

# Remuneration report

## Introduction

This remuneration report provides an outline of how Volvo Car Group's (including Volvo Car AB (publ) remuneration guidelines for the Executive Management Team ("EMT"), were adhered to in 2023 (the "Remuneration Guidelines"). The latest version of the Remuneration Guidelines was adopted by the annual general meeting on 3<sup>rd</sup> April 2023. 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 92-94 and note 9 on pages 95-96 in the company's annual report for 2023 (the "2023 Annual Report"). Information on the work of the People Committee in 2023 is set out in the corporate governance report, which is available on pages 59-66 in the 2023 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 92-94 in the 2023 Annual Report.

## Key developments 2023

The CEO, Jim Rowan, summarizes Volvo Car Group's overall performance in 2023 in his statement on page 10-12 in the 2023 Annual Report.

## Overview of the application of the Remuneration Guidelines in 2023

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 2023 Volvo Car Group has complied with the applicable Remuneration Guidelines and no deviations from the guidelines nor any derogations from the procedure for implementation of the guidelines have been made. 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 [Annual General Meeting 2024 | Volvo Cars](#).

**Table 1 – Total remuneration in 2023 (TSEK)**

The table below sets out total remuneration earned by Volvo Car Group’s CEO and deputy CEOs during 2023.

Total Remuneration	Fixed Remuneration		Variable Remuneration		Extra Ordinary Items <sup>6</sup>	Pension Expense <sup>7</sup>	Total Remuneration	Proportion of fixed and variable remuneration
	Base Salary	Other Benefits <sup>1</sup>	One-Year Variable <sup>3</sup>	Multi - Year Variable <sup>4</sup>				
Jim Rowan, CEO	15,000	1,166 <sup>2</sup>	20,912	N/A <sup>5</sup>	10,900	4,460	52,438	39/61
Javier Varela, COO and deputy CEO	9,500	244	9,111	2,848	0	3,453	25,155	52/48
Björn Annwall, CCO and deputy CEO	7,000	198	6,713	2,037	0	2,467	18,415	52/48

1. Includes benefits such as insurance and company car.
2. For the CEO reimbursement and advance payment of insurance premium until June 2024 is included.
3. One year variable pay (STVP), is a result of 2023 programme and will be disbursed in the first quarter of 2024. It also includes an individual performance bonus for the CEO which is part of initial three-year incentive; net amount to be invested in Volvo Car AB shares.
4. Multi- year variable pay is the result of long-term cash-based incentive programme (LTVP 2021/2023) and will be disbursed in the first quarter of 2024.
5. CEO Jim Rowan was not part of the LTVP programme. LTVP (Long-term cash-based programme) has been replaced with a long- term share-based programme from 2022 and onwards and Jim is included in the long-term share-based programme.
6. Second installment of initial three-year incentive agreement for the purpose of recruitment and retention. Net amount to be invested in Volvo Car AB shares.
7. For CEO Jim Rowan, Pension expense is linked to base salary with defined contribution. For the Deputy CEO’s, Pension expense relates to base salary & also includes pension expense related to LTVP 2020 payout with defined contribution.

### 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 2023 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.

### Short-Term Variable Pay Programme (“STVP”)

The STVP is a one-year, cash-based incentive programme comprising the CEO, EMT, Group Management Team (“GMT”) 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 as established by the Board of Directors. The amount subject to payment for each level of performance is a percentage of the employee’s gross 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 gross 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. The variable cash remuneration agreement includes a general clause stipulating that the Board and the People Committee are entitled to wholly or partially reduce variable cash remuneration.

**Table 2 - Performance Outcome- Short Term Variable Pay (STVP 2023)**

Name and Position	Performance Criteria	Max Target as a % of Base Salary	Weight	Result a. Measured performance and b. Actual award/remuneration outcome (TSEK)
Jim Rowan, CEO	Mission Execution*	150%	40%	a. 150% b. 6,750
	EBIT (excl. JV's & affiliates)		30%	a. 186% b. 6,300
	Sales		30%	a. 71% b. 2,362
Javier Varela, COO & Deputy CEO	Mission Execution*	140%	40%	a. 150% b. 3,990
	EBIT (excl. JV's & affiliates)		30%	a. 186% b. 3,724
	Sales		30%	a. 71% b. 1,397
Björn Annwall, CCO & Deputy CEO	Mission Execution*	140%	40%	a. 150% b. 2,940
	EBIT (excl. JV's & affiliates)		30%	a. 186% b. 2,744
	Sales		30%	a. 71% b. 1,029

\*Includes 10 (financial/non-financial) deliverables linked with Volvo Car Groups transformation activities.

### Long-Term Variable Pay Programme ("LTVP" a cash-based programme)

The LTVP is a three-year, cash-based long term incentive programme comprising the CEO (however, see table 1, footnote 5), EMT, GMT and certain other senior executives, in total approximately 160 employees. Currently there is one outstanding LTVP i.e., 2021/2023. The purpose of the LTVP 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. The amount subject to payment under the LTVP is a percentage of the employee's gross annual base salary, with a cap on

the maximum amount payable. Under the LTVP the pay-out is capped at 300 per cent of the target award. The target award is a percentage of the employee's gross annual base salary set at the start of the programme. To be eligible for pay-out under the LTVP, the employee must remain within Volvo Car Group (and not be under notice of termination) on the pay-out date. Whether or not an employee under notice due to redundancy is entitled to payment will be at the discretion of the company and will depend on local legal requirements. The variable cash remuneration agreement includes a general clause stipulating that the Board and the People Committee are entitled to wholly or partially reduce variable cash remuneration.

### Performance Outcome Long Term Variable Pay – (LTVP 2021/2023)

Under the 2021/2023 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 2021/2023 was 93% of target. This is the last LTVP (long term cash-based programme) which is replaced with long term share-based programmes from 2022 and onwards.

### Comparative information on the change of remuneration and group performance

Volvo Cars was listed on Nasdaq Stockholm during 2021 and therefore 2021 is the first reference year available. The comparative information between 2021, 2022 and 2023 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 visible. The group entity Volvo Car Corporation has been selected as the relevant

average remuneration report entity, since it is the largest Swedish entity in Volvo Car Group, and which also employs the CEO and deputy CEOs.

Also, note that the below table reflects remuneration from the time the CEO and respective deputy CEOs were appointed, thus is not fully comparable year-over-year. Please refer to footnotes for further details.

**Table 3 – Change of Remuneration and Company Performance (TSEK)**

	2023	2022	2021
<b>CEO Remuneration (TSEK)</b>			
Håkan Samuelsson, CEO (Former) <sup>1</sup>	-	45,718 (-25,1%)	61,076
Jim Rowan, CEO <sup>2</sup>	52,438 (34,1%)	39,115	-
Javier Varela, COO and deputy CEO <sup>3</sup>	25,155 (153,3%)	9,931	-
Björn Annwall, CCO and deputy CEO <sup>4</sup>	18,415 (156,3%)	7,185	-
<b>Company's Performance (TSEK)</b>			
EBIT <sup>5</sup>	25,567,000(14,5%)	22,332,000(10,2%)	20,275,000
<b>Average remuneration on a full-time equivalent basis of employees<sup>6</sup> (TSEK)</b>			
Employees of Volvo Car Corporation <sup>7</sup>	695 (-1,1%) <sup>8</sup>	703(13,6%)	619

1. Reflects YoY change in remuneration for Håkan Samuelsson (Former CEO); employed until first quarter of 2022.
2. Jim Rowan was appointed as CEO from March 2022, hence comparative information for 2021 is not available. Nine months remuneration reported for 2022 from the date of joining.
3. Javier Varela was appointed as Deputy CEO from July 2022, hence comparative information for 2021 is not available. Only half year remuneration reported for 2022 from the date of appointment.
4. Björn Annwall was appointed as Deputy CEO from July 2022, hence comparative information for 2021 is not available. Only half year remuneration reported for 2022 from the date of appointment.
5. For 2023 EBIT is calculated excluding share of income from JV's & affiliates. For 2022 and 2021 calculation is made on Group EBIT.
6. Excluding CEO and EMT members.
7. Average remuneration for the Company's other employees includes payments of remuneration and benefits made in 2023. For one-year variable cash remuneration the amount included is preliminary and will be finally determined and disbursed after the outcome is established in the first quarter of 2024.
8. 2022 was an exceptional year due to defined benefit and defined contribution obligations. During 2023 the cost has been stabilized and back on 2021 level.

## Share-based incentive Programmes

### Outstanding Performance Share Plan

The Performance Share Plan (PSP) is a long-term incentive plan spanning over three years, in which the CEO, EMT, GMT members and certain other senior executives, in total approximately 170 employees are invited to participate. Currently there are two outstanding programmes PSP 2022/2024 and PSP 2023/2025. Participants are granted a certain number of shares in Volvo Car AB, provided that the relevant performance conditions are met.

To calculate the maximum number of shares that each participant can receive, a percentage of the participants gross annual base salary is used. This value is then converted into number of shares (Performance Shares), based on the volume weighted average share price paid for Volvo Car AB's series B shares on Nasdaq Stockholm during a period of 30 trading days in connection with the commencement of the Vesting Period.

In connection with the CEO joining Volvo Cars in March 2022, the Board of Directors reached an agreement with the CEO that the PSP Award Value (as defined in the terms and conditions of

PSP 2022/2024 and PSP 2023/2025, respectively) shall amount to 75% of the CEO's gross annual base salary. The calculation in respect of awarded performance shares and unvested performance shares at year end 2022 and 2023 have been based on a PSP Award Value of 75% of the CEO's gross annual base salary. As it was incorrectly stated that the PSP Award Value for the CEO shall correspond to 50% of the CEO's gross annual base salary in the terms and conditions of PSP 2022/2024 and PSP 2023/2025, respectively, the Board of Directors has proposed that the Annual General Meeting 2024 resolve on an amendment of the terms and conditions of the respective programme with the effect that the PSP Award Value for the CEO shall correspond to 75% of the CEO's gross annual base salary.

The PSP Award Value for the deputy CEOs is 40%.

The allocation of Performance Shares is subject to satisfaction of the following performance conditions:

#### For PSP 2022/2024

(a) Volvo Car Group's average operating margin (total group 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, which is weighted 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 short term variable pay plan (so called senior leaders, currently approximately 300 persons) as of 31<sup>st</sup> December 2024, weighted at 10%.

#### For PSP 2023/2025

(a) Volvo Car Group's average operating margin (excl share of income from JV's & affiliates) during the performance period, weighted at 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, weighted at 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) of 31 December 2025, 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 PSP Award Value. Allocation of Performance Shares is conditional upon the participant retaining the employment within the Volvo Car Group over the entire vesting period.

**Table 4 – Share based Incentive Programme (CEO and deputy CEOs)**

The table below sets out relevant information of PSP 2022/2024 and PSP 2023/2025 with regards to the CEO and the Deputy CEOs.

Name and Position	Name of Plan	Performance Period	Award Date	Vesting Date	During the year		Closing Balance
					Awarded	Vested	Unvested at year end <sup>2</sup>
Jim Rowan, CEO <sup>1</sup>	PSP 2022/2024	2022–2024	2022-06-15	2025-06-15	N/A	0	145 958
	PSP 2023/2025	2023-2025	2023-05-02	2026-05-02	250 940	0	250 940
Javier Varela, COO & Deputy CEO	PSP 2022/2024	2022–2024	2022-06-15	2025-06-15	N/A	0	49 301
	PSP 2023/2025	2023-2025	2023-05-02	2026-05-02	84 762	0	84 762
Björn Annwall, CCO & Deputy CEO	PSP 2022/2024	2022–2024	2022-06-15	2025-06-15	N/A	0	30 100
	PSP 2023/2025	2023-2025	2023-05-02	2026-05-02	62 456	0	62 456

- For the CEO, figures with respect to awarded performance shares and unvested performance shares at year end have been calculated based on a PSP Award Value (as defined in the terms and conditions of PSP 2022/2024 and PSP 2023/2025, respectively) corresponding to 75% of the CEO's gross annual base salary, in accordance with the agreement between the company and the CEO as referred to under "Share-based Incentive Programmes – Outstanding Performance Share Plan" above. It should be noted that the number of performance shares awarded to the CEO under PSP 2022/2024 as set out in the remuneration report for the financial year 2022 was also calculated based on a PSP Award Value corresponding to 75% of the CEO's gross annual base salary. Any allocation of performance shares to the CEO, after the expiration of the three-year vesting period under each respective programme, on the basis of the number of awarded performance shares as set out in the table, and the corresponding table in the remuneration report for the financial year 2022, will be subject to the Annual General Meeting 2024 resolving to amend the terms and conditions of PSP 2022/2024 and PSP 2023/2025, respectively, in accordance with the Board of Directors' proposal as described further under "Share-based Incentive Programmes – Outstanding Performance Share Plan" above.
- Subject to fulfillment of performance conditions.