



The Board's proposal on the implementation of a Performance Share Plan in accordance with A.2, and delivery arrangements in respect thereof in accordance with B.1 or B.2 (item 16)

The Board of Directors of Volvo Car AB (publ) ("**Volvo Cars**") proposes that the Annual General Meeting 2025 resolve on the implementation of a Performance Share Plan (the "**PSP**"), which is a shared-based plan directed to the CEO, other members of the Executive Management Team ("**EMT**"), the Group Management Team ("**GMT**"), certain other senior leaders and key individuals.

To secure the obligations of Volvo Cars to deliver shares to participants under the PSP, the Board of Directors further proposes that the Annual General Meeting resolves on delivery arrangements. The Board of Directors' proposal for the PSP is set out in A. below and the delivery arrangements in B. below.

Volvo Cars together with its wholly-owned subsidiary Volvo Car Corporation and its subsidiaries are hereinafter jointly referred to as the Volvo Car Group.

A [Proposal for the implementation of the PSP](#)

1. Background and reasons

The overall purpose of the PSP is to strengthen the alignment of interests of the plan participants, who are key stakeholders in Volvo Cars, with those of the shareholders, and thus encourage long-term commitment to Volvo Cars' success and strategic objectives. 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.

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' proposal for the PSP 2025 corresponds in essence with the structure of the Performance Share Plans previously approved by the Annual General Meetings.

2. Terms and conditions for the PSP

- i. It is proposed that the PSP shall comprise approximately 220 employees, whereof approximately 150 senior leaders, 50 key individuals, 12 members of the GMT, and 8 members of the EMT, including the CEO of the Volvo Car Group (jointly, the "**PSP Participants**").
- ii. The PSP shall comprise a maximum of 14,436,511 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 PSP Participants (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 (a “**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 base salary in 2025: (i) 75% for the CEO, (ii) 40% for members of the EMT, (iii) 30% for the GMT and other senior leaders, and (iv) 15% for other key individuals (each a “**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 the PSP Award, as calculated based on 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 (as set out in 2.iv. above) 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 EBIT excl. income from JV’s & affiliates during the financial years 2025–2027 (the “**Performance Period**”) which is weighted 40%, (b) Volvo Cars’ accumulated free cashflow during the Performance Period which is weighted 30%, (c) percentage of reduction of CO₂ emissions per Volvo car manufactured, where the average CO₂ emissions per car manufactured in 2018 is compared to the average CO₂ emissions per car manufactured in 2027, which is weighted 20%, and (d) gender diversity, calculated as the share of females within senior leaders’ population as of 31 December 2027, 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 30% 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 2027.

- vii. Allocation of Performance Shares is, subject to the below, conditional upon the PSP Participant retaining the employment within the Volvo Car 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 Volvo Car 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 the 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 Volvo Car 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. Delivery activities

The Board of Directors has considered different methods for delivery of shares to the PSP 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 PSP 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.

4. Dilution

Neither of the delivery arrangements referred to in item A.3 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.

5. Estimated costs and effects on key ratios

The cost for the PSP, which will impact the income statement, are calculated according to the accounting standard IFRS 2 and distributed over the Vesting Period. The total effect of the PSP on the income statement, including social security contributions, is estimated to range between SEK 0-1,013 million, depending on satisfaction of the Performance Conditions and the share price at allotment of Performance Shares, distributed over the years 2025-2027. Total value for the PSP Participants at allotment of Performance Shares plus the social security contributions is capped at SEK 1,013 million. The cap will come into play in case of a total increase of PSP Award Value of 400% or more during the term of the PSP.

The estimated aggregated annual costs of between SEK 0-338 million correspond to approximately 0.0-0.8% of the Volvo Car Group's total employee costs for the financial year 2024. Thus, the cost for the PSP is expected to have a marginal effect on Volvo Car Group's key ratios.

6. Preparation of the proposal

The PSP has been initiated by the Board of Directors and prepared taking into account market practice for multinational companies headquartered in Sweden and the rest of Europe along with corporate governance best practice requirements. The PSP has been processed in the Board's People Committee and discussed at Board meetings in 2025.

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 PSP Participants

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 PSP Participants.

(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 14,436,511 shares of series B in Volvo Cars may be acquired to secure delivery of shares to the PSP 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 2026.

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

- i. A maximum of 14,436,511 series B shares in Volvo Cars may be transferred free of charge to the PSP Participants.
- ii. Right to purchase series B shares in Volvo Cars free of charge shall – with deviation from the shareholders' preferential right – be granted to each such person within the Volvo Car Group who is a PSP 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 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 PSP 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 PSP 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 PSP Participants in accordance with the terms and conditions of the PSP.

C Majority requirements, etc.

The Annual General Meeting's resolution on the implementation of the PSP according to item A.2 above is conditional on the Annual General Meeting either resolving in accordance with the Board of Directors' proposal under item B.1 or B.2 above.

The Annual General Meeting's resolution according to item A.2 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 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 PSP. 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 Participants are invited to become shareholders in Volvo Cars.

For a description of Volvo Cars' other on-going long-term incentive plans, reference is made to Volvo Cars' annual report for 2024, note 8 and 9. No other long-term incentive plans than those described herein or in the annual report for 2024, note 8 and 9, have been implemented in Volvo Cars.

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 2025

Volvo Car AB (publ)

The Board of Directors