

Remuneration report

Introduction

This remuneration report provides an outline of how Volvo Car Group's (including Volvo Car AB (publ) guidelines for remuneration for the Executive Management Team ("EMT"), were adhered to in 2022 (the "Remuneration Guidelines"). The latest version of the Remuneration Guidelines was adopted by the annual general meeting on 11th May 2022. This report also provides details on the remuneration of Volvo Car Group's CEO, deputy CEO's and a summary of Volvo Car Group's Long term and Short-term incentive programmes together with its share-based programmes. The report has been prepared in compliance with the Swedish Companies Act (2005:551) and the Remuneration Rules issued by the Swedish Corporate Governance Board. Further information on the executive remuneration is also available in note 8 on pages 93-97 in the company's annual report for 2022 (the "2022 Annual Report"). Information on the work of the People Committee in 2022 is set out in the corporate governance report, which is available on pages 60–66 in the 2022 Annual Report. 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 8 on pages 93-97 in the 2022 Annual Report.

Key developments 2022

The CEO, Jim Rowan, summarizes Volvo Car Group's overall performance in 2022 in his statement on page 8-9 in the 2022 Annual Report.

Overview of the application of the Remuneration Guidelines in 2022

The objective of the Remuneration Guidelines is to ensure that the Volvo Car Group can attract and retain the best people in order to contribute to Volvo Car Group's mission & business strategy,

its long-term interests and its sustainability goals. Remuneration for the EMT shall be based on market competitive conditions and at the same time support the shareholders' best interests.

The total remuneration package of the EMT may consist of fixed cash remuneration, variable cash remuneration, pension benefits and other benefits. The components of remuneration shall be in accordance with market practice. Additionally, the general meeting may – irrespective of the Remuneration Guidelines – resolve on, among other things, share related or share price related remuneration.

The Remuneration Guidelines can be found on [Remuneration | Volvo Cars](#). During 2022 Volvo Car Group has complied with the applicable Remuneration Guidelines except one deviation where the total remuneration for one of the senior executives is above the level stated in our Remuneration Guidelines. The deviation is deemed necessary to serve Volvo Car Group's long-term interests and reflects the specific performance and contribution this individual is making to the development of Volvo Car Group.

In addition, no remuneration has been reclaimed. It shall be noted that the CEO and deputy CEO's receive all remuneration from Volvo Car Corporation and as such, no remuneration is paid from the listed company Volvo Car AB (publ).

The auditor's report regarding the company's compliance with its guidelines is available [on [Remuneration | Volvo Cars](#)].

Table 1 – Total remuneration in 2022 (TSEK)

Table below sets out total remuneration earned by Volvo Car Groups current and former CEO and deputy CEO's during 2022.

	1		2		3	4	5	6
	Fixed Remuneration		Variable Remuneration					
Total Remuneration	Base Salary	Other Benefits ⁴	One-Year Variable ⁵	Multi-Year Variable ⁶	Extra Ordinary Items	Pension Expense ⁸	Total Remuneration	Proportion of fixed and variable remuneration
Håkan Samuelsson, CEO (Former) ¹	14,250	94	11,614	12,635	0	7,125	45,718	47/53
Jim Rowan, CEO (Current) ²	11,702	454	12,684	N/A	10,900 ⁷	3,375	39,115	40/60
Javier Varela, COO and deputy CEO ³	4,750	110	2,710	1,072	0	1,289	9,931	62/38
Björn Annwall, CCO and deputy CEO ³	3,500	95	1,997	679	0	914	7,185	63/37

1. Håkan Samuelsson, former CEO (Jan 1st -March 20th) has received remuneration during the year in accordance with agreement.
2. Jim Rowan, current CEO (appointed on March 21st) and has received remuneration for the period of March 21st to Dec 31st.
3. Javier Varela and Björn Annwall, were appointed as deputy CEO's effective July 1st and remuneration shown above is for the period of July 1st to Dec 31st.
4. Includes benefits such as insurance and company car.
5. One year variable pay (STVP), is result of 2022 programme and will be disbursed in the first quarter of 2023.
6. Multi-year variable pay, is the preliminary result of long-term cash-based incentive programme (LTVP 2020/2022) and will be disbursed in the first quarter of 2023. It also includes Pro-rata payments for long term cash-based incentive programme (LTVP 2021/2023) and payment in lieu of share based incentive in accordance with agreement.
7. Sign on Bonus paid in accordance with contract. Net amount invested in VCC shares.
8. Pension expense which in its entirety relates to base salary and is contribution defined, has been counted entirely as fixed remuneration.

Short-Term Variable Pay Programme ("STVP")

The STVP is a one-year, cash-based incentive programme comprising the CEO, other EMT members and certain other senior executives, in total approximately 370 employees. The purpose of the STVP is to support Volvo Car Group's corporate strategy and transformation.

Pay-out under the STVP requires that Volvo Car Group satisfies certain performance indicators related to EBIT (1/3), quality (1/3) and strategic transformation activities (1/3), as established by the People Committee. A threshold, target and maximum level is set for each performance indicator. In order for any STVP to be paid out in respect of each performance indicator, the threshold level needs to be met. If the higher target, or maximum, level is reached, the pay-out related to the relevant performance indicator will increase (with linear pay-outs for performance between the levels). The amount subject to payment for each level of performance is a percentage of the employee's annual base salary, with a cap on the maximum amount payable when reaching or exceeding the maximum levels of all performance indicators. The pay-out is capped at 200 per cent of the so-called target award. The target award is a percentage of the employee's

annual base salary on 31 December at the end of each performance year. Unless otherwise agreed, to be eligible for pay-out, the employee must remain within Volvo Car Group on the pay-out date. Håkan Samuelson will receive a payout in accordance with his agreement. The variable cash remuneration agreement includes a general clause stipulating that the Board and the People Committee are entitled to wholly or partly reduce variable cash remuneration.

Long-Term Variable Pay Programmes ("LTVPs")

The LTVPs are three-year, cash-based long term incentive Programmes comprising the CEO, other EMT and GMT members and certain other senior executives, in total approximately 150 employees. Currently, there are two outstanding LTVPs: 2020/2022, and 2021/2023.

The purpose of the LTVPs is to (i) strengthen the alignment of key people around Volvo Car Group's vision, objectives, strategies and business plan, (ii) improve Volvo Car Group's ability to attract and retain people with key competencies, and (iii) reward potential future contribution in relation to increased shareholder value.

Payment under the LTVPs depends on the development of the market value of Volvo Car Group as well as satisfaction of certain performance conditions related to operating margin and revenue growth measured over the term of the programmes, as established by the Board of Directors. A threshold and a maximum level are set for each performance condition. In order for any LTVP to be paid out in respect of each performance conditions, the threshold level needs to be met. If the higher maximum level is reached, the pay-out related to the relevant performance condition will increase (with linear pay-outs for performance between the levels).

The amount subject to payment under the LTVPs is a percentage of the employee's annual fixed cash salary, with a cap on the maximum amount payable. Under the LTVPs the pay-out is capped at 300 per cent of the target award. The target award is a percentage of the employee's annual fixed cash salary set at the start of the programme. To be eligible for pay-out under the LTVPs, the employee must remain within Volvo Car Group (and not be under notice of termination) on the pay-out date. Håkan Samuelson will receive a payout in accordance with his agreement. The variable cash remuneration agreement includes a general clause stipulating that the Board and the People Committee are entitled to wholly or partly reduce variable cash remuneration

Comparative information on the change of remuneration and group performance

Volvo Cars was listed during 2021 and therefore 2021 is the first reference year available. The comparative information between 2021 and 2022 has been presented in the table below. For future reports, coming years will be added so that the annual change over the last five years will be

Application of performance criteria

The performance criteria for the variable remuneration have been selected to deliver Volvo Car Group's strategy and to encourage behavior which is in the long-term interest of Volvo Car Group. In the selection of performance criteria, the strategic objectives and short- and long-term business priorities for 2022 have been considered. The non-financial performance criteria further contribute to alignment with the sustainability agenda as well as Volvo Car Group's purpose and values.

The STVP is linked to (i) Volvo Car Group's earnings before interest and taxes (EBIT), (ii) quality, and (iii) strategic transformation activities. During 2022, the EBIT achieved was slightly below target level and on the transformation activities 9 out of 10 targets were achieved, while the targets for quality were below threshold level. The overall outcome for STVP 2022 was therefore 81,5% of the maximum variable pay.

Under the 2020/2022 LTVP, the pay-out depended on the development of the market value of Volvo Car Group as well as satisfaction of certain performance conditions related to operating margin and revenue growth measured over the term of the programme. The outcome for LTVP 2020/2022 was 70% of the maximum variable pay.

visible. The group entity Volvo Car Corporation has been selected as the relevant average remuneration report entity, since it's the largest Swedish entity in Volvo Car Group and which also employs the CEO and deputy CEO's.

Table 2 – Change of Remuneration and Company Performance (TSEK)	2022	2021
CEO Remuneration (TSEK)		
Håkan Samuelsson, CEO (Former)	45,718 (-25,15%) ¹	61,076
Jim Rowan, CEO (Current) ²	39,115	-
Javier Varela, COO and deputy CEO ³	9,931	-
Björn Annwall, CCO and deputy CEO ⁴	7,185	-
Company's Performance (TSEK)		
EBIT ⁵	22,332,000	20,275,000
Average remuneration on a full-time equivalent basis of employees (TSEK)		
Employees of Volvo Car Corporation ⁶	703	619

1. Reflects YoY change in remuneration for Håkan Samuelsson (Former CEO)

2. Jim Rowan was appointed as CEO from March 2022, hence comparative information for 2021 is not available.

3. Javier Varela was appointed as Deputy CEO from July 2022, hence comparative information for 2021 is not available.

4. Björn Annwall was appointed as Deputy CEO from July 2022, hence comparative information for 2021 is not available

5. EBIT represents earnings before interest & taxes.

6. Pension contributions for employees were significantly higher in 2022 due to 200% bonus payout and is reflected in the average remuneration for employees.

Share-based incentive Programmes

Outstanding Performance Share Plan

The Performance Share Plan (PSP) is a new long-term incentive plan (LTI 2022/2024) that has replaced the cash based LTVP reported above. PSP is a three-year plan in which the CEO, other EMT and GMT members and certain other senior executives are invited to participate. Participants are granted a certain number of shares in Volvo Cars, provided that the relevant performance conditions are met. To calculate the maximum number of shares that each PSP participant can receive, a percentage of the PSP participants gross annual fixed salary in 2022 is used, such percentage being (i) 50% for the CEO and (ii) 40% for the deputy CEO's. This maximum value is then converted into a maximum number of share (Performance Shares), based on the volume weighted average share price paid for Volvo Cars series B shares on Nasdaq Stockholm during a period of 30 trading days before the day the participants were invited to participate in the program.

The allocation of Performance Shares is subject to satisfaction of the following performance conditions: (a) Volvo Cars' average operating margin (as reported) during the Performance Period, weighted at 40%, (b) Volvo Cars' average revenue growth during the Performance Period, where the revenue (as reported) for the financial year 2021 is compared to the revenue (as

reported) for each of the financial years during the Performance Period, weighted at 40%, (c) reduction of CO2 emissions per car sold, where the average CO2 emissions per car sold in 2018 is compared to the average CO2 emissions per car sold in 2024, weighted at 10%, and (d) gender diversity, calculated as the portion of non-male participants in the senior leaders group as of 31 December 2024, weighted at 10%. The Performance Conditions include a minimum level which must be exceeded in order for any Performance Shares at all to be allocated, as well as a maximum level in excess of which no additional Performance Shares will be allocated. Should the minimum level be exceeded but the maximum level not reached, a proportionate number of Performance Shares will be allocated.

The total performance achievement can range from 0% to 200%. However, together with the potential share price increase during this period, the received value can be even more significant, capped at a maximum of 400% of award value. Allocation of Performance Shares is conditional upon the PSP Participant retaining the employment within the Volvo Cars group over the entire Performance Period.

Table 3 – Share based Incentive Programme (CEO and deputy CEO)

Information regarding reported financial year 2022

Name and Position	Name of Plan	Performance Period	Award Date	Vesting Date	End of retention Period	During the year		Unvested at year end
						Awarded	Vested	
Jim Rowan, CEO (Current)	LTI 2022/2024	2022–2024	2022-06-15	2025-06-15	2025-06-15	145 958	0	145 958
Javier Varela, COO & Deputy CEO	LTI 2022/2024	2022–2024	2022-06-15	2025-06-15	2025-06-15	49 301	0	49 301
Björn Annwall, CCO & Deputy CEO	LTI 2022/2024	2022–2024	2022-06-15	2025-06-15	2025-06-15	30 100	0	30 100

Polestar investment programme

During 2019, Volvo Car AB's (publ.) through its subsidiary Volvo Car Corporation launched a share-based investment program to certain members of (inter alia) EMT. Each participant was offered to purchase shares in Volvo Car Group's subsidiary PSINV AB which in turn owned shares in Polestar Automotive Holding Limited and hence the participants were indirectly minority owners of the Polestar Group. The investment was made at fair market value in accordance with an external valuation.

In June 2022, the Polestar Group was listed on the Nasdaq Stock Exchange in a de-SPAC process

through a merger with the SPAC company Gores Guggenheim. In accordance with the terms of the investment programme, Volvo Car Corporation then repurchased the participants shares in PSINV AB and each participant was then obliged to reinvest the net proceeds received (repurchase amount less an amount corresponding to the effective tax rate on capital gains in the participants jurisdiction) in shares in Polestar Automotive Holding UK Ltd directly on the open market. The purchased shares were subject to a 180 days' lock-up period.

Specification of repurchased shares	Number of shares
Håkan Samuelsson, CEO (Former)	12 500
Former and current members of EMT in Volvo Car Group	8 375
Member of Polestar Board and management	17 250
Total	38 125