

V O L V O

Implementation of a Performance Share Plan and an Employee Share Matching Plan in accordance with A.2 and A.3, respectively, and delivery arrangements in respect thereof in accordance with B.1 or B.2

The Board of Directors of Volvo Car AB (publ) ("**Volvo Cars**") proposes that the Annual General Meeting 2023 resolve on the implementation of share based plans, giving all permanent employees of the Volvo Cars group the opportunity of becoming shareholders in Volvo Cars. A division into two parts is proposed: one Performance Share Plan (the "**PSP**") directed to the CEO, other members of the Executive Management Team ("**EMT**") and certain other senior executives, and an Employee Share Matching Plan (the "**ESMP**", jointly with the PSP, the "**Plans**") directed to all permanent employees of the Volvo Cars group, other than the participants of the PSP. In order to secure the obligations of Volvo Cars to deliver shares to participants under the Plans, the Board of Directors further proposes that the Annual General Meeting resolve on delivery arrangements. The Board of Directors' proposal for the Plans is set out in A. below and for the delivery arrangements in B. below.

A Proposal for the implementation of the Plans

1. Background and reasons

The overall purpose of the Plans is to strengthen the alignment of interests of the group's employees with those of the shareholders and thus encourage long-term commitment to the Volvo Cars group. The purpose of PSP is further to create a long-term focus amongst the participants on reaching Volvo Cars' long term ambitions, as well as to facilitate recruitment and retention of employees with key competencies. The purpose of the ESMP is further to create engagement, commitment and motivation for the entire permanent workforce of the Volvo Cars group.

Since the Board of Directors believes that long-term share ownership is an important way to create alignment between the EMT and Volvo Cars' shareholders, it has implemented a policy setting out recommendations for certain levels of share ownership for members of the EMT. The PSP offers an opportunity for such members to increase their holdings to achieve the recommended share ownership.

The Board of Directors' intention is that the structure of the Plans should correspond to the incentive plans approved by the Annual General Meeting 2022.

2. Terms and conditions for the PSP

- i. It is proposed that the PSP shall comprise approximately 170 employees, whereof approximately 160 Vice Presidents and key individuals ("**VPs**"), approximately 10 members of the EMT and the CEO of the group (jointly, the "**PSP Participants**").

- ii. The PSP shall comprise a maximum of 9,886,909 series B shares in Volvo Cars, all of which can be allocated to PSP Participants (the “**Performance Shares**”).
- iii. Subject to satisfaction of the conditions set out below, the PSP Participants will be entitled to allocation of Performance Shares free of charge, from Volvo Cars or from a designated third party, after the expiration of a three-year vesting period (subject to certain exemptions), starting on the date Volvo Cars grants the PSP Awards (as defined below) to the Participants of the PSP (the “**Vesting Period**”).
- iv. The number of Performance Shares that may be allocated to the PSP Participants after expiration of the Vesting Period will be established according to the following. Each PSP Participant will at commencement of the PSP, free of charge, receive a conditional award of Performance Shares (an “**PSP Award**”). The PSP Award will amount to the number of Performance Shares the value of which corresponds to the following percentages of each PSP Participant’s gross annual fixed salary in 2023: (i) 50% for the CEO, (ii) 40% for members of the EMT and (iii) 30% for VPs (each an “**PSP Award Value**”). The share price used to calculate the PSP Award Value and number of underlying Performance Shares subject to the PSP Award shall be the volume-weighted average price paid for the Volvo Cars series B share on Nasdaq Stockholm during a period of 30 trading days in connection with the commencement of the Vesting Period. When calculating the number of Performance Shares, rounding off shall be made to the closest whole number of Performance Shares.
- v. Dependent on satisfaction of the performance conditions in 2.vi. below, the number of Performance Shares allocated to the PSP Participants after expiration of the Vesting Period may amount to between 0% and 200% of the PSP Award. However, the total value of the Performance Shares at the end of the Vesting Period may not exceed 400% of the PSP Award Value, and the number of Performance Shares allotted may be reduced accordingly. Further, should there be a decline in the price of the Volvo Cars series B share such that the number of Performance Shares subject to allocation exceeds the maximum number of Performance Shares set out in 2.ii. above, the number of Performance Shares allocated to the PSP Participants will be reduced proportionately.
- vi. The allocation of Performance Shares is subject to satisfaction of performance conditions relating to (a) Volvo Cars’ average operating margin (as reported) during the financial years 2023–2025 (the “**Performance Period**”), which is weighted 30%, (b) Volvo Cars’ average revenue growth during the Performance Period, where the revenue (as reported) for the financial year 2022 is compared to the revenue (as reported) for each of the financial years during the Performance Period, which is weighted 30%, (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 2025, which is weighted 30%, and (d) gender diversity, calculated as the portion of non-male participants in the short term variable pay plan (so called senior leaders, currently approximately 300 persons) as of 31 December 2025, which is weighted 10% ((a) through (d) jointly, the “**Performance Conditions**”).

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 minimum and maximum levels for (a) and (b) above will be set by the Board of Directors prior to commencement of the PSP. The minimum level for (c) is 26% and the maximum level for (c) is 40%. The minimum level for (d) is 30% and the maximum level for (d) is 34%.

Information about the minimum and maximum levels for (a) and (b) above, as well as the outcome of each of the Performance Conditions above, will be provided in the annual report for the financial year 2025.

- vii. Allocation of Performance Shares is, subject to the below, conditional upon the PSP Participant retaining the employment within the Volvo Cars group over the entire Vesting Period. For so-called good leaver PSP Participants during the Vesting Period, allocation of Performance Shares is subject to satisfaction of the Performance Conditions and the number of Performance Shares allocated (after expiration of the Vesting Period, unless compassionate circumstances apply) will be proportionately reduced for time served during the Vesting Period.
- viii. The number of Performance Shares shall be subject to recalculation in the event of any intervening bonus issue, split, rights issue and/or other similar corporate actions.
- ix. The Board of Directors shall be entitled to reduce the number of Performance Shares subject to allocation or, wholly or partially, terminate the PSP in advance if significant changes in the group or in the market occur which, in the opinion of the Board of Directors, would result in a situation where the conditions for allocation of Performance Shares become unreasonable. In the event that allocation of Performance Shares has been made based on misstated information, or if actions have been taken by a PSP Participant which could result in material damage to the group's reputation, the Board of Directors may decide to reclaim whole or a part of the allocated Performance Shares for such PSP Participant.
- x. The Board of Directors shall be entitled to make such local adjustments of the PSP that may be necessary or appropriate to implement it with reasonable administrative costs and efforts in the concerned jurisdictions, including, among other things, to offer cash settlement.
- xi. The Board of Directors shall be responsible for the further design and administration of the PSP within the framework of the above stated main terms and conditions.

3. Terms and conditions for the ESMP

- i. It is proposed that the ESMP shall comprise all permanent employees of the Volvo Cars group, other than the PSP Participants (the "**ESMP Participants**").
- ii. The ESMP shall comprise a maximum of 7,832,000 series B shares in Volvo Cars, all of which can be allotted to the ESMP Participants (the "**Matching Shares**").

- iii. To participate in the ESMP, ESMP Participants must make own investments in series B shares in Volvo Cars (“**Investment Shares**”), up to an aggregate value for each ESMP Participant at the time of the investment of no more than SEK 10,000. ESMP Participants must normally purchase Investment Shares in connection with the start of the Vesting Period (as defined below).
- iv. For each Investment Share, ESMP Participants will be entitled to allocation of one Matching Share free of charge, from Volvo Cars or from a designated third party, after the expiration of a two-year vesting period (subject to certain exemptions), starting on the date that ESMP Participants have acquired all of their Investment Shares (the “**Vesting Period**”). Should there be a decline in the price of the Volvo Cars series B share such that the number of Matching Shares subject to allocation exceeds the maximum number of Matching Shares set out in 3.ii. above, the number of Matching Shares allocated to the ESMP Participants will be reduced proportionately. Taxes payable by ESMP Participants as a result of allocation of Matching Shares will be paid by Volvo Cars on behalf of the ESMP Participants. A two-year Vesting Period is considered appropriate and motivated in order to reach a good engagement level within the broad employee group that the ESMP is applicable for in order to encourage long-term commitment to the Volvo Cars group.
- v. Allocation of Matching Shares is, subject to the below, conditional upon the ESMP Participant retaining the employment within the Volvo Cars group over the entire Vesting Period and the ESMP Participant, until the expiration of this Vesting Period, retaining the Investment Shares purchased. Any disposal of Investment Shares prior to the expiration of the Vesting Period will generally result in no Matching Shares being allocated. For so-called good leaver ESMP Participants during the Vesting Period, the number of Matching Shares allocated (after expiration of the Vesting Period, unless compassionate circumstances apply) will be proportionately reduced for time served during the Vesting Period.
- vi. The number of Matching Shares shall be subject to recalculation in the event of any intervening bonus issue, split, rights issue and/or other similar corporate actions.
- vii. The Board of Directors shall be entitled to reduce the number of Matching Shares subject to allocation or, wholly or partially, terminate the ESMP in advance if significant changes in the group or in the market occur which, in the opinion of the Board of Directors, would result in a situation where the conditions for allocation of Matching Shares become unreasonable. In the event actions have been taken by a ESMP Participant which could result in material damage to the group’s reputation, the Board of Directors may decide to reclaim whole or a part of the allocated Matching Shares.
- viii. The Board of Directors shall be entitled to make such local adjustments of the ESMP that may be necessary or appropriate to implement it with reasonable administrative costs and efforts in the concerned jurisdictions, including, among other things, to offer cash settlement.
- ix. The Board of Directors shall be responsible for the further design and administration of the ESMP within the framework of the above stated main terms and conditions.

4. Delivery activities

The Board of Directors has considered different methods for delivery of shares under the Plans to PSP and ESMP Participants (jointly, the “**Participants**”). For this purpose, the Board of Directors proposes that the Annual General Meeting resolve on (i) an authorisation for the Board of Directors to resolve on the repurchase of shares of series B on Nasdaq Stockholm; and (ii) transfer of own series B shares free of charge to the Participants. Should the majority required for these resolutions not be reached, the Board of Directors proposes that Volvo Cars shall be able to enter into an equity swap agreement with a third party.

The detailed conditions for the Board of Directors’ proposal are set out in item B below.

5. Dilution

Neither of the delivery arrangements referred to in item A.4 above would give rise to an increased number of shares in Volvo Cars and, accordingly, no dilutive effect in terms of shares issued will occur for existing shareholders.

6. Estimated costs and effects on key ratios

The costs for the Plans, which will impact the income statement, are calculated according to the accounting standard IFRS 2 and distributed over the respective Vesting Period. The total effect of the Plans on the income statement, including social security contributions, is estimated to range between SEK 125-1,371 million (between SEK 0-684 million for the PSP and between SEK 125-687 million for the ESMP), depending on satisfaction of the Performance Conditions for the PSP and the share price at allotment of Performance Shares and Matching Shares, distributed over the years 2023-2025. Total value for the PSP Participants at allotment of Performance Shares is capped at SEK 684 million. The cap will come into play in case of a total increase of PSP Award Value 400% or more during the term of the PSP.

The estimated aggregated annual costs of between SEK 63-572 million correspond to approximately 0.2-1.8% of the group’s total employee costs for the financial year 2022. Thus, the costs for the Plans are expected to have a marginal effect on the group’s key ratios.

7. Preparation of the proposal

The Plans have been initiated by the Board of Directors and prepared in consultation with external advisors taking into account market practice for multinational companies headquartered in Sweden and the rest of Europe along with corporate governance best practice requirements. The Plans have been processed in the Board’s People Committee and discussed at Board meetings in 2023.

B Delivery arrangements

1. Authorisation for the Board of Directors to resolve on acquisition of shares of series B and resolution on transfer of own series B shares to the Participants in the Plans

The Board of Directors proposes that the Annual General Meeting, as a main alternative, (a) authorise the Board of Directors to resolve on acquisition of own shares of series B on

Nasdaq Stockholm and (b) resolve that own series B shares may be transferred to the Participants in the Plans.

(a) Acquisition of own shares of series B may be made on the following terms:

- i. Acquisitions of shares of series B in Volvo Cars may only be effected on Nasdaq Stockholm.
- ii. A maximum of 17,718,909 shares of series B in Volvo Cars may be acquired to secure delivery of shares to the Participants.
- iii. Acquisitions of shares of series B in Volvo Cars on Nasdaq Stockholm may only be made at a price within the price range (spread) on Nasdaq Stockholm applicable from time to time, meaning the spread between the highest purchase price and the lowest selling price prevailing and disseminated by Nasdaq Stockholm from time to time.
- iv. The authorisation may be utilised on one or several occasions, however, only until the Annual General Meeting 2024.

(b) Transfers of Volvo Cars' own series B shares to the Participants may be made on the following terms.

- i. A maximum of 17,718,909 series B shares in Volvo Cars (9,886,909 Performance Shares and 7,832,000 Matching Shares) may be transferred free of charge to the Participants.
- ii. Right to purchase series B shares in Volvo Cars free of charge shall – with deviation from the shareholders' preferential rights – be granted to each such person within the group who is a PSP or an ESMP Participant.
- iii. Transfers of series B shares in Volvo Cars shall be made free of charge at the time and on the other terms that the PSP or ESMP Participants, as relevant, are entitled to be allocated shares.
- iv. The number of series B shares in Volvo Cars that may be transferred under the Plans shall be subject to recalculation in the event of any intervening bonus issue, split, rights issue and/or other similar corporate actions.

2. Equity swap agreement with a third party

The Board of Directors proposes that the Annual General Meeting, should the majority required under item B.1 above not be reached, resolve that the expected financial exposure resulting from the Plans may be hedged by Volvo Cars being able to enter into an equity swap agreement with a third party on terms in accordance with market practice, whereby the third party, against a fee and in its own name, shall be entitled to acquire and transfer series B shares in Volvo Cars to the Participants in accordance with the terms and conditions of the Plans.

C Majority requirements, etc.

The Annual General Meeting's resolutions on the implementation of the PSP and the ESMP according to item A.2 and A.3, respectively, above, are conditional on the Annual General

Meeting either resolving in accordance with the Board of Directors' proposal under item B.1 or B.2 above.

Each of the Annual General Meeting's resolutions according to item A.2 and A.3 above requires a simple majority of the votes cast. A valid resolution under item B.1 above requires that shareholders representing not less than nine-tenths of the votes cast as well as of the shares represented at the Annual General Meeting approve the resolution. A valid resolution under item B.2 above requires a simple majority of the votes cast.

D Other

The repurchase and transfer of shares in Volvo Cars are integral parts of the proposed Plans. Therefore, and in light of the above, the Board of Directors considers it to be advantageous for Volvo Cars and the shareholders that the PSP and ESMP Participants are invited to become shareholders in Volvo Cars.

For a description of the existing share price-related incentive plan, reference is made to Volvo Cars' annual report for 2022, note 8.

The reasoned statement of the Board of Directors pursuant to Chapter 19, Section 22 of the Swedish Companies Act is attached as Appendix A.

Gothenburg in February 2023
Volvo Car AB (publ)
The Board of Directors