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Remuneration report 2021

Introduction

This remuneration report provides an outline of how Holmen AB (publ) (Holmen) guidelines for executive remuneration, adopted by the annual general meeting 2020, have been implemented in 2021. The report also provides details on the remuneration of Holmen's CEO and deputy CEO. In addition, the report contains a summary of Holmen's outstanding share related incentive programmes. The company has not provided the board of directors with any remuneration in excess of what has been resolved by the annual general meeting. Remuneration to the board of directors is therefore not covered by this report but is disclosed in the annual report for 2021 (note 4).

Further information on executive remuneration and the work of the remuneration committee can be found in the company's annual report (note 4 and the corporate governance report).

Key developments 2021

The CEO summarizes the company's overall performance in his statement on page 4 in the annual report 2021.

Overview of the application of the remuneration guidelines

Holmen has applied the remuneration guidelines adopted by the Annual General Meeting 2020. Under Holmen's remuneration guidelines, remuneration of executive management shall consist of a fixed market-based salary. Other benefits may constitute no more than 10 per cent of the fixed salary.

The remuneration guidelines, adopted by the annual general meeting 2020, can be found in note 4 in the annual report 2021. The auditor's report regarding compliance with the guidelines is available on the company's website www.holmen.com. Total remuneration to CEO and deputy CEO is presented in table 1 below. In addition to remuneration covered by the remuneration guidelines, the annual general meeting has resolved to implement a long-term share-based incentive plan for senior management.



Table 1 – Total remuneration paid to CEO and deputy CEO during 2021 (SEK)

	Fixed remuneration		Variable remuneration	Extra-ordinary items ¹	Pension expense ²	Total remuneration
	Base salary	Other benefits ³				
Henrik Sjölund CEO	9 360 000	426 724	n/a	n/a	5 907 348	15 694 072
Anders Jernhall deputy CEO	4 884 000	88 579	n/a	n/a	2 741 988	7 714 567

Share based remuneration

A long-term share-based incentive programme was approved by the 2019 Annual General Meeting with a duration from May 2019 until May 2022 (the Programme). The purpose of the Programme is to retain alignment of the interests of senior management and shareholders and to encourage long-term commitment to Holmen.

Subject to the employees making own investments in shares in the company (savings shares) up to a maximum of ten percent of their annual salary, and that the shares are held throughout the Programme, the employees will at the end of the Programme be awarded, free of charge, 0.5 matching shares and up to 3-6 performances shares per saving share, depending on position and outcome of the performance condition.

Allotment of matching shares is subject to a positive total shareholder return during the financial years 2019-2021. As per 2021-12-31 the total shareholder return was 161 per cent. Allotment of performance shares is subject to the satisfaction of conditions relating to the return on capital employed during the financial years 2019-2021.

The return on capital employed for the years 2019-2021 amounted to an average of 7.7 per cent. This means that participants receive 72 per cent of the maximum number of performance shares. There is a ceiling for the allotment which means, somewhat simplified, that the value of each right to matching or performance shares is limited to 200 per cent of the share price at the beginning of the Program. Should the value of the rights to matching and performance shares at allotment exceed this value, a proportional reduction is made in the allotment of the number of matching and performance shares. Whether the ceiling becomes applicable depends on the share price in April 2022.

Further information about the Programme and the performance condition can be found on the company's website www.holmen.com.

¹ Non-recurring benefits (sign-on fees, redundancy payments etc.)

² The pension plan is defined contribution. The disclosed expenses include costs for an option to retire at the age of 60 and cost for health insurance. Mandatory social security fees are excluded.

³ Benefits in kind that are taxable for the recipient.

44 persons participate in the programme. Upon maximum allotment of matching- and performance shares, the number of shares that could be allotted free of charge under the Programme would amount to 112,000 series B shares, corresponding to approximately 0.1 per cent of the share capital and approximately 0.02 per cent of the votes.

Remuneration of the CEO and the deputy CEO in shares

The CEO has invested in 4 400 savings shares and the deputy CEO in 2 327 saving shares. They are entitled to 0.5 matching share and up to 6 (CEO) / 5 (deputy CEO) performance share per saving share, subject to the performance conditions. Hence, at the end of the programme, the CEO could be allotted 2 200 matching shares and up to 19 008 performance shares and the deputy CEO 1 164 matching shares and up to 8 377 performance shares, subject to the performance conditions.

Use of the right to reclaim

No remuneration has been reclaimed by the company from the CEO or deputy CEO.

Compliance with the remuneration guidelines

No variable remuneration has been paid during the year and the fixed remuneration has been market-based. The value of other benefits has not exceeded 10 per cent of the fixed salary and no shares or share-based derivatives of any sort have been awarded to the CEO or deputy CEO. Total remuneration to the CEO and the deputy CEO during the year has complied with the company's remuneration guidelines.

Derogations and deviations from the remuneration guidelines and from the procedure for implementation of the guidelines

There have been no deviations from the procedures set out in the remuneration guidelines nor any derogations from the remuneration guidelines themselves. There have not been any significant changes regarding remuneration.



Comparative information on the change of remuneration and company performance

Table 2 – Change of remuneration and company performance over the last five reported financial years⁴

	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020	2021 ⁵
CEO, TSEK	+565 (+7%)	+487 (+6%)	+10 (+0%)	+720 (+8%)	+4 (0%)	9 787
Deputy. CEO, TSEK	-251 (-6%)	-244 (-6%)	+239 (+6%)	+371 (+8%)	+21 (0%)	4 973
Operating profit ⁶ , MSEK	+4 (+0%)	+309 (+14%)	-131 (+5%)	+134 (+6%)	1 582 (+64%)	4 061
Profit after tax, MSEK	+244 (+17%)	+600 (+36%)	+6 463 (+258%)	+6 751(-77%)	1 025 (+52%)	3 004
Average remuneration of employees, TSEK ⁷	+17 (+3%)	+9 (+2%)	+6 (+1%)	+17 (+3%)	+5 (+1%)	560

Information on shareholder vote

No views or comments on the guidelines or the report have been put forward by shareholders.

⁴ Excluding remuneration under share based programmes adopted by the shareholder's general meeting and pension expenses. For total remuneration, please refer to table 1.

⁵ Total figures previous reported financial year.

⁶ Excluding items affecting comparability.

⁷ Reported personnel cost on a full-time equivalent bases of employees of the parent company, excluding members of group executive management.