

Remuneration report

Introduction

This remuneration report provides an outline of how Volvo Car Group's (including Volvo Car AB (publ)) guidelines for remuneration for Executive Management Team (the "remuneration guidelines"), were implemented in 2021. The latest version of the Remuneration Guidelines was adopted by the Extraordinary General Meeting at (17th October 2021). The report also provides details on the remuneration of Volvo Car Group's CEO 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 2021 (the "annual report 2021"). Information on the work of the People and Sustainability Committee in 2021 is set out in the corporate governance report, which is available on pages 62-69 in the annual report 2021. 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 annual report 2021.

Key developments 2021

The CEO, Håkan Samuelsson, summarizes Volvo Car Group's overall performance in 2021 in his statement on page 8 in the annual report 2021.

Overview of the application of the Remuneration Guidelines in 2021

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 and business strategy, its long-term interests and its sustainability goals.

Remuneration for the Executive Management Team (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 on market terms. 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 investors.volvocars.com. During 2021 Volvo Car Group has complied with the applicable remuneration guidelines and there has been no deviation from the guidelines and no 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 receives 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 the guidelines is available on investors.volvocars.com.

Table 1 – Total remuneration of the CEO in 2021 (TSEK)

	1	2	3	4	5	6		
	Fixed Remuneration		Variable Remuneration					
Total Remuneartion	Base Salary	Other Benefits ¹	One-Year Variable ²	Multi -Year Variable ³	Extra Ordinary Item ⁴	Pension Expense ⁵	Total Remuneration	Proportion of fixed and variable remuneration
Håkan Samuelson	14,241	87	16,673	8,693	14,250	7,132	61,076	46/54

1. Includes benefits such as insurance & company car.

2. Short Term Variable Pay (STVP), is preliminary result of 2021 program and will be finally determined and disbursed after the outcome is established in the first quarter of 2022. The variable cash remuneration agreement includes a general clause stipulating that the Board and the People and Sustainability Committee are entitled to wholly or partly reduce variable cash remuneration.

3. Long Term variable pay (LTVP), is preliminary result of cash-based incentive program of 2019 and will be finally determined and disbursed after the outcome is established in the first quarter of 2022. The variable cash remuneration agreement includes a general clause stipulating that the Board and the People and Sustainability Committee are entitled to wholly or partly reduce variable cash remuneration

4. In observance of the Executive Management's hard work to achieve a listing of the Company's shares on Nasdaq Stockholm, cash based one off payment made to the CEO..

5. 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 150 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 and Sustainability 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. To be eligible for pay-out, the employee must remain within Volvo Car Group on the pay-out date.

Long-term variable pay Programmes ("LTVPs")

The LTVPs are three-year, cash-based incentive Programs comprising the equivalent group of employees as included in the STVP, i.e., the CEO, other EMT members and certain other senior executives, in total approximately 150 employees. Currently, there are three outstanding LTVPs: 2019/2021, 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.

Under the 2019/2021 LTVP, the pay-out solely depended on the development of the market value of Volvo Car Group during the term of the programme.

Under the 2020/2022 and 2021/2023 LTVPs, the pay-out 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 programme, 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 2019/2021 LTVP, the pay-out is capped at 200 per cent of the so-called target award and under the 2020/2022 and 2021/2023 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.

Application of performance criteria

The performance criteria for the CEO's 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 2021 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 Volvo Car Group's earnings before interest and taxes (EBIT), quality, and strategic transformation activities. During 2021, the maximum target was met for EBIT and the achievement on the transformation activities was just over target level of 100% while the targets for quality were below threshold level. The outcome for the CEO was therefore that 117% of the maximum variable cash remuneration was earned.

Under the 2019/2021 LTVP, the pay-out solely depended on the development of the market value of Volvo Car Group during the term of the programme. Based on the increase in the valuation of Volvo Car Group during the 3-year programme period, the outcome of the LTVP 2019 was 122% of the maximum variable pay.

Comparative information on the change of remuneration and group performance

Volvo Cars was listed during 2021 and therefore 2021 will be the first reference year. No year over year changes for the previously reported financial years (RFY) will therefore be presented. Coming years will be added so that the annual change over the last five years will be visible. It shall be noted that Volvo Car AB only employs the CEO. As such, 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.

	2021 RFY (0)
CEO's Remuneration (TSEK)	
Håkan Samuelson	61,076
Company's Performance (TSEK)	
EBIT ¹	20,275,000
Average remuneration on a full-time equivalent basis of employees (TSEK)	
Employees of Volvo Car Corporation	619

1. EBIT represents earnings before interest & taxes.

Share-based incentive Programmes

Previous share-based investment programme in Volvo Car Corporation

During 2015, Volvo Car AB (publ.), through its subsidiary Volvo Car Corporation issued warrants with the right to subscribe for shares in Volvo Car Corporation. The offer to acquire the warrants was directed to, and accepted by, a number of current and former members of the EMT and the Board.

The purchases were made by way of private investments at fair market value in accordance with an external valuation. Each warrant entitled to subscription for one share in Volvo Car Corporation for a predetermined amount, with the last day for subscription being 30 September 2021. On 13 September 2021, the warrants were exercised by all then-current participants including the CEO, in accordance with the terms of the investment programme, who thus received shares in Volvo Car Corporation.

In connection with the listing of Volvo Car AB's shares on Nasdaq Stockholm Stock Exchange, the CEO's shares in Volvo Car Corporation was contributed to Volvo Car AB in exchange for newly

issued common shares of class B in Volvo Car AB through an issue in kind, as set out in the table below, where the exchange ratio has been
More details about the programme are available in the annual report 2021.

Name	Number of shares in Volvo Car Corporation	Number of common shares of class B in the Company
Håkan Samuelsson	316	1,245,131

Polestar investment programme

During 2019, Volvo Car AB (publ.), through its subsidiary Volvo Car Corporation launched a share-based incentive programme to certain members of the executive management of Volvo Car Group and Polestar Group and the Polestar Board. Each participant was offered to purchase shares in Volvo Car Group's subsidiary PSINV AB, which in turn owns shares in Volvo Car Group's joint venture Polestar Automotive Holding Limited and hence the participants are indirectly minority owners of the Polestar group. The investment was made at fair market value in accordance with an external valuation. In case a participant is no longer employed, and during other specified certain predetermined periods, the participants have an option to sell the shares at fair market value to Volvo Cars and at the same time Volvo

adjusted in line with the terms for the investment programme.

Cars has an option to repurchase the shares from the participants. At the time of the transaction, the fair value of each share was determined to SEK 1,000. In total 38,125 shares have been acquired by the participants, which corresponds to an indirect ownership in the Polestar group of 0.16 per cent (Håkan Samuelsson's, indirect shareholding in the Polestar group correspond to approximately 0.051 per cent of the shares).

Following completion of Polestar's announced business combination with Gores Guggenheim, the intention is that the Polestar programme shall be dissolved in accordance with the terms of the programme, entailing that the participants after dissolution shall hold shares directly in Polestar Group.