



The Board of Directors' proposal to guidelines for executive remuneration

The Board of Directors of Volvo Car AB ("**Volvo Cars**") proposes that the 2022 annual general meeting resolves on the following guidelines for remuneration to the Executive Management Team (including the CEO) ("**EMT**"). The guidelines replace the guidelines adopted by the extraordinary general meeting held in October 2021. In relation to the current guidelines, the proposal implies, in addition to editorial amendments, that the People Committee, instead of the Board of Directors in its entirety, is responsible for certain resolutions pursuant to these guidelines. The Board of Directors has not received any views from the shareholders on the existing guidelines for executive remuneration.

Introduction and objective

These guidelines shall be applicable to remuneration to the EMT of Volvo Cars. These guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after its adoption by the annual general meeting on May 11, 2022. These guidelines do not apply to any remuneration decided or approved by the general meeting.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

The company purpose is to provide Freedom to Move in a personal, sustainable and safe way. The business strategy focuses on maintaining a stable and strong platform for continued profitable and sustainable growth through personal and direct relationships with consumers, sustainable products and business, safe mobility with leading technology and a purpose-driven organisation. For more information regarding the company's business strategy, please see the strategic direction section of the annual report.

A prerequisite for the successful implementation of the company's strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration.

These guidelines enable the company to offer the EMT a competitive total remuneration.

Variable cash pay remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interest, including its sustainability.

Types of remuneration

The total remuneration package for the EMT may consist of the following components:

- 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 these guidelines – resolve on, among other things, share-related or share price-related remuneration. Please refer to *Share-based or share price-related incentive programmes* below.

Variable cash remuneration

The satisfaction of criteria for awarding short-term variable cash remuneration shall be measured over a period of one year, whereas the satisfaction of criteria for awarding long-term variable cash remuneration shall be measured over a period of three years.

For the CEO, the short-term variable cash remuneration may amount to not more than 200 per cent of the annual fixed cash salary on December 31 at the end of each performance year, and the long-term variable cash remuneration may amount to not more than 150 per cent of the annual fixed cash salary the year the programme was implemented. For the other EMT members, the short-term variable cash remuneration may vary but amount to not more than 140 per cent of the annual fixed cash salary on December 31 at the end of each performance year, and the long-term variable cash remuneration may vary but amount to not more than 120 per cent of the annual fixed cash salary the year the programme was implemented. For information on the criteria for awarding short- and long-term variable cash remuneration, please refer to *Criteria for awarding variable cash remuneration* below.

Extraordinary arrangements

Further variable cash remuneration may also be paid out in extraordinary circumstances, provided that such arrangement is of a one-time nature and is agreed on an individual basis for management recruitment or retention purposes or as compensation for extraordinary efforts beyond the individual's ordinary assignment. Such remuneration shall be in line with market practice and may for example include a one-time cash payment, retention bonus or severance payment in case of a change of control, or similar. The remuneration may amount to not more than the fixed annual cash salary for 1 year and shall not be paid more than once a year per individual. Resolutions on such compensation shall be made by the People Committee based on a proposal from the CEO if an EMT member (other than the CEO) is concerned and by the People Committee and the Chairperson if it relates to the CEO.

Share-based or share price-related incentive programmes

The Board of Directors may, irrespective of these guidelines, propose general meetings to resolve on long-term share-based or share price-related incentive programmes. The Board of Directors has proposed the annual general meeting 2022 to approve a long-term share-based incentive programme to comprise, amongst others, the EMT. If the annual general meeting resolves in accordance with the Board of Directors' proposal, no new long-term variable cash programme will be offered the EMT in 2022, and the same principle will apply in the following years as long as there is a long-term share-based program in place.

Pension benefits

For the CEO, pension benefits shall be a defined contribution scheme and the pension premiums may amount to not more than 50 per cent of the annual fixed cash salary. Variable cash remuneration shall not qualify for pension benefits.

For other EMT members, pension benefits shall be a defined contribution scheme and the pension premiums may amount to not more than 30 per cent of the annual fixed cash salary. Some current EMT members have a defined benefit pension as part of a pre-existing agreement. To the extent

that variable cash remuneration qualifies for pension benefits under the applicable collective bargaining agreement, the pension benefits shall be deducted from the cash payment and paid as pension.

Other benefits

Other benefits may include, for example, medical insurance, annual health check-up and company cars. Such benefits may amount to not more than 20 per cent of the annual fixed cash salary.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

EMT members who are expatriates (i.e., are sent on an international assignment and are not on a local employment contract) may receive additional remuneration and other benefits determined in line with the company's International Assignment Instruction which may include (but are not limited to) relocation cost, cost of living allowance, housing, schooling, home travel allowance and tax assistance. Such benefits may amount to no more than 160 per cent of the annual fixed cash salary.

Termination of employment

Upon termination of an employment, the notice period may not exceed twelve (12) months. Fixed cash salary during the notice period and severance pay may together not exceed an amount corresponding to the individual's fixed cash salary for two (2) years, subject to applicable law.

When termination is made by the EMT member, the notice period may not exceed twelve (12) months, without any right to severance pay.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration may amount to not more than 60 per cent of the monthly base salary at the time of termination of employment and be paid during the time the non-compete undertaking applies, however not for more than twelve (12) months following the termination of employment.

Criteria for awarding variable cash remuneration

The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. They may also be individualized, quantitative or qualitative objectives. The criteria shall be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development.

The variable short-term cash remuneration shall be linked to Volvo Cars' earnings before interest and taxes (EBIT), quality, and strategic transformation activities.

Variable long-term cash remuneration, which is not approved by a general meeting, if any, shall be linked to the satisfaction of certain performance conditions related to operating margin and revenue growth measured over the term of the programme.

To which extent the criteria for awarding variable cash remuneration have been satisfied shall be evaluated when the measurement period has ended. The People Committee is responsible for the

evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

The Board of Directors shall have the possibility, in accordance with applicable law or contractual provisions, to in whole or in part reclaim variable remuneration paid on incorrect grounds (claw-back).

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the People Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

Share ownership guidelines for members of the EMT

Since the Board of Directors believes that long-term share ownership is an important way to create alignment between the EMT members and Volvo Cars' shareholders, it has implemented the following policy of share ownership for members of the EMT.

The Board of Directors expects the CEO and other members of the EMT to accumulate personal holdings in shares with a market value corresponding to the value of 100 per cent of the EMT member's annual fixed cash salary. It is expected that the personal holding of shares be established within five years from the listing of the Company and, for new hires, within five years from commencement of employment with the Group as CEO or other member of the EMT. The CEO and the other members of the EMT are expected to achieve share ownership by retaining shares allotted (net after taxes payable) under future incentive programmes. Further, upon reaching the recommended share ownership level, it is expected that the CEO and the other members of the EMT maintain shares of such value for the duration of their appointment as CEO or the other member of the EMT.

Remuneration guidelines governance

The Board of Directors has established the People Committee, whose tasks include preparing the Board of Directors' decision to propose guidelines for EMT remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting.

The People Committee shall also monitor and evaluate variable pay programmes, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company.

The members of the People Committee are independent of the company and its executive management. Neither the CEO nor any other EMT member participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Deviation from the guidelines

The Board of Directors may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. The People Committee's tasks shall include preparation of any resolutions to deviate from the guidelines.

Gothenburg in April 2022

Volvo Car AB (publ)

The Board of Directors