

Proposals by the Election Committee of AB Volvo to the Annual General Meeting 2017

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 eleven 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 3,400,000 (3,250,000) and each of the other members elected by the Annual General Meeting SEK 1,000,000 (950,000) with the exception of the President. Furthermore, the Election Committee proposes that the Chairman of the Audit Committee will be awarded SEK 350,000 (300,000) and the other members of the Audit Committee SEK 160,000 (150,000) each and that the Chairman of the Remuneration Committee will be awarded SEK 140,000 (125,000) and the other members of the Remuneration Committee SEK 105,000 (100,000) each. The Election Committee finally proposes that for the new Volvo CE-committee, the Chairman will be awarded SEK 175,000 and the other members SEK 150,000 each.

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, Håkan Samuelsson, Helena Stjernholm, Carl-Henric Svanberg and Lars Westerberg.

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.

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 Tele-communications, 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 and company management. Since Cevian Capital Partners controls more than 10 percent of the votes in the company, Eckhard Cordes, due to his capacity as partner in Cevian Capital, is not considered independent of one of 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.

Board Chairman: Partex Marking Systems AB and Permobil AB.

Board member: Concentric AB.

Holdings in Volvo, own and related parties: 36,447 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

Board member: Nielsen.

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.

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 member: NV Bekaert S.A., Deutsche Lufthansa AG and SAF Holland S.A. (vice chair).

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.

Håkan Samuelsson

Born 1951. MSc Eng.

President and CEO of Volvo Car Group.

Board member: Teknikföretagen (Engineering companies).

Holdings in Volvo, own and related parties: 106,000 Series B Shares.

Principal work experience: Began his career in 1977 at Scania, where he stayed for more than 20 years. He held leading positions within Scania's technical division before he joined the executive board in 1996. Chairman & CEO of MAN Nutzfahrzeuge AG from 2000. Chairman & CEO of MAN AG from 2005-2009.

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 Håkan Samuelsson is independent of the company, company management and the company's major shareholders. In its assessment, the Election Committee took into consideration the contractual dealings existing between the Volvo Group and Volvo Car Group.

Helena Stjernholm

Born 1970. MSc Business Administration.

President and CEO of AB Industrivärden.

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

Principal work experience: Between 1998-2015, partner in the private equity firm IK Investment Partners (former Industri Kapital) with responsibility for its Stockholm office. She was also a member of IK's Executive Committee. Helena has served in various positions with IK and prior to that 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.

Lars Westerberg

Born 1948. MSc Eng., B.Sc. Business Administration.

Member of the Volvo Board since: 2007

Board member: SSAB Svenskt Stål AB, Sandvik AB and Stena AB.

Holdings in Volvo, own and related parties: 30,000 Series A Shares and 168,000 Series B Shares.

Principal work experience: Has held several positions within ASEA 1972-1984, several management positions, including President and CEO of ESAB AB 1984-1994. CEO of Gränges AB 1994-1999. Has extensive experience from the automotive industry, having served as President of Autoliv Inc. 1999-2007 and Chairman of Autoliv Inc. 2007-2011. Among other companies, former Board Chairman of Husqvarna AB, Vattenfall AB and Ahlsell AB.

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 Lars Westerberg is independent of the company, company management and the company's major shareholders.

Statement explaining the Election Committee's proposals regarding the Board remuneration and the 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.

Ahead of the Annual General Meeting 2017, the Election Committee has requested a thorough comparison of Board and Committee remuneration paid by international companies in the Nordics, Europe and the US. Furthermore, the Election Committee has, in its proposal, taken into account the specific fact that remuneration to the Board members has remained the same since 2014 and that the remuneration to the members of the Audit and Remuneration Committees has remained unchanged since 2011.

The Election Committee has, based on the results of this comparison, concluded that an increase in the remuneration in accordance with the proposal is justified.

The Election Committee is also of the opinion that an increase in remuneration to the Chairman of the Audit Committee is especially due, because of the increased work duties and the responsibility placed on the Audit Committee according to the new rules on auditors and audit, which came into effect during 2016.

In conclusion, the Election Committee is of the opinion that the proposed increase in remuneration to the Board's members elected by the Annual General Meeting and the Chairman, as well as the members of the Audit and Remuneration Committees, is well-founded.

Proposal regarding the Board of Directors

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.

Based on the assessment of current Board members, Chairman and the Board's work, which the Board has complied with support from external consultants in 2016, the Election Committee is of the opinion that the number of Board members is appropriate, that the Board functions well and, in its entire capacity, it possesses the skills and experience relevant to the Volvo Group.

Against this background, and taking the requirement for continuity and stability into account, the Election Committee sees no need to propose any changes to the composition of the Board.

To conclude, 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 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
Lars Förberg, representing Cevian Capital
Yngve Slyngstad, representing Norges Bank Investment Management

Pär Boman, representing Handelsbanken, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen

The Election Committee's proposal as regards changes to the instructions for Volvo's Election Committee

The Election Committee proposes that the Annual General Meeting resolve to change the instructions for AB Volvo's Election Committee in accordance with Appendix 1. The proposed change is an adaption to the new rules on auditors and audit, which came into effect during 2016.

Presentation of the activities carried out by the Election Committee

At the 2016 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 Handelsbanken, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen

The Election Committee held its first meeting on June 1, 2016. The Election Committee held a total of five meetings. These meetings have mainly been devoted to an evaluation of the performance of the current Board and to evaluation and discussions of the fees to be paid to the Board members.

During its meetings, the Election Committee also discussed and formulated proposals to the Annual General Meeting 2017 concerning the Chairman of the Meeting and members of the Election Committee for 2017/2018, who are proposed as set forth in the instructions for the Election Committee. Furthermore, the Election Committee has reviewed the instructions for AB Volvo's Election Committee and the Election Committee's work and concluded that an updated is required due to the new rules on auditors and audit, which came into effect during 2016.

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 16,215.

February 2017

Election Committee for the 2017 Annual General Meeting of AB Volvo