

Proposals by the Election Committee of AB Volvo to the Annual General Meeting 2018

The Election Committee's proposal as regards election of Chairman of the Annual General Meeting

The Election Committee proposes that Sven Unger, attorney, be elected Chairman of the Meeting.

The Election Committee's proposal as regards the number of members and deputy members of the Board of Directors to be elected by the Annual General Meeting

According to the Articles of Association, the Board of Directors is to comprise a minimum of six and a maximum of twelve members, with a maximum of an equal number of deputies. The Election Committee proposes that the number of Board members elected by the Annual General Meeting be ten and that no deputies be elected.

The Election Committee's proposal as regards remuneration to be paid to the Board members

The Election Committee proposes that the Chairman of the Board will be awarded SEK 3,500,000 (3,400,000) and each of the other members elected by the Annual General Meeting SEK 1,030,000 (1,000,000) with the exception of the President and CEO. Furthermore, the Election Committee proposes that the Chairman of the Audit Committee will be awarded SEK 360,000 (350,000) and the other members of the Audit Committee SEK 165,000 (160,000) each and that the Chairman of the Remuneration Committee will be awarded SEK 150,000 (140,000) and the other members of the Remuneration Committee SEK 110,000 (105,000) each. The Election Committee finally proposes that the Chairman of the Volvo CE Committee will be awarded SEK 180,000 (175,000) and the other members of the Volvo CE Committee SEK 155,000 (150,000) each.

The Election Committee's proposal as regards remuneration to be paid to the Auditors

The Election Committee proposes that the fee to the Auditors shall be paid in accordance with an approved invoice.

The Election Committee's proposal as regards election of Board members and Chairman of the Board

The Election Committee proposes the re-election of Matti Alahuhta, Eckhard Cordes, James W. Griffith, Martin Lundstedt, Kathryn V. Marinello, Martina Merz, Hanne de Mora, Helena Stjernholm and Carl-Henric Svanberg and new election of Eric Elzvik.

Lars Westerberg does not stand for re-election. Furthermore, the Election Committee does not propose the re-election of Håkan Samuelsson.

The Election Committee proposes the re-election of Carl-Henric Svanberg as Chairman of the Board.

Information relating to the proposed Board members is presented below.

Carl-Henric Svanberg

Born 1952. MSc Eng., B.Sc. Business Administration.

Member of the Volvo Board since: Chairman since 2012.

Board Chairman: BP p.l.c.

Chairman: The Royal Swedish Academy of Engineering Sciences (IVA).

Holdings in Volvo, own and related parties: 700,000 Series B Shares.

Principal work experience: Has held various positions at Asea Brown Boveri (ABB) and Securitas AB; President and CEO of Assa Abloy AB; President and CEO of Telefonaktiebolaget LM Ericsson; member of the External Advisory Board of the Earth Institute at Columbia University and the Advisory Board of Harvard Kennedy School.

Independence: Considering the demands laid down in the Swedish Corporate Governance Code regarding the Board's independence, the Election Committee is of the opinion that Carl-Henric Svanberg is independent of the company, company management and the company's major shareholders.

Matti Alahuhta

Born 1952. MSc Eng. and DSc.

Member of the Volvo Board since: 2014

Board Chairman: DevCo Partners Oy and Outotec Corporation.

Board member: Kone Corporation and ABB Ltd.

Holdings in Volvo, own and related parties: 64,100 Series B Shares.

Principal work experience: Has held several management positions in the Nokia Group – President of Nokia Telecommunications, President of Nokia Mobile Phones and Chief Strategy Officer of the Nokia Group; President of Kone Corporation 2005-2014 and between 2006-2014 also CEO. Board Chairman of Aalto University until 2015. Board Chairman at the Confederation of Finnish Industries 2015-2016.

Independence: Considering the demands laid down in the Swedish Corporate Governance Code regarding the Board's independence, the Election Committee is of the opinion that Matti Alahuhta is independent of the company, company management and the company's major shareholders.

Eckhard Cordes

Born 1950. MBA and PhD, University of Hamburg.

Partner in Cevian Capital and EMERAM Capital Partners. Member of the Executive Committee of Eastern European Economic Relations of German Industry.

Member of the Volvo Board since: 2015

Board Chairman: Bilfinger SE.

Holdings in Volvo, own and related parties: None.

Principal work experience: Started in 1976 with Daimler Benz AG, where he held several management positions, such as head of the trucks and buses business, Head of Group Controlling, Corporate Development and M&A in AEG AG and CEO of Mercedes Car Group. Previously CEO of Metro AG, senior advisor at EQT and Board member of Air Berlin, SKF, Carl Zeiss and Rheinmetall AG. Since 2012 partner in Cevian Capital and EMERAM Capital Partners respectively.

Independence: Considering the demands laid down in the Swedish Corporate Governance Code regarding the Board's independence, the Election Committee is of the opinion that Eckhard Cordes is independent of the company, company management and the company's major shareholders.

Eric Elzvik

Born 1960. MSc Business Administration, Stockholm School of Economics

Board member: Telefonaktiebolaget LM Ericsson, Landis+Gyr Group AG and Global Gateway South.

Holdings in Volvo, own and related parties: 2,475 B Shares.

Principal work experience: Joined ABB in 1984 and has held several management positions in the Finance function at ABB in Sweden, Singapore and Switzerland – most recently as Group CFO between 2013 and 2017 and previously as CFO for the Divisions Discrete Automation & Motion and Automation Products and a position as Head of Mergers & Acquisitions and New Ventures and also as Head of Corporate Development. Industrial advisor to private equity.

Independence: Considering the demands laid down in the Swedish Corporate Governance Code regarding the Board's independence, the Election Committee is of the opinion that Eric Elzvik is independent of the company, company management and the company's major shareholders.

James W. Griffith

Born 1954. BSc Industrial Engineering, MBA, Stanford University.

Member of the Volvo Board since: 2014

Board member: Illinois Tool Works Inc.

Holdings in Volvo, own and related parties: 20,000 Series B Shares.

Principal work experience: Began his career at The Timken Company in 1984, where he has held several management positions, such as responsible for Timken's bearing business activities in Asia, Pacific and Latin America and for the company's automotive business in North America. Until 2014, President and CEO of The Timken Company.

Independence: Considering the demands laid down in the Swedish Corporate Governance Code regarding the Board's independence, the Election Committee is of the opinion that James W. Griffith is independent of the company, company management and the company's major shareholders.

Martin Lundstedt

Born 1967. MSc Eng.

President and CEO of AB Volvo. Member of the Royal Swedish Academy of Engineering Sciences (IVA).

Member of the Volvo Board since: 2016

Board Chairman: Partex Marking Systems AB and Permobil AB.

Board member: ACEA Commercial Vehicle and Concentric AB.

Advisory member: The Swedish National Innovation Council.

Holdings in Volvo, own and related parties: 75,624 Series B Shares.

Principal work experience: President and CEO of Scania 2012-2015. Prior to that, various managerial positions at Scania since 1992. Co-chairman of the UN Secretary-General's High-Level Advisory Group on Sustainable Transport 2015-2016.

Independence: Considering the demands laid down in the Swedish Corporate Governance Code regarding the Board's independence and the fact that Martin Lundstedt is the President of AB Volvo and CEO of the Volvo Group, the Election Committee is of the opinion that Martin Lundstedt is independent of the company's major shareholders but not of the company and company management.

Kathryn V. Marinello

Born 1956. BA from State University of New York at Albany, MBA from Hofstra University.

President and CEO Hertz Global Holdings

Member of the Volvo Board since: 2014

Holdings in Volvo, own and related parties: None.

Principal work experience: Has held several management positions at Citibank, Chemical Bank New York (now JP Morgan Chase), First Bank Systems and First Data Corporation; Division President General Electric Financial Assurance Partnership Marketing and Division President General Electric Fleet Services; President and CEO of Ceridian Corporation and subsequently also Chairman. Chairman, President and CEO of Stream Global Services, Inc. Senior Advisor, Ares Management LLC. Board member of Nielsen and RealPage.

Independence: Considering the demands laid down in the Swedish Corporate Governance Code regarding the Board's independence, the Election Committee is of the opinion that Kathryn V. Marinello is independent of the company, company management and the company's major shareholders.

Martina Merz

Born 1963. BS from University of Cooperative Education, Stuttgart.

Member of the Volvo Board since: 2015

Board Chairperson: SAF Holland SA.

Board member: Deutsche Lufthansa AG (supervisory board), NV Bekaert S.A. and Imerys SA.

Holdings in Volvo, own and related parties: 4,500 Series B Shares.

Principal work experience: Until January 2015, CEO of Chassis Brakes International. Has during almost 25 years held various management positions in Robert Bosch GmbH, most recently as Executive Vice President Sales and Marketing in the Chassis System Brakes division combined with responsibility for regions China and Brazil and previously CEO of the subsidiary Bosch Closure Systems. Has also served as a member of the Board of Management of Brose Fahrzeugteile GmbH & Co.

Independence: Considering the demands laid down in the Swedish Corporate Governance Code regarding the Board's independence, the Election Committee is of the opinion that Martina Merz is independent of the company, company management and the company's major shareholders.

Hanne de Mora

Born 1960. BA in Economics from HEC in Lausanne, MBA from IESE in Barcelona.

Member of the Volvo Board since: 2010

Board Chairperson: a-connect (group) ag.

Board member: IMD Supervisory Board.

Holdings in Volvo, own and related parties: 3,000 Series B Shares.

Principal work experience: Credit Analyst Den Norske Creditbank in Luxemburg 1984, various positions within brand management and controlling within Procter & Gamble 1986-1989, Partner McKinsey & Company, Inc. 1989-2002, one of the founders and owners, also Chairman of the Board of the global consulting firm and talent pool a-connect (group) ag since 2002.

Independence: Considering the demands laid down in the Swedish Corporate Governance Code regarding the Board's independence, the Election Committee is of the opinion that Hanne de Mora is independent of the company, company management and the company's major shareholders.

Helena Stjernholm

Born 1970. MSc Business Administration.

President and CEO of AB Industrivärden.

Member of the Volvo Board since: 2016

Holdings in Volvo, own and related parties: 8,000 Series B Shares.

Principal work experience: Between 1998-2015, employed by the private equity firm IK Investment Partners (former Industri Kapital) where she held various positions. She was a Partner with responsibility for the Stockholm office. She was also a member of IK's Executive Committee. Prior to that she worked as a consultant for Bain & Company.

Independence: Considering the demands laid down in the Swedish Corporate Governance Code regarding the Board's independence, the Election Committee is of the opinion that Helena Stjernholm is independent of the company and company management. Since AB Industrivärden controls more than 10 percent of the votes in the company, Helena Stjernholm, due to her capacity as President and CEO of AB Industrivärden, is not considered independent of one of the company's major shareholders.

Statement explaining the Election Committee's proposal regarding Board remuneration and Board members

Proposal regarding Board remuneration

The guiding principle for the remuneration to be paid to the members of the Board is that remuneration is to be competitive in order to ensure that Volvo can attract and retain the best possible expertise. Volvo Group is a global organization, meaning that it is of key importance that Volvo's Board can attract people from various parts of the world, who have experience from the various markets where Volvo operates. The assessment of what comprises competitive remuneration must be based on an international perspective.

The Election Committee has evaluated and discussed the structure and level of the Board remuneration, concluding that an increase of the Board remuneration of approximately 3 percent is justified.

Proposal regarding Board members

With respect to the Board composition, the Election Committee considers the skills and experience of the individual Board members and also assesses that the Board collectively should function well and possess the necessary breadth regarding both experience and knowledge. In particular, the Election Committee also considers the value of diversity and the balance between the need for renewal and continuity on the Board. In its efforts to achieve diversity, the Election Committee takes into account the particular importance of equal gender distribution.

The Board has, with support from external consultants in 2017, made an assessment of current Board members, Chairman and the Board's work. In the light of the results from the assessment, the Election Committee is of the opinion that the Board functions well, that the number of Board members is appropriate and that the Board, in its entire capacity, possesses the skills and experience relevant to the Volvo Group. In view of, among other things, the increased requirements applicable for the Board's Audit Committee, the Election Committee considers it being valuable to strengthen the Board's expertise in accounting and auditing. Therefore, the Election Committee proposes that Eric Elzvik is elected as new member of the Board. It is the Election Committee's opinion that Eric Elzvik will bring valuable expertise and experience to the Board through his long and extensive experience in primarily finance.

Lars Westerberg does not stand for re-election at the Annual General Meeting 2018. The Election Committee also does not propose the re-election of Håkan Samuelsson. The reason is the announcement that Li Shufu, via Geely Group, has become the largest shareholder of the German vehicle manufacturer Daimler, one of the Volvo Group's major competitors. Volvo Car Group, in which Håkan Samuelsson is CEO, is a subsidiary of Zhejiang Geely Holding Group whose main owner is Li Shufu.

With regard to this, the Election Committee proposes re-election of the other nine Board members and new election of Eric Elzvik. The proposal implies that the total number of Board members decreases from eleven to ten.

Finally, the Election Committee is of the opinion that the Board members must be in a position to dedicate enough time to their task as Board members, and therefore the Election Committee has specifically taken into account the extent of the proposed Board members' duties outside of Volvo. The Election Committee has made the assessment that the proposed Board members can dedicate the time required to fulfil their duty as Board members of Volvo.

The Election Committee's proposal as regards election of Auditors

The Election Committee proposes, in accordance with the Audit Committee's recommendation, that the registered firm of auditors Deloitte AB ("Deloitte") be elected as auditor for a period until the close of the Annual General Meeting 2022.

Statement explaining the Election Committee's proposal regarding election of Auditors

In 2016, the Audit Committee of the Board initiated a tender process for the purpose of appointing a statutory audit firm at the Annual General Meeting 2018. During the tender process, the Audit Committee has come to the conclusion that Deloitte and Ernst & Young are best suited for the assignment. Based on an overall assessment, taking particular account to work procedure, local presence, composition of the team and fee level, the Audit Committee has found that Deloitte best meets Volvo's requirements and needs. The Election Committee therefore proposes that the Annual General meeting, in accordance with the Audit Committee's recommendation, elects Deloitte as auditor for a period of four years until the close of the Annual General Meeting 2022.

The Election Committee proposes that the fee to the Auditors shall be paid in accordance with an approved invoice.

The Election Committee's proposal as regards election of members of the Election Committee

According to the instructions for the AB Volvo Election Committee, the Annual General Meeting is to elect five Committee members, of whom four are to represent the largest shareholders in the company based on votes, who have expressed their willingness to participate in the Election Committee. The fifth member to be elected by the Annual General Meeting is the Chairman of the Board.

In accordance with the above mentioned instructions, the Election Committee proposes that the Annual General Meeting elect the following individuals to serve as members of the Election Committee and resolve that no fees are to be paid to the members of the Election Committee:

The Chairman of the Board of Directors
Bengt Kjell, representing AB Industrivärden
Yngve Slyngstad, representing Norges Bank Investment Management
Pär Boman, representing Svenska Handelsbanken, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen
Ramsay Brufer, representing Alecta

Presentation of the activities carried out by the Election Committee

At the 2017 Annual General Meeting of AB Volvo, the following individuals were appointed to the Election Committee.

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

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

The Election Committee held its first meeting on May 31, 2017. The Election Committee held a total of nine meetings. These meetings have mainly been devoted to an evaluation of the performance of the current Board, discussions and preparation for succession, evaluation and discussions of the fees to be paid to the Board members and the proposal as regards election of Auditor and remuneration to the Auditors.

The Election Committee has also, during its meetings, discussed and formulated its proposals to the Annual General Meeting 2018 concerning the Chairman of the Meeting and members of the Election Committee for 2018/2019. The Election Committee's proposal for members of the Election Committee has been developed in accordance with the instructions for the Election Committee. In relation to the composition of the Board, the provisions of rule 4.1 of the Swedish Corporate Governance Code have been applied as diversity policy and with regard to the objectives of that policy. This has resulted in the Election Committee's proposal to the Annual General Meeting regarding election of Board members.

The costs incurred in the Election Committee's discharge of its assignment amount to SEK 289,207.

February 2018

Election Committee for the 2018 Annual General Meeting of AB Volvo