

Policy document for remunerations

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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 Act on Occupational Pension Companies (2019: 7452) and the Swedish Financial Supervisory Authority's regulations and general guidelines for occupational pension providers (FFFS 2019:21).

The remuneration policy covers all VFF Pension's employees, including the CEO, as well as the Board and the Board's appointed committees. The remuneration policy also covers employees who VFF Pension categorized as Regulated staff in accordance with the Act (2018: 1219) on insurance distribution.

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"), including change regulations.
- Legislation (2018:1219) regarding Insurance Disbursement ("FDL").
- The Swedish Financial Supervisory Authority's regulations governing insurance disbursement (FFFS 2018:10).
- Taxonomy Regulation (EU) 2020/852 for when an activity is to be considered environmentally sustainable.
- The Disclosure Regulation (EU) 2019/2088 for sustainability information.

3. Over-riding goals and responsibility for compliance

VFF Pension shall have a compensation system that shall promote effective risk management that does not encourage short-term gains, excessive risk-taking or that negatively affects VFF Pension's goals for sustainability. The remuneration policy must follow and support the basic values VFF Pension has and steer towards the goals and strategies that VFF Pension sets. The remuneration policy shall contribute to VFF Pension retaining, attracting and encouraging employees, which contributes to the opportunity to achieve VFF Pension's long-term strategic goals and sustainability goals.

The Board has the ultimate responsibility for VFF Pension's organisation, including ensuring that the organisation is properly controlled and managed. The CEO 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 only fixed remuneration.

5.2. Integration of sustainability risks

In accordance with Article 5 of the disclosure regulation, regarding sustainability information to be provided, VFF Pension must inform how the compensation policy is compatible with the integration of sustainability risks and publish this on the website.

Sustainability risks refer to ESG risks (environmental, social and corporate governance) whose events, should they occur, have a negative impact on the value of investments.

VFF Pension does not provide advice, whereby information about sustainability risks is only provided on the association's website, financial reports or other information materials.

On the other hand, sustainability risks are well integrated into VFF Pension's goals, return requirements and risk management, but since VFF Pension only has fixed compensation, there is no connection between the integration of sustainability risks and compensation.

5.3. 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 behavior.

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.

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Board members receive a fixed remuneration as well as payment for every meeting attended. Company representatives do not receive compensation. 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.

5.3.1. Decision on remuneration

Only the CEO 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 CEO 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 CEO and, in certain cases, in consultation between the CEO 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. 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.

5.4. 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 Volvo Group’s regulations, and their scope is determined by the CEO within the framework of the budget. Company cars are decided on and allocated by the CEO within the scope of the budget. VFF Pension applies Volvo Group’s current policy for benefit cars.

5.5. 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.

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5.6. 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.

Provision for Part-time pension follows from "Teknikavtalet".

Pension benefits to the CEO 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.

5.6.1. Volvo Företagspension

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

Employees at VFF Pension 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.

5.7. 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.

5.8. 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.
