

Guidelines for remuneration to the Volvo Group Executive Board, approved by the Annual General Meeting on 4 April 2023

Following a review of the long-term incentive program and the remuneration structure, the Board of Directors proposes that the Annual General Meeting adopts the following guidelines for remuneration to senior executives. As compared to the current remuneration guidelines, adopted at the Annual General Meeting 2022, the proposed guidelines are simplified, since the details of the Board of Director's proposal for a new long-term incentive program will be provided separately to the Annual General Meeting.

The Board's proposal for guidelines for remuneration to the Volvo Group Executive Board

These guidelines concern the remuneration and other terms of employment for the members of the Volvo Group Executive Board ("Executives").

The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after the proposed adoption of these guidelines by the 2023 annual general meeting. These guidelines do not apply to any remuneration separately decided or approved by the general meeting.

The guidelines' promotion of the Volvo Group's business strategy, long-term interests and sustainability

It is a prerequisite for the successful implementation of the Volvo Group's business strategy and safeguarding of its long-term interests, including its sustainability, that the Group can recruit, retain and develop senior management. These guidelines enable AB Volvo to offer Executives a competitive total remuneration. More information regarding the Volvo Group's business strategy is available in the Volvo Group Annual Report.

Types of remuneration

Volvo Group remuneration to Executives shall consist of the following components: base salary, short-term and long-term variable incentives, pension benefits and other benefits.

Short-term incentives may, for the President and CEO, amount to a maximum of 100 % of the base salary and, for other Executives, a maximum of 80 % of the base salary.

Long-term incentives may, for the President and CEO, amount to a maximum of 150 % of the base salary and, for other Executives, a maximum of 80 % of the base salary. Current and proposed long-term incentives are described and addressed separately by the 2023 general meeting.

Further cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining Executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 100 % of the annual base salary. Any resolution on such remuneration shall be made by the Board of Directors based on a proposal from the Remuneration Committee.

For the President and CEO, pension benefits shall be granted on the basis of a defined contribution plan. The pensionable salary shall include base salary only. The pension contributions for the President and CEO attributable to the annual base salary shall amount to not more than 35 % of the base salary.

Other benefits may include, for example, life insurance, medical and health insurance, and company cars. Premiums and other costs relating to such benefits may amount to not more than 3 % of the annual base salary for the President and CEO.

For other Executives, pension benefits shall be granted on the basis of a defined contribution plan except where law or collective agreement requires a defined benefit pension. The pensionable salary shall include base salary and, where required by law or collective agreement, incentives. The total pension contributions for other Executives shall amount to not more than 35 % of base salary, unless a higher percentage results from the application of law or collective agreement.

Other benefits may include, for example, life insurance, medical and health insurance, and company car. Premiums and other costs relating to such benefits may amount to not more than 10 % of the annual base salary for other Executives.

Remuneration for Executives that reside outside Sweden or reside in Sweden but having a material connection to or having been residing in a country other than Sweden may be duly adjusted to comply with mandatory rules or local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

In addition to remuneration set out above, Executives who relocate for the purposes of the position or who work in other multiple countries may also receive such remuneration and benefits as are reasonable to reflect the special circumstances associated with such arrangements, taking into account the overall purpose of these guidelines and alignment with the general policies and practices within the Volvo Group applicable to cross border work.

Termination of employment

Upon termination of an Executive's employment, the notice period may not exceed twelve months. Base salary during the notice period and severance pay may not together exceed an amount corresponding to the base salary for two years.

Executives that reside outside Sweden or reside in Sweden but having a material connection to or having been residing in a country other than Sweden may be offered notice periods for termination and severance payment as are reasonable to reflect the special circumstances, taking into account the overall purpose of these guidelines and alignment with the general policies and practices within the Volvo Group.

Criteria for awarding variable remuneration, etc.

Plans for long-term and short-term incentives shall be linked to predetermined and measurable criteria, to be determined by the Board of Directors. The criteria – which for example may relate to EBIT, cash flow, return on capital employed or similar ratios, or sustainability targets – shall be devised to promote the Volvo Group's strategy and long-term value creation and strengthen the link between achieved performance targets and reward. The satisfaction of the criteria shall be measured over periods of one or multiple years, depending on the type of incentive plan.

To which extent the criteria for awarding incentives has been satisfied shall be determined when the relevant measurement period has ended. The Board of Directors is responsible for the determination of the incentives to be paid, if any, to all Executives.

Claw-back and adjustments

Executives participating in the Volvo Group's short-term and long-term incentive plans are obligated, in certain circumstances and for specified periods of time, to repay, partially or in its entirety, incentive awards already paid if payments have been made by mistake or been based on intentionally falsified data or in the event of material restatement of the Volvo Group's financial results. Furthermore, the Board of Directors may decide on adjustments of pay-out under the incentive plans (before payment has been made) in case of extraordinary circumstances or to adjust for unforeseen one-timers.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these guidelines, the Board has considered that the various benefits offered to the Executives need to be aligned with the general structures applicable for employees of AB Volvo at levels that are competitive in the market. Thus, salary and employment conditions for other AB Volvo employees have been taken into account by including information thereon in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are appropriate.

The decision-making process to determine, review and implement the guidelines

The Board of Directors has established a Remuneration Committee. The Committee's tasks include preparing the Board of Directors' decision to propose guidelines for executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Remuneration Committee shall also monitor and evaluate plans for variable remuneration for Executives, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Group. The members of the Remuneration Committee are independent of AB Volvo and its executive management. The President and CEO and other members of the executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Volvo Group's long-term interests, including its sustainability, or to ensure the Group's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

Description of changes to the guidelines, etc.

During 2022, the company has carefully considered feedback received from shareholders and proxy advisors in connection with the general meeting 2022 and otherwise during the year. As a result of this dialogue, the Board and the Remuneration Committee have during 2022 performed a review of the design of the Group's long-term incentives. As a result of this review, the Board proposes the adoption of a new long-term incentive plan with a three-year performance period, to be implemented starting 2023. It is proposed that the transition into a new long-term incentive plan with a three-year performance period will be made in parallel with a two-year phasing out of the current long-term incentive plan. For further information, please refer to the Board's proposal for a new long-term incentive plan.

For further information about the dialogue with shareholders and proxy advisors, please refer to the Remuneration Report 2022. Additional information regarding executive remuneration in the Volvo Group is available in the Volvo Group Annual Report.