

Remuneration Policy, accepted by the Annual General Meeting on April 9, 2008

This Policy concerns the remuneration and other terms of employment for the Group Executive Committee of the Volvo Group. The members of the Group Executive Committee, including the President and any possible Executive Vice President, are in the following referred to as the "Executives".

This Policy will be valid for employment agreements entered into after the approval of the Policy by the Annual General Meeting and for changes made to existing employment agreements thereafter.

1. Guiding principles for remuneration and other terms of employment

The guiding principle is that the remuneration and the other terms of employment for the Executives shall be competitive in order to ensure that the Volvo Group can attract and retain competent Executives.

The annual report 2007 sets out details on the total remuneration and benefits awarded to the Executives during 2007.

2. The principles for fixed salaries

The Executive's fixed salary shall be competitive and based on the individual Executive's responsibilities and performance.

3. The principal terms of variable salary and incentive schemes, including the relation between fixed and variable components of the remuneration and the linkage between performance and remuneration

The Executives may receive variable salaries in addition to fixed salaries. The variable salary may, as regards the President, amount to a maximum of 65% of the fixed annual salary and, as regards the other Executives, a maximum of 50% of the fixed annual salary.

The variable salary may be based on i.a. the performance of the entire Volvo Group or the performance of the Business Area or Business Unit where the Executive is employed. The performance will be related to the fulfilment of various improvement targets or the attainment of certain financial objectives. Such targets will be set by the Board and may relate to i.a. operating income or cash flow.

On a yearly basis, the Board will evaluate whether a share or share-price related incentive program will be proposed to the Annual General Meeting or not. The Annual General Meeting decides upon such programs. In the report on 2007 operations released on February 6, 2008, it was announced that the Board of Directors has decided to propose that the Annual General Meeting 2008 approve the adoption of a share-based incentive program relating to the financial year 2008.

The Executives are also participating in Volvo's Profit Sharing Program (VPS), which applies to the majority of the Volvo Group's employees and which can give a maximum individual result of SEK 8,500 per year, provided AB Volvo's return on equity (ROE) amounts to 20% or more. Results under VPS are principally placed in Volvo shares and they can be disposed of on the individual level after three years, at the earliest.

4. The principal terms of non-monetary benefits, pension, notice of termination and severance pay

4.1 Non-monetary benefits

The Executives will be entitled to customary non-monetary benefits such as company cars and company health care. In addition thereto in individual cases company housing and other benefits may also be offered.

4.2 Pension

In addition to pension benefits which the Executives are entitled to according to law and collective bargaining agreements, Executives resident in Sweden may be offered defined-contribution plans with annual premiums amounting to SEK 30,000 plus 20% of the pensionable salary over 30 income base amounts. In the defined-contribution plan, the pension earned will correspond to the sum of paid-in premiums and possible return without any guaranteed level of pension received by the employee. In the defined-contribution plan, no definite retirement date is set.

Some of the Executives have earlier been entitled to defined-benefit pension plans, but the majority of the Executives have re-negotiated these to the new system of defined-contribution plans. In connection therewith, agreements have in some cases been reached on individual adjusting premiums in accordance with actuarial calculations.

Previous pension agreements for certain Executives stipulated that early retirement could be obtained from the age of 60. Such agreements are no longer signed and the majority of the Executives that earlier were entitled to such defined-benefits pension plans have agreed to exchange these for defined contribution plans without any defined point of time for retirement. The premium amounts to 10% of the pensionable salary plus individual adjusting premiums based on actuarial calculations in some cases.

Executives resident outside Sweden may be offered pension benefits that are competitive in the country where the Executives are resident, preferably defined-contribution plans.

4.3 Notice of termination and severance pay

For Executives resident in Sweden, the termination period from the Company will be 12 months and 6 months from the Executive. In addition thereto, the Executive, provided that termination has been made by the Company, will be entitled to 12 months severance pay.

Executives resident outside Sweden may be offered notice periods for termination and severance payment that are competitive in the country where the Executives are resident, preferably solutions comparable to the solutions applied to Executives resident in Sweden.

5. The Board's preparation and decision-making on issues concerning remuneration and other terms of employment for the Group Executive Committee

The Remuneration Committee recommends and the Board decides, on the remuneration and other terms of employment for the President and any possible Executive Vice President. The Remuneration Committee decides on the remuneration and other terms of employment for the other members of the Group Executive Committee, in accordance with the principles decided by the Board.

The Remuneration Committee is further responsible for the review and recommendation to the Board of share and share-price related incentive programs to be decided upon by the Annual General Meeting.

6. Deviations from this Policy

The Board of Directors may deviate from this Policy, except as regards point 3, third paragraph, if there are specific reasons to do so in an individual case.

7. Deviations from an earlier approved Policy

The Board of Directors has, in accordance with section 6 of the Remuneration Policy adopted by the Annual General Meeting 2007, deviated from section 3 of said Policy as regards variable salary to the President. The Board has decided that the President's variable salary shall amount to a maximum of 65% of the fixed annual salary as from January 1, 2008. The reason for the deviation is that the President's remuneration is revised on a calendar year basis and that the Board considered the deviation justified when adjusting the President's total remuneration to the market.

8. Information on earlier decisions on remuneration that has not become due for payment at the time of the Annual General Meeting's consideration of this Policy

The decisions already taken on remuneration to the Executives fall within the frames of this policy, except that some of the Executives have a right to receive 24 months severance pay provided they are above 50 years of age. Further, some Executives have outstanding rights under the employee stock option program under which options were allotted in May 2003. The options may be exercised until May 2008. Information on that program can be found on the Corporate Governance website.