

Policy for remuneration to senior executives, approved by the Annual general meeting on 31 March 2021

These guidelines (AB Volvo's remuneration policy) 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 2021 annual general meeting. These guidelines do not apply to any remuneration decided or approved by the general meeting. Any new share-based incentive plans will, where applicable, be resolved by the general meeting, but no such plan is currently proposed.

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 and Sustainability 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 per cent of the base salary and, for other Executives, a maximum of 80 per cent of the base salary.

Long-term incentives may, for the President and CEO, amount to a maximum of 100 per cent of the base salary and, for other Executives, a maximum of 80 per cent of the base salary. The current long-term incentive plan for the Group's senior management, including the Executives, was introduced in connection with the 2016 annual general meeting. The objective of the program is to drive long-term value creation and align the interests of the senior management with those of shareholders. To achieve this, the program operates on a four year cycle; with a performance based annual award, which is invested in Volvo shares with a mandatory lock-in period of three years. There will be no payout under the long-term incentive program if the Annual General Meeting that is held in the year following the performance year, decides not to distribute any dividends to the shareholders. The program is funded on an annual basis by an award, measured against performance criteria established by the Board of Directors. The after tax portion of this payment must be immediately invested in AB Volvo shares which must be held for a minimum of three years. In this way, the Executives will build up a shareholding in the company and have a vested interest over the longer term development in the value of the shares. At the end of the three year period, the Executives may sell their

shares, if they meet the requirement for owning shares valued at two years of the pre-tax base salary for the President and CEO and one year of the pre-tax base salary for the other Executives. The holding requirements for the Executives shall cease upon termination of an Executive's employment, and the Board of Directors may grant such other exceptions to the requirements as the Board deems appropriate.

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 per cent 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 per cent 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 per cent 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 require a defined benefit pension. The pensionable salary shall include base salary and where required by law or collective agreement, short-term incentives. The total pension contributions for other Executives shall amount to not more than 35 per cent 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 cars. Premiums and other costs relating to such benefits may amount to not more than 10 per cent 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 cash remuneration, etc.

Short-term and long-term incentives shall be linked to predetermined and measurable criteria. 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 criteria for short-term and long-term incentives shall be determined by the Board of Directors annually. The satisfaction of the criteria shall be measured over periods of one year each.

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

Claw-back and adjustments

Executives participating in the Volvo Group's current 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, variable 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 remuneration 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 material changes to the guidelines and how the views of shareholders' have been taken into consideration

During 2020, the Remuneration Committee and the Board of Directors have consulted with shareholders individually and collectively and have followed up on comments and questions received from shareholders in connection with the annual general meeting in June 2020 and otherwise during the year. For further information, please refer to the section Consideration of shareholder views in the Remuneration Report 2020. The Remuneration Committee and the Board have for 2021 and onwards decided to propose a change to the company's pension commitments to its President and CEO, Deputy CEO and other Executives employed in Sweden, aiming to simplify the pension commitments and bring them more in line with the prevailing pension schemes for similar individuals in the Swedish market, without materially altering the remuneration from an economical perspective. Due to the forward-looking nature of the remuneration policy, the amendments apply to new employment contracts entered into after approval of the amended policy by the annual general meeting 2021 and for existing employment contracts if changes are agreed to by the Executives in scope.

Additional information regarding executive remuneration in the Volvo Group is available in the Volvo Group Annual and Sustainability Report.