

Policy document for remunerations

Ratified by the Board on December 8, 2020
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1. General

The aim of this Policy Document (“remuneration policy”) is to specify the principles governing how remunerations and salaries are set for VFF Pension Tjänstepensionsförening (VFF Pension or “the association”). This remuneration policy has been drawn up in accordance with the Swedish Financial Supervisory Authority’s regulations and general guidelines for occupational pension providers (FFFS 2019:21).

VFF Pension shall have a remuneration system that supports effective risk handling which does not encourage short-term profits or excessive risk-taking. The remuneration policy shall follow and support the fundamental values of VFF Pension and shall work towards the goals and strategies established by VFF Pension. The remuneration policy shall help VFF Pension retain, attract and encourage employees, which in turn helps VFF Pension achieve its long-term strategic and sustainability targets.

The remuneration policy encompasses all VFF Pension employees and Board members, as well as members of the Board’s sub-committees. The remuneration policy also encompasses employees that VFF Pension has categorised as Regulated Personnel in accordance with legislation (2018:1219) governing insurance disbursement.

Information about the contents of this remuneration policy shall be published on the association’s website, www.vffpension.se.

2. External regulations

The Policy Document is based on the following external regulations:

- Legislation (2019:742) covering occupational pension providers (“TPL”).
- The Swedish Financial Supervisory Authority’s regulations and general guidelines for occupational pension providers (FFFS 2019:21) (“Regulations”).
- Legislation (2018:1219) regarding Insurance Disbursement (“FDL”).
- The Swedish Financial Supervisory Authority’s regulations governing insurance disbursement (FFFS 2018:10)

3. Over-riding goals and responsibility for compliance

The Board has the ultimate responsibility for VFF Pension’s organisation, including ensuring that the organisation is properly controlled and managed. The President is responsible for ensuring that there are efficient and suitable routines and processes, and that these are followed.

4. Follow-up and monitoring

The internal control function is responsible for following-up and ensuring that this policy document is duly adhered to.

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5. Description

5.1. Risk analysis

VFF Pension's operation consists primarily of providing occupational pension insurance for employees of AB Volvo Group and Volvo Cars in Sweden.

The insurance products are in essence long-term contracts, featuring what is known as traditional management. This traditional management is run within strict parameters that are ultimately determined by the investment guidelines set by the Board.

For this reason, there is very little opportunity for individual employee risk-taking within the VFF Pensions operation. Moreover, there is no variable remuneration.

5.2. Scope of remuneration

All employees receive a fixed remuneration (salary) that shall be on a par with market norms, based on the individual employee's responsibility and performance. This remuneration shall provide incentive for good performance and desirable corporate behaviour.

The market norm for this remuneration is determined by examining relevant salary statistics in the collective agreement sphere.

Remuneration shall be determined and structured without regard to gender, ethnicity, religion or age.

There are no variable remuneration components, only fixed monthly salaries for all employees including top management.

Board members receive a fixed remuneration as well as payment for every meeting attended. There is no variable remuneration. The Secretary receives a fixed remuneration per submitted minutes, Members of working committees and the auditing committee receive a fee per meeting that they have attended.

5.2.1. Decision on remuneration

Only the President belongs to the category of "employee in executive position" and he/she is the only person assessed as able to impact the association's risk level. Decisions on remuneration and benefits for the President are taken annually by the Board and shall be clearly noted in the minutes of the Board meeting.

Remunerations to other employees are decided by the President and, in certain cases, in consultation between the President and Chair of the Board. The main principle is that payment levels are determined at the annual salary review, upon promotion, and in the event of a significant change/expansion of operational responsibilities that can be regarded as a promotion.

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The Board's remuneration is determined by the council and consists partly of a fixed sum that follows the trend in the income base, and partly of a fee that is paid only upon attendance at a Board meeting. Remunerations to members of working committees and the auditing committee are decided by the council.

5.3. Non-monetary benefits

Employees may at various times be offered various benefits such as wellbeing contributions, corporate health care and parking. These benefits generally follow AB Volvo's regulations and their scope is determined by the President within the framework of the budget.

In addition to the above, the President also receives health insurance cover.

Company cars are decided on and allocated by the President within the scope of the budget.

5.4. Remuneration for control/monitoring instances

The central functions – regulatory compliance, risk handling, actuary function and internal audit – are currently outsourced and are therefore not covered by this remuneration policy. The post of Data Protection Officer is also currently outsourced, so this too is not included. These functions invoice their services as per specific contract.

5.5. Pensions

In addition to fixed remunerations, there are pension payments consisting mainly of occupational pensions in accordance with the collective agreement or employment agreement, and payments to Volvo Företagspension. Current pension benefits encompass ITP1 and ITP2, depending on the employee's age and employment contract.

Pension benefits to the President shall be paid in accordance with the applicable collective agreement and ITP plan. However, the Board is allowed to take decisions on supplementary benefits.

No pension benefits are paid to Board members.

5.5.1. Volvo Företagspension

Volvo Företagspension is a local collectively agreed occupational pension that covers all employees of AB Volvo Group and Volvo Cars in Sweden. VFF Pension administrates and manages Volvo Företagspension.

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Employees receive the Volvo Företagspension and the premium is set by the Board. The criteria for receiving a premium are the same as for AB Volvo Group. The premium has been regularly adjusted upward starting from the 2013 income base amount.

The premium is paid in at the start of the year to a traditional insurance at VFF Pension.

5.6. Notice and severance pay

The period of notice conforms to relevant collective agreements and is based on total tenure of employment.

No severance pay is provided.

The President has six months' notice by either party. If VFF Pension serves notice, then the President is entitled to continue receiving a salary for nine months after employment ceases.

5.7. Conflicts of interest

The Board feels that the risk of any conflicts of interest regarding remunerations is very limited since the individual employee's scope for impacting the operational results is very limited. However, should any conflict of interest arise, or if there is any risk of such a conflict of interest, the *Policy Document for Handling of Conflicts of Interest* shall be applied.

6. Review of policy document

A review shall be carried out at least once a year or whenever the need arises.
