

# Policy for remuneration to senior executives, accepted by the Annual General Meeting on 5 April 2018

This policy concerns the remuneration and other terms of employment for the members of the Volvo Group Executive Board (“Executives”).

The remuneration and the other terms of employment of the Executives shall be competitive so that the Volvo Group can attract and retain competent Executives. The total remuneration to Executives consists of fixed salary, short-term and long-term incentives, pension and other benefits. Short-term and long-term incentives shall be linked to predetermined and measurable criteria relating to EBIT and cash flow targets for the Volvo Group, devised to promote the long-term value creation of the Volvo Group 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 annually.

Short-term incentive may, as regards the President and CEO, amount to a maximum of 100 % of the fixed salary and, as regards other Executives, a maximum of 80 % of the fixed salary.

Long-term incentive may, as regards the President and CEO, amount to a maximum of 100 % of the fixed salary and, as regards other Executives, a maximum of 80 % of the fixed salary. The long-term incentive program for the Group’s top executives, including the Executives, is cash-based. Awards under the program, based on how well the performance targets are achieved, are disbursed in cash to the participants on the condition that they invest the net award in AB Volvo shares and that they retain the shares for at least three years. Any new share-based incentive program will, where applicable,

be resolved by the General Meeting, but no such program is currently proposed.

For Executives resident in Sweden, the notice period upon termination by the Company shall not exceed 12 months and the notice period upon termination by the Executive shall not exceed 6 months. In addition, in the event of termination by the Company, the Executive may be entitled to a maximum of 12 months’ severance pay.

Executives resident outside Sweden or resident in Sweden but having a material connection to or having been resident in a country other than Sweden may be offered notice periods for termination and severance payment that are competitive in the country where the Executives are or have been resident or to which the Executives have a material connection, preferably solutions comparable to the solutions applied to Executives resident in Sweden.

## *Authority to decide on deviations from this policy*

The Board of Directors may deviate from this policy if there are special reasons to do so in an individual case.

## *Additional information*

Executive compensation, which has been decided but which has not yet become due for payment by the time of the 2018 Annual General Meeting, falls within the scope of this policy. Additional information regarding remuneration is available in the Volvo Group Annual Report for 2017.