarbonisation
- People sustainability
- Value chain and circular business

For a more detailed description and deep dives within the areas of our materiality analysis see:

www.scania.com/materiality

Global Reporting Initiative (GRI)

The Global Reporting Initiative is a voluntary framework that sets out principles and indicators for measuring and reporting economic, environmental and social performance. This report has been prepared in accordance with the GRI Standards: Core option. A GRI index can be found on page 154 and online. The GRI index is subject to a limited assurance assessment. The Auditor's Limited Assurance Report can be found on page 162.

www.scania.com/gri-index

Task Force on Climate-related Financial Disclosures

The Task Force on Climate-related Financial Disclosures (TCFD) is a voluntary initiative for climate risk reporting and how it affects the company's performance. Scania recognises the importance of TCFD and has started the journey to integrate TCFD in its reporting. Scania is using scenario analyses as a tool to test our strategies resilience to issues such as climate change. The tool is integrated into the strategic yearly evaluation process. Read more on page 42 and 49. A TCFD index on where to find information on the recommended disclosures can be found on page 159. TCFD index is not included in the limited assurance assessment.

Sustainability report in accordance with the Swedish Annual Accounts Act (NFRD index)

All of Scania's business units, subsidiaries and production units worldwide are included in the report.

See below for an index on where to find the different compulsory parts for the sustainability report in accordance with the Annual Accounts Act.

Sustainability is an integrated part of Scania's work. Read more on how we integrate it into our business model and strategy, how we work with risks and how we measure our progress in the different areas through KPIs:

Scania's business model	10–12
Scania strategy	17–25
Sustainability risks	40–49, 140–149
Sustainability KPIs	140–149

Read more on our way of working, also covering management and policies, in the following different areas:

Environment	140–143
Employees	146–148
Social responsibility	140, 146
Human rights	146–147
Anti-corruption	149

Annual Accounts Act (ÅRL 6 kap 12 a §) and the Taxonomy Regulation states that companies covered by the Non-Financial Reporting Directive must report on how and to what extent the company's activities are associated with economic activities that are considered to be environmentally sustainable according to the technical screening criteria. More information including Scania's level of eligibility can be found on page 160.

The auditor's report on the statutory sustainability report can be found on page 162.

GRI INDEX

Disclosures	Disclosure requirements	Location of disclosure/comment/omission
General Standard Disclosures		
Organisational profile		
102-1	Name of the organisation	Scania AB
102-2	Activities, brands, products, and services	p. 06–07
102-3	Location of headquarters	Södertälje, Sweden
102-4	Location of operations	p. 07
102-5	Ownership and legal form	p. 07, 125
102-6	Markets served	p. 07, 82, 134
102-7	Scale of the organisation	p. 07, 82, 134
102-8	Information on employees and other workers	p. 52, 103, 146–147
102-9	Supply chain	p. 10–11, 21, 46
102-10	Significant changes to the organisation and its supply chain	No significant changes
102-11	Precautionary Principle or approach	p. 143
102-12	External initiatives	p. 28–29 *Information is complemented on Scania.com/sustainability*
102-13	Membership of associations	p. 28–29 *Information is complemented on Scania.com/sustainability*
Strategy		
102-14	Statement from senior decision maker	p. 08
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	p. 10–12

Disclosures	Disclosure requirements	Location of disclosure/comment/omission
Governance structure		
102-18	Governance structure	p. 36–39
Stakeholder engagement		
102-40	List of stakeholder groups	p. 10–12, 153
102-41	Collective bargaining agreements	p. 147
102-42	Identifying and selecting stakeholders	p. 10–12, 153
102-43	Approach to stakeholder engagement	p. 10–12, 153
102-44	Key topics and concerns raised	p. 16, 17–21, 27–29, 153
Reporting practise		
102-45	Entities included in the consolidated financial statements	p. 120–122
102-46	Defining report content and topic Boundaries	p. 17–21, 152, 153
102-47	List of material topics	p. 153
102-48	Restatements of information	Not relevant
102-49	Changes in reporting	Not relevant
102-50	Reporting period	1/1- 31/12 2021
102-51	Date of most recent report	March 2021
102-52	Reporting cycle	Annual reporting cycle
102-53	Contact point for questions regarding the report	sustainability@scania.com
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option
102-55	GRI content index	p. 154–158
102-56	External assurance	p. 153, 162

GRI INDEX, CONTINUED

Disclosures	Disclosure requirements	Location of disclosure/comment/omission
Topic specific disclosures and management approach		
Economic performance (GRI 2016)		
103-1	Explanation of the material topic and its Boundary	p. 36–39
103-2	The management approach and its components	p. 36–39, 10–12, 17–21
103-3	Evaluation of the management approach	p. 36–39
Topic specific disclosure		
201-1	Direct economic value generated and distributed	p. 77
Business ethics (GRI 2016)		
103-1	Explanation of the material topic and its Boundary	p. 149
103-2	The management approach and its components	p. 149, 46
103-3	Evaluation of the management approach	p. 149
Topic specific disclosures		
205-1	Operations assessed for risks related to corruption	p. 149 *Information unavailable: Limited to a statement that hundred percent of Scania entities was assessed 2021 in the bi-annual risk assessment with a specific focus on anti corruption. Scania's intention is to, in the coming years report more details within the area of anti corruption.*

Disclosures	Disclosure requirements	Location of disclosure/comment/omission
Energy (GRI 2016)		
103-1	Explanation of the material topic and its Boundary	p. 143, 152
103-2	The management approach and its components	p. 143, 152
103-3	Evaluation of the management approach	p. 143
Topic specific disclosures		
302-1	Energy consumption within the organisation	p. 143, 150 *Not applicable: Total energy consumption does not include energy used to fuel vehicles. These emissions are included in the reporting of GHG emissions.*
302-3	Energy intensity	p. 143, 150 *Scania uses number of produced vehicles as the denominator.*
Emissions (GRI 2016)		
103-1	Explanation of the material topic and its Boundary	p. 21, 143, 152
103-2	The management approach and its components	p. 21, 143, 152
103-3	Evaluation of the management approach	p. 21–22, 143–144
Topic specific disclosures		
305-1	Direct (Scope 1) GHG emissions	p. 150, 152
305-2	Energy indirect (Scope 2) GHG emissions	p. 150, 152 *Information unavailable: Dual reporting on a group wide level is not possible due to missing information from suppliers see page 152.*
305-3	Other indirect (Scope 3) GHG emissions	p. 150, 152
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	p. 150 *Information unavailable: Other hazardous air pollutants is not reported*

GRI INDEX, CONTINUED

Disclosures	Disclosure requirements	Location of disclosure/comment/omission
Environmental compliance (GRI 2016)		
103-1	Explanation of the material topic and its Boundary	p. 143
103-2	The management approach and its components	p. 143
103-3	Evaluation of the management approach	p. 143
Topic specific disclosures		
307-1	Non-compliance with environmental laws and regulations	p. 143
Supplier environmental assessment (GRI 2016)		Supplier social and supplier environmental assessment covered together in our approach to supplier sustainability where both social, environmental and governance are included.
103-1	Explanation of the material topic and its Boundary	p. 10–11, 19, 21, 24, 143
103-2	The management approach and its components	p. 19, 21, 24, 143, 146
103-3	Evaluation of the management approach	p. 146
Topic specific disclosures		
308-1	New suppliers that were screened using environmental criteria	p. 146, 151 *Information unavailable: Limited to total percentage of suppliers that are assessed for sustainability risk. At Scania social assessed and environmental assessed suppliers are combined and included in sustainability assessed suppliers.*

Disclosures	Disclosure requirements	Location of disclosure/comment/omission
Employment (GRI 2016)		
103-1	Explanation of the material topic and its Boundary	p. 19, 146–147
103-2	The management approach and its components	p. 19, 146–148
103-3	Evaluation of the management approach	p. 19, 146–149
Topic specific disclosures		
401-1	New employee hires and employee turnover	*Information unavailable: the necessary information for GRI division cannot be obtained globally.*
Occupational health and safety (GRI 2018)		Scania is in the process of developing a global management system that is in line with requirements for ISO 45001 and is therefore not ready to report externally on the full extent of our management approach for Occupational health and safety in accordance with GRI. In the coming years Scania will develop the way of working and aims to be fully aligned with GRI. This applies for 403:1-403:7. For topic specific disclosures information is partly reported.
403-1	Occupational health and safety management system	p. 148 *See above*
403-2	Hazard identification, risk assessment, and incident investigation	p. 49, 148 *See above*
403-3	Occupational health services	p. 49 *See above*
403-4	Worker participation, consultation, and communication on occupational health and safety	p. 148 *See above*
403-5	Worker training on occupational health and safety	p. 148 *See above*
403-6	Promotion of worker health	p. 52, 148 *See above*

GRI INDEX, CONTINUED

Disclosures	Disclosure requirements	Location of disclosure/comment/omission
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	p. 148 *See above*
Topic specific disclosures		
403-8	Workers covered by an occupational health and safety management system	p. 148, 151, 152 *Information unavailable: Workers who are not employees is not included in scope.*
403-9	Work-related injuries	p. 148, 151, 152 *Information unavailable: occupational diseases, lost days, and absenteeism is not reported. Number and rate of high-consequence work-related injuries is not reported.*
Diversity and equal opportunity (GRI 2016)		
103-1	Explanation of the material topic and its Boundary	p. 147
103-2	The management approach and its components	p. 52, 147
103-3	Evaluation of the management approach	p. 52, 147
Topic specific disclosures		
405-1	Diversity of governance bodies and employees	p. 52–53, 103 *Information unavailable: data reported in percentage of managers per gender and gender division for governance bodies in numbers. For employees data is reported in percentage and number of women divided on regions. The data is not broken down by employee category or age.*

Disclosures	Disclosure requirements	Location of disclosure/comment/omission
Human rights assessment (GRI 2016)		
103-1	Explanation of the material topic and its Boundary	p. 19, 146
103-2	The management approach and its components	p. 19, 146, 149
103-3	Evaluation of the management approach	p. 19, 146, 149
Topic specific disclosures		
412-1	Operations that have been subject to human rights reviews or impact assessments	*p. 146* *Information unavailable: Limited to a statement on that hundred percent of Scania entities is included in Volkswagens human rights risk assessment. Scania is in the process of developing an own human rights risk assessment process.*
412-2	Employee training on human rights policies or procedures	*Information unavailable: Number of hours devoted to training is not reported. Scania is in the process of rolling out a new Human rights e-learning.*
Supplier social assessment (GRI 2016)		Supplier social and supplier environmental assessment covered together in our approach to supplier sustainability where both social, environmental and governance are included.
103-1	Explanation of the material topic and its Boundary	p. 10–11, 19, 24, 146
103-2	The management approach and its components	p. 19, 24, 146
103-3	Evaluation of the management approach	p. 19, 146
Topic specific disclosures		
414-1	New suppliers that were screened using social criteria	p. 146, 151 *Information unavailable: Limited to total percentage of suppliers that are assessed for sustainability risk. At Scania social assessed and environmental assessed suppliers are combined and included in sustainability assessed suppliers.*

GRI INDEX, CONTINUED

Disclosures	Disclosure requirements	Location of disclosure/comment/omission
Sustainable transport		**Scania's own topic**
103-1	Explanation of the material topic and its Boundary	p. 10–11, 16, 21, 140–142
103-2	The management approach and its components	p. 16, 140–142
103-3	Evaluation of the management approach	p. 16, 140–142
Topic specific disclosures		
	Sales of alternative fuels and electrification	p. 142
Innovation and partnerships		**Scania's own topic**
103-1	Explanation of the material topic and its Boundary	p. 10–11, 27–29, 30–32
103-2	The management approach and its components	p. 27–29, 30–32
103-3	Evaluation of the management approach	p. 27–29, 30–32
Topic specific disclosures		
	Investment in research and development	p. 53–54

TCFD INDEX

The Task Force on Climate-related Financial Disclosures is a voluntary initiative for climate risk reporting and how it affects the company's performance.

+ Read more about our science-based targets

Elements	TCFD recommendations	Location of disclosure
Governance		
	Describe the board's oversight of climate-related risks and opportunities.	p. 36–39
	Describe management's role in assessing and managing climate-related risks and opportunities.	p. 36–49
Strategy		
	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	p. 17–25, 44, 48
	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	p. 17–25, 40–49
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	p. 16, 17–25, 40–49, 153
Risk management		
	Describe the organization's processes for identifying and assessing climate-related risks.	p. 16, 40–49
	Describe the organization's processes for managing climate-related risks.	p. 40–49
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	p. 40–49
Metrics and targets		
	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	p. 21, 140–143
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	p. 21–22, 150
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	p. 21–22, 140–143

SCANIA'S INFORMATION ON THE EU TAXONOMY REGULATION

The EU taxonomy regulation has been established in order to provide a common framework by which companies can classify environmentally sustainable economic activities and to report externally on the share of turnover and expenditures that are sustainable. The purpose is to give investors and the market information to identify business in transforming to an economy that supports the environmental objectives of the European Union. One sector that needs to be transformed is the transportation sector, a transformation that is aligned with Scania's purpose to drive the shift to a sustainable transport system.

To determine if an economic activity can be classified as environmentally sustainable (taxonomy aligned), technical screening criterias has been developed by the European Commission. However, not all economic activities are covered by these criteria at present. The assessment made by Scania has been based on the criteria adopted in annexes to the taxonomy regulation delegated act for climate change mitigation and adaptation, as well as the definitions stated in the taxonomy regulation delegated act to article 8 on reporting (below named as "the taxonomy"). For the financial year 2021, there is no requirement to report on taxonomy alignment, but only the share of turnover and expenditures that are covered by the criteria in the taxonomy (taxonomy eligibility), i.e. exposed to the sectors that need to be transformed or that can enable others to transform. The assessment concluded that eligible economic activities for Scania Group is 3.3 Manufacture of low carbon technologies for transport.

Presentation of the performance indicators in accordance with the taxonomy

	Total (SEK m.) (denominator to proportion)	Proportion of taxonomy-eligible economic activities (in %)	Proportion of non taxonomy-eligible economic activities (in %)
Turnover	141,305	92.94	7.06
Capex	17,735	98.86	1.14
Opex	10,255	97.53	2.47

1 Compared to Annex II where passenger cars with specific emissions of CO_2 higher than 50g per kilometer are considered low carbon (and from 2026 on, only zero-emission cars will be considered low carbon).

2 DRSC EU Taxonomy for sustainable activities – reporting requirements according to article 8, application issues: Questions & Answers.

The description of the activity "3.3" in the delegated act does not include a clear definition of the term "low carbon technologies". There is an open discussion whether all drive technologies are considered "eligible" or only those where Taxonomy-alignment could be reached in the future.

Due to no clear definition of the term "low carbon technologies" in the description of the activity, all revenues could be considered taxonomy eligible under activity '3.3 Manufacture of low carbon technologies for transport'. Further, the description of economic activity '3.3 Manufacture of low carbon technologies for transport' contains an explicit reference to NACE Code 'C.29.1 Manufacturer of motor vehicles' without adding a certain condition. Also, future taxonomy alignment does not play any role on the eligibility determination at a first step. This view is in line with the European Commission's approach of first identifying the sectors that generate the greatest carbon emissions and then, in the second step, these sectors are considered in terms of their sustainability. Scania has hence interpreted that all driving technologies are eligible as low carbon.

Basis of reporting

Assessment of eligible economic activities

In our assessment of eligible economic activities we have based the conclusion on activities performed in the Group that derive external turnover, which match the specified NACE-codes and descriptions of the respective activities in the taxonomy, and that the technical screening criterias are possible to apply to the performed activity when assessing alignment next year.

Scania's main business activity is development, production and sales of trucks, buses and services and also related financial services. This economic activity falls under the NACE Code 29.1 Manufacture of motor vehicles, which is included in the taxonomy as the economic activity 3.3 Manufacture of low carbon technologies for transport, for both environmental objective 1 (climate change mitigation) and 2 (climate change adaptation).

Scania arranges the manufacturing (and sale) of new vehicles, used vehicles and their services in the form of maintenance and repair for them which is to be seen under economic activity 3.3 Manufacture of low carbon technologies for transport. The used vehicles included are self-made vehicles that are mainly sold to third parties. We also subsume under economic activity 3.3, other activities closely related to manufacturing and financial services to customers and dealers from the Financial Services Division.

As mentioned, activity 3.3 is also included as an activity for environmental objective 2 (climate change adaptation), however, in accordance with the taxonomy for environmental objective 2, only expenditures related to making an activity climate-resilient should count (not the turnover). These types of investments have not been made during 2021.

Method to determine and calculate the key performance indicators

The reportable key performance indicators ("KPIs") for the financial year 2021 comprise our share of taxonomy-eligible turnover, capital expenditures (capex) and operating expenses (opex).

Turnover

The total turnover is determined on the basis of our turnover reported in the IFRS income statement from 1 January to 31 December 2021 in the 2021 annual report and the accounting policies described in the annual report, which include revenues from IFRS 15 and IFRS 16.

The numerator is determined from the share of turnover that is generated from taxonomy-eligible economic activities (as described above). Adjustments has been done for Power solution revenues which is not considered to be included in the definition of 3.3 Manufacture of low carbon technologies for transport and revenues for used vehicles not manufactured by Scania and other revenues not directly connected to the definition of 3.3 Manufacture of low carbon technologies for transport.

Capital expenditures (capex) and operating expenses (opex)

The total capex consists of this year's additions related to tangible and intangible assets (excluding goodwill) which can be found in Note 9 and 10 in the consolidated financial statement. For eligible capex, adjustment has been made for investments connected to Power solution operations.

SCANIA'S INFORMATION ON THE EU TAXONOMY REGULATION, CONTINUED

The total opex consists of this year's R&D costs that have been expensed in the income statement, expenses, short-term leases (that have not been capitalised in the balance sheet), maintenance and repair costs for assets and other direct costs required to operate the assets. For eligible opex, adjustment has been made for maintenance and repair costs for assets connected to Power solution operations.

Capex and opex in accordance with the above definitions and that are associated with eligible turnover activities (as described above) constitute the basis for the share of eligible capex and opex KPIs. In situations where the expenditure support both taxonomy-eligible and non-taxonomy-eligible economic activities (e.g. production facilities for all types of vehicles and engines), the taxonomy-eligible proportions of capex and opex have been determined on the basis of allocation keys, e.g. the share of total production at a specific facility, that relates to vehicles assessed to be low carbon.

Scania does incur capex and opex from external suppliers that reduces greenhouse gas emissions for Scania and renders Scania to become low carbon for other activities than those where Scania is eligible. However, in order to account for these as eligible capex and opex under the taxonomy, Scania must analyze these suppliers for alignment with environmental objectives in Annex I and II. Such an analysis has not been possible to perform for 2021 due to the fact that the final delegated acts were not published until June 2021.

Supplemental information

In order to avoid double counting, the disclosed taxonomy-eligible turnover were each assigned exclusively to a specific taxonomy-eligible economic activity, i.e. a clear allocation to the respective economic activity was made. The same procedure was followed for the allocation of capex and opex.

AUDITOR'S REPORT

Auditor's Limited Assurance Report on Scania AB's Sustainability Report and statement regarding the Statutory Sustainability Report.

This is the translation of the auditor's report in Swedish.

To Scania AB, Corp Id 556184-8564

Introduction

We have been engaged by the Board of Directors of Scania AB to undertake a limited assurance engagement of the Sustainability Report for the year 2021. Scania AB has defined the scope of the Sustainability Report as the pages referred to in the GRI index on pages 154–158, the Statutory Sustainability Report is defined on page 153.

Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 152 in the Sustainability Report, and constitute the Sustainability Reporting Guidelines published by the GRI (Global Reporting Initiative) that are applicable to the Sustainability Report, as well as the accounting and calculation principles developed by the Company. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our review is limited to the information in this document and to the historical information and does therefore not include future oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR:s accounting standard RevR12 The auditor's opinion regarding the statutory sustainability report. A limited assurance engagement and an examination according to RevR 12 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.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Scania AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited review performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 11 March 2022

Ernst & Young AB

Heléne Siberg Wendin
Authorized Public Accountant

Ingrid Cornander
Specialist member of FAR,
Climate Change and
Sustainability Services

ABOUT THIS REPORT

This report summarises the financial year 2021 and provides an overview of Scania's business and operations and is prepared in accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting. All of Scania's business units, subsidiaries and production units worldwide are included in its scope.

This is the English language version of Scania's integrated Annual and Sustainability Report. The Swedish language Report is the binding version that shall prevail in case of discrepancies.

The Financial Reports encompass pages 62–138 and were prepared in compliance with International Financial Reporting Standards (IFRSs). The Report of the Directors encompass pages 40–61 and 126. The statutory Sustainability Report encompass pages 139–161. The sustainability report has been prepared in accordance with the sustainability requirements in the Swedish Annual Accounts Act and GRI Standards: Core option. More guidance can be found on page 153. A GRI index can be found on page 154. The GRI index is subject to a limited assurance assessment. The Auditor's Limited Assurance Report can be found on page 162.

The Report of the Directors and accompanying Financial Reports also fulfil the requirements of the Swedish Annual Accounts Act and have been audited by Scania's auditors.

Scania's Swedish corporate identity number: Scania AB (publ) 556184-8564.

Unless otherwise stated, all comparisons in the Annual and Sustainability Report refer to the same period of the preceding year.

SCANIA'S WEBSITE

The Scania Group's website, www.scania.com, contains information for the capital market and other stakeholders. Here you will find both current and historical information about Scania's operations, strategy, sustainability work and corporate governance. News, press releases and financial reports are published here.

Year-end reports, interim reports and annual and sustainability reports are available in both English and Swedish.

Stakeholders can subscribe to financial reports and press releases:

www.scania.com/subscriptions

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