

Remuneration report 2024

Introduction

This remuneration report provides an outline of how the guidelines for executive remuneration of AB Volvo, adopted by the Annual General Meeting in April 2023 (the “Remuneration Guidelines”), have been implemented in 2024. The report also provides details on the remuneration of AB Volvo’s President and CEO.

The report has been prepared in compliance with the Swedish Companies Act and the Swedish Stock Market Self-Regulation Committee’s Remuneration Rules.

Further information on executive remuneration is available in note 27 in the Volvo Group’s annual report for 2024 (the “Annual Report 2024”).

Information on the work of the Remuneration Committee of the AB Volvo Board of Directors in 2024 is set out in the corporate governance report, which is available on p. 183 – 199 in the Annual Report 2024.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in note 27 in the Annual Report 2024.

2024 summary

Overall performance in 2024

An update on the overall performance of the Group and AB Volvo is provided in the statement of the President and CEO, Martin Lundstedt, and in the Group Performance section of the Annual Report 2024, available on p. 8 – 11 and p. 34 – 66 in the Annual Report 2024.

In 2024 the Volvo Group continued to perform well, despite lower volumes and market demand normalization in many Group markets. The Group also continued its journey on the road to net-zero, and continued to invest considerable resources in R&D into Group products and solutions.

Overview of the application of the Remuneration Guidelines in 2024

No amendments to the Remuneration Guidelines were proposed to the annual general meeting 2024. Minor alterations to the guidelines have been proposed to the shareholders in recent years, e.g. to accommodate investor views and changes in remuneration practices, but no such need was identified in 2024. The current Remuneration Guidelines, adopted by the annual general meeting 2023, can be found in note 27 in the Annual Report 2024. Under these guidelines, remuneration of the Volvo Group executive management shall be on market terms and shall consist of the following components: fixed cash salary, variable remuneration, pension benefits and other benefits. The company has complied with the applicable Remuneration Guidelines during 2024.

The sustainability incentive program target that the Board decided upon for the first time in 2022, focusing on electric vehicle volume, was continued also in 2024. Electric trucks, buses, construction equipment and drivelines are key drivers for achieving the Volvo Group’s sustainability targets and commitment to the ambitions of the Paris Agreement. The aggregated volume for electric vehicles remains low in comparison to other vehicle volumes, which makes it challenging to set performance ranges. The Volvo Group continues its strong efforts to increase the sales of electric vehicles, to the benefit of Volvo Group’s sustainability performance, and these incentive targets are aimed to promote such sales.

The auditor’s report regarding whether the company has complied with the Remuneration Guidelines is available on the Group’s website: www.volvogroup.com. No remuneration has been reclaimed.

New long-term incentive plan

In 2024 the Board of Directors approved a long-term incentive program for 2024 to 2026 (the “LTI Program 2024-2026”) issued under the long-term incentive plan approved by the annual general meeting in 2023. For more information on the scope and conditions of the long-term incentive plan approved in 2023, please see note 27 of the Annual Report 2024, the proposals to the general meeting 2023 and the remuneration report 2023 (available on www.volvogroup.com). In addition, as part of the two-year phase out of the previous long-term incentive plan approved by the annual general meeting in 2023, the Board of Directors also approved a transition program for 2024 (the “LTI Transition Program 2024”) based on the terms of the long-term incentive plan adopted in 2016. The LTI Transition Program 2024 only applies to long-term incentive participants who were also enrolled in the long-term incentive program decided by the Board of Directors in 2022. Measures have been taken to ensure that parallel application of the long-term programs do not lead to annual payouts exceeding the annual maximum percentage for long-term incentives.

The LTI Program 2024-2026 is linked to two predetermined performance measures:

- AB Volvo’s three-year average ROCE with a linear scale (0% at minimum, 100% at maximum of the scale; relative weighting 70%) and
- The relative three-year average Volvo B total shareholder return vs. MSCI World Machinery Index with a linear scale (20% at minimum, 100% at maximum of the scale; relative weighting 30%) (relative TSR).

The result on each of these two performance measures is determined after the relevant three-year measurement period has ended. The final outcome of the LTI Program 2024-2026 will be presented in the annual report for 2026. The accounting treatment of the LTI Program 2024-2026 is described in Note 27 of the Annual Report 2024.

Total remuneration of the President and CEO in 2024

Table of total remuneration

The table below sets out total remuneration to AB Volvo’s President and CEO during 2024. All amounts are stated in thousands of SEK (TSEK). It is noted that the information stated in column “Variable remuneration” refers to entitlements built up and accrued during the performance period year 2024, to be paid in 2025.

Name of individual and position	Financial year	Fixed remuneration *		Variable remuneration *		Extraordinary items *	Pension expense	Total remuneration	Proportion fixed/variable remuneration out of total remuneration	
		Base salary	Other benefits**	One-year variable (STI)***	Multi-year variable (LTI)****				Fixed:	Variable:
Martin Lundstedt, President and CEO	2024	21 714	319	15 245	24 883	-	7 476	69 636	Fixed: 42,4%	Variable: 57,6%

* The President and CEO has only received remuneration from AB Volvo and not from any other Volvo Group company. The President and CEO has not received any extraordinary remuneration (remuneration that under the remuneration guidelines may be awarded under extraordinary circumstances).

** This includes a company car benefit and medical benefits.

*** See below (*Application of performance criteria*) for a further description of terms and performance targets of the programs 2024.

**** As value to the participants is not available until the fourth year of the program and is based on a combination of both operating performance and share price performance, the LTI Transition Program 2024 is reported as multi-year variable for purpose of this table. There will be no payout under the LTI Transition Program 2024 if the Annual General Meeting in 2025 decides not to distribute any dividends to the shareholders. The President and CEO also

participates in the LTI Program 2024-2026. As no remuneration for participants has been paid under 2024 under the terms of this program, no remuneration has been recorded in the table relating to this program. Such remuneration (if any) will be recorded in the Remuneration Report for 2026, when the performance period has ended. For the accounting treatment of the LTI Program 2024-2026, please see Note 27 on p. 120 – 124 of the Annual Report 2024.

Application of performance criteria

A prerequisite for successful implementation of the Group’s business strategy is the ability to recruit and retain qualified personnel. To this end, it is necessary that AB Volvo offers competitive remuneration. The Board of Directors and the Remuneration Committee continuously review remuneration to align it with the overall business performance and strategy of the company. For 2024, it is deemed that the total remuneration of the President and CEO is in line with the business performance and implementation of the Group’s strategy.

In the beginning of 2024, targets on operating income, operating cash flow and electric vehicle volume were established for the short-term incentive program, and targets on operating income and return on capital employed were established for the LTI Transition Program 2024.

Performance on the short-term and long-term metrics were measured against a range with a minimum and maximum for the financial period and a linear payout in the range.

For the President and CEO, the above resulted in the following result as regards the 2024 short-term incentive program and the LTI Transition Program 2024 (payable in 2025):

Name, Position	Program	Maximum opportunity as % of base salary	Performance Metrics	Relative weight	Result	Payable as % of base salary
Martin Lundstedt, President & CEO	Short-term	100%	Operating income	45%	62,9%	71,4%
			Operating cash flow from industrial operations	45%	94,2%	
			Electric Vehicle Volume	10%	7,0%	
	Long-term	150%	Operating income	30%	62,9%	116,5%
			Return on Capital Employed	70%	84,0%	

More information can be found in note 27 in Annual Report 2024.

Derogations and deviations from the Remuneration Guidelines

During 2024, no compensation has been provided or promised to the President and CEO or other executive managers which would constitute a derogation or deviation from the Remuneration Guidelines and no derogations or deviations from the Remuneration Guidelines or the procedure for determining remuneration under the Guidelines have taken place.

Comparative information on the change of remuneration and company performance

Table: remuneration and company performance 2020-2024

As per each year, the actual numbers as well as the percentual change as compared to last year, is disclosed.

		2020		2021		2022		2023		2024	
President and CEO remuneration	TSEK	43 926	24,5%	49 338	12,3%	58 105	17,8%	68 513	17,9%	69 636	1,6%
Short term incentive; outcome as % base salary	%	70,3%	-20,8%	88,1%	25,3%	80,7%	-8,4%	97,0%	20,2%	71,4%	-26,4%
Long term incentive; outcome as % of base salary	%	70,3%	-	66,1%	-6,0%	111,3%	68,4%	150,0%	34,8%	116,5%	-22,3%
Deputy CEO remuneration*	TSEK	21 308	21,7%	23 691	11,2%	25 131	6,1%	-	-	-	-
Group Operating Income	SEK M	27 484	-44,5%	43 074	56,7%	45 712	6,1%	66 782	46,1%	66 611	-0,3%
Operating Cash Flow in industrial operations	SEK bn	18,5	-51,7%	29,4	58,9%	35,3	20,1%	45,8	29,7%	45,3	-1,1%
Return on Capital Employed	%	14,7	-48,2%	25,3	72,1%	27,4	8,3%	36,7	33,9%	35,8	-2,5%
Electric Vehicles Volume	#					2 073	0,0%	5 110	146,5%	6 477	26,8%
Average remuneration on a full time equivalent basis of employees (excl. executive management) of the parent company	TSEK	1 478	-8,9%	1 799	21,7%	1 675	-6,9%	1 903	13,6%	1 958	2,9%

* The Deputy CEO stepped down at the end of 2022 and was not replaced in this position. Hence, no remuneration is reported since then for this position.

As for the information relating to remuneration, it is noted that the variable remuneration is reported in the year it was accrued, even though paid the year after.

The average incentive outcome for the five years' period amounts to 81,5% for the short-term incentive and 77,6% for the long-term incentive, to be measured against the maximum incentive opportunity.