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## The Board's proposal concerning (A) a long term share savings programme and (B) hedging arrangements

The Board of Directors proposes that the Annual General Meeting resolve to introduce a long-term share savings programme (the “**Programme**” or “**2022 LTIP**”). The Programme is open to the members of the Group management and a number of key employees of the Holmen Group and shall be introduced after Holmen's 2022 Annual General Meeting.

The 2019 Annual General Meeting approved the introduction of a long-term share savings programme, which expires on the publication of Holmen's interim report for the first calendar quarter of 2022 (“**2019 LTIP**”). The Board of Directors considers the programme to be appropriately designed and proposes that the 2022 Annual General Meeting adopt a long-term share savings programme with substantially the same conditions as the 2019 LTIP. Contrary to the 2019 LTIP, the Board of Directors proposes, however, that the matching condition related to a positive total shareholder return (TSR) be replaced with a performance condition in the 2022 LTIP, according to which the total shareholder return should be at least 10 per cent during the relevant measurement period. The Board further proposes that the performance condition related to the return on capital employed should be based on an average return on capital employed for the three Paperboard, Paper and Wood products business areas instead of being measured for the whole Group.

The overall purpose of the Programme is to closely align employees' and shareholders' interests and continue to encourage a long-term commitment to Holmen when the 2019 LTIP expires. The Programme is intended to attract and retain employees who are critical to Holmen's ongoing success.

The Programme should be achievable, easy to understand, cost effective to administrate and simple to communicate.

### **A. Introduction of the Programme**

The Board of Directors proposes the introduction of the Programme in accordance with the principal conditions set out below.

- a. It is proposed that the Programme be open to no more than 80 permanent employees of the Holmen Group, who are divided into the following four groups: the Chief Executive Officer of Holmen (“**Group 1**”), the Executive Vice President of

Holmen (“**Group 2**”), no more than five Holmen Heads of Business Areas (“**Group 3**”), and no more than 73 other Key Employees of the Holmen Group (“**Group 4**”). The participants in Groups 1–4 shall be collectively referred to as the “**Participants**”.

- b. To be able to participate in the Programme, employees must personally invest in Class B Holmen shares and these shares must be allocated to the Programme (“**Saving Shares**”). For each Saving Share, Participants may be allotted 0.5 Class B Holmen shares free of charge, from Holmen, from another company within the Holmen Group or from a designated third party (“**Performance Share I shares**”). Performance Share I shares shall be allotted provided that certain conditions are met regarding continuing employment and the uninterrupted holding of Saving Shares (which are described in more detail in section (i) below) and that the total shareholder return (TSR) during 2022–2024 exceeds 10 per cent (“**TSR Condition**”). Performance Share I shares shall be allotted after the expiry of a vesting period, starting on 1 June 2022 and ending on the publication date of Holmen’s interim report for the first calendar quarter of 2025 (the “**Vesting Period**”). Holmen intends to notify the Participants of their participation in the Programme no later than on 28 April 2022 (although the Board of Directors has the right to postpone this date for individual Participants if there are special reasons to do so).
- c. Furthermore, the Participants may be allotted additional Class B Holmen shares free of charge from Holmen, from another company within the Holmen Group or from a designated third party (“**Performance Share II shares**”), subject to the fulfilment of certain performance conditions (as defined and described in section (d) below), after the expiry of the Vesting Period. Participants may be allotted Performance Share II shares for each Saving Share in accordance with the following:
- Participants in Group 1 may be allotted no more than six (6) Performance Share II shares;
  - Participants in Group 2 may be allotted no more than five (5) Performance Share II shares;
  - Participants in Group 3 may be allotted no more than four (4) Performance Share II shares; and
  - Participants in Group 4 may be allotted no more than three (3) Performance Share II shares.
- d. The allotment of Performance Share II shares shall depend on the degree of fulfilment of the performance condition for the Programme. The performance

condition shall be based on Programme-specific financial targets related to the average return on capital employed<sup>1</sup> for the three Paperboard, Paper and Wood products business areas for the 2022, 2023 and 2024 financial years (the “**Performance Condition**”).

The Board of Directors shall have the right to determine the detailed conditions for the allotment of Performance Share II shares. To this end, the Board shall determine minimum and maximum degrees of fulfilment of the Performance Condition. For Performance Share II shares to be allotted, the minimum level must be exceeded, and for the maximum allotment of Performance Share II shares the maximum level must be reached. Should the degree of fulfilment exceed the minimum level but fall between the minimum level and the maximum level, the Participants shall receive a linear allotment of Performance Share II shares. When the Vesting Period expires, the Board of Directors shall publish the minimum and maximum degrees of fulfilment of the Performance Condition and the levels actually achieved.

- e. The maximum value of the right to receive a Performance Share I share or a Performance Share II share shall be limited to 200 per cent of the volume-weighted average price of the Class B Holmen share during the five trading days immediately following the publication date of Holmen’s interim report for the first calendar quarter of 2022 (the “**Cap**”). Should the value of such a right (calculated based on the volume-weighted average price of the Class B Holmen share during the five trading days immediately following the publication date of the interim report for the first calendar quarter of 2025, after deduction of the dividend approved by the Annual General Meeting and with the dividend still attached) exceed the Cap, the number of Performance Share I and II shares shall be proportionally reduced. For the avoidance of doubt, after such a reduction, the value of each such right shall be equal to the Cap. This restriction ensures that the Programme’s maximum scope and cost are controlled and predictable.
- f. Each Participant may invest in Saving Shares of a value equal to no more than 10 per cent of their respective individual gross annual fixed salaries for 2022.
- g. Participants must invest in Saving Shares during the period from 29 April to 31 May 2022, although the Board of Directors has the right to extend (or postpone) the investment period.

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<sup>1</sup> Operating profit/loss (excl. items affecting comparability) expressed as a percentage of average capital employed as defined in the annual accounts for each year.

- h. Performance Share I and II shares may normally be allotted only after the expiry of the Vesting Period.
- i. In order for a Participant to be allotted any Performance Share I or II shares, as applicable, they must have been permanently employed within the Holmen Group for the duration of the Vesting Period and have held the Saving Shares invested in for the purposes of the Programme until the expiry of the Vesting Period, subject to certain exemptions. Saving Shares disposed of before the expiry of the Vesting Period shall not be included in the calculation to determine the allotment of Performance Share I or II shares.
- j. If significant changes occur in the Holmen Group or the market, which, in the Board of Directors' opinion, make the conditions for the allotment of Performance Share II shares under the Programme unreasonable, the Board shall be entitled to make adjustments to the Programme, including, amongst other things, the right to decide to reduce the allotment of Performance Share II shares, or not to allot any Performance Share II shares at all.
- k. The Board of Directors shall be entitled to decide on the detailed terms of the Programme. As such, the Board may make adjustments to these terms that are necessary to comply with specific regulations or market conditions outside Sweden.
- l. Participation in the Programme is contingent upon such participation being legal in the relevant jurisdictions. Where, in the Board's opinion, Participants outside Sweden cannot be allotted Performance Share I or II shares at a reasonable cost or with reasonable administrative input, it shall be entitled to decide on a cash settlement for such Participants.
- m. The Programme shall comprise no more than 120,000 Class B Holmen shares (Performance Share I and II shares included).
- n. The number of Performance Share I and II shares shall be subject to recalculation to take into account any bonus issues, share splits, rights issues or dividends exceeding 5 per cent of the group's equity in respect of a certain financial year and/or other similar corporate events.

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*Costs of the Programme, etc.*

The costs of the Programme, which are charged to the profit and loss account, are calculated according to accounting standard IFRS 2 and accrued during the Vesting Period. The calculation has been made based on the quoted closing price of the Class B Holmen share as of 15 February 2022, i.e. SEK 478 per share, and the following

assumptions: (i) an annual dividend yield of approximately 2 per cent, (ii) an estimated annual staff turnover of 5 per cent, (iii) the fulfilment of the TSR Condition, (iv) an average fulfilment of the Performance Condition of 50 per cent, and (iv) a maximum total of 120,000 Performance Share I and II available for allotment. In addition to the above, the costs of the Programme have been based on a maximum of around 80 Participants in the Programme and a maximum investment by each Participant. In total, the costs of the Programme in accordance with IFRS 2 are estimated at approximately SEK 25 million excluding social security costs (SEK 45 million if the TSR Condition is fulfilled and the average fulfilment of the Performance Condition is 100 per cent). The social security costs are calculated to be approximately SEK 11 million, based on the above assumptions, and also assuming an annual increase in the share price of 10 per cent during the Programme and a social security cost tax rate of 30 per cent (SEK 19 million if the TSR Condition is fulfilled and the average fulfilment of the Performance Condition is 100 per cent).

The expected annual costs of SEK 12 million, including social security costs, are equal to approximately 0,4 per cent of the Holmen Group's total personnel costs for the 2021 financial year (0,8 per cent if the TSR Condition is fulfilled and the average fulfilment of the Performance Condition is 100 per cent).

Assuming that the Cap (which for this purpose has been calculated based on the quoted closing price of the Class B Holmen share as of 15 February 2022, i.e. SEK 956 per share) is reached and that all the Participants are entitled to an allotment of the maximum number of Performance Share I and II shares under the Programme, and remain in the Programme until the end of the Vesting Period, the maximum costs for Holmen, in accordance with IFRS 2, will amount to SEK 53 million, and the maximum social security costs will amount to SEK 34 million.

#### *Dilution*

The allotment of repurchased shares to fulfil the obligations under the Programme would result in the following dilution effects (subject to the below mentioned assumptions). Assuming the maximum allotment of Performance Share I and II shares and annual dividends that do not exceed 5 per cent of the group's equity in respect of a given financial year, the number of shares to be allotted free of charge under the Programme amounts to 120,000 Class B Holmen shares, equal to approximately 0.07 per cent of the Company's share capital and approximately 0.02 per cent of its voting rights (calculated based on the number of Holmen shares outstanding as of 15 February 2022). The effects on key ratios and earnings per share are marginal.

#### *Hedging arrangements*

The Board of Directors proposes that the Annual General Meeting resolves, as the main option, that Class B treasury shares be transferred free of charge to Participants, and that Class B treasury shares be transferred free of charge to Holmen subsidiaries, in order to

ensure the meeting of Holmen's obligation to deliver Class B shares to Participants. The Company currently holds 586,639 Class B treasury shares. The detailed terms of the Board of Directors' main option are set out in Item 15.B.1. below.

Should the majority required under Item 15.B.1. below not be reached, the Board proposes that Holmen should be able to enter into an equity swap agreement with third parties, in accordance with Item 15.B.2. below.

*Preparation of the proposal*

The proposed Programme was prepared by Holmen's Remuneration Committee with the assistance of external advisors, pursuant to the guidelines issued by Holmen's Board of Directors. The Remuneration Committee has presented the work to the Board of Directors, which subsequently resolved to propose that the Programme be adopted by the 2022 Annual General Meeting.

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**B. Hedging arrangements in respect of the Programme**

*1. Resolution on transfers of repurchased Class B treasury shares to Participants*

The Board of Directors proposes that the Annual General Meeting resolve, as the main option, that the transferring of Class B Holmen treasury shares be permitted under the following terms.

- a) Only Class B Holmen shares may be transferred, and a maximum of 120,000 Class B Holmen shares may be transferred free of charge to Participants.
- b) The right to acquire Class B Holmen shares free of charge shall be granted to Participants, notwithstanding shareholders' preferential rights. Holmen subsidiaries shall also be entitled to acquire Class B Holmen shares free of charge, notwithstanding shareholders' preferential rights. The companies shall be obliged to immediately transfer the shares to Participants, in accordance with the Programme's terms.
- c) Class B Holmen shares shall be transferred free of charge, at the time and under the other terms according to which Participants are entitled to acquire shares.
- d) The number of Class B Holmen shares that may be transferred under the Programme shall be subject to recalculation to take into account bonus issues, share splits, rights issues, dividends exceeding 5 per cent of the group's equity in respect of a given financial year and/or other similar corporate events.

## *2. Equity swap agreement with third parties*

Should the majority required under Item 15.B.1. above not be reached, the Board of Directors proposes that the Annual General Meeting resolve that the expected financial exposure resulting from the Programme may be hedged by Holmen entering into an equity swap agreement with a third party. Such an equity swap agreement should be on arm's length terms, whereby the third party undertakes, in its own name and in exchange for a fee, to acquire and transfer Class B Holmen shares to Participants in accordance with the terms of the Programme.

### **Conditions**

The adoption by the AGM of the resolution on the Programme's introduction in accordance with Item 15.A. above is conditional upon the Meeting resolving in favour either of the proposal on the transferring of Class B treasury shares to Participants in accordance with Item 15.B.1. above, or in favour of the proposal on the entering of an equity swap agreement with third parties in accordance with Item 15.B.2. above.

### **Majority requirements**

The valid adoption by the AGM of the resolution on the Programme's introduction in accordance with Item 15.A. above requires a simple majority of the votes cast. The valid adoption of the resolution on the transferring of Class B treasury shares to Participants in accordance with Item 15.B.1. above requires the approval of shareholders representing no less than nine-tenths of the votes cast and the shares represented at the Meeting. The valid adoption of the resolution on the entering of an equity swap agreement with third parties in accordance with Item 15.B.2. above requires a simple majority of the votes cast.

### **Previous incentive programs in Holmen**

Holmen has since 2019 a three-year long-term incentive program, which is based on the same terms and conditions as the above proposed LTIP 2022 with the exceptions that the (i) matching condition related to a positive total shareholder return (TSR) is replaced with a performance condition in the 2022 LTIP, according to which the total shareholder return should be at least 10 per cent during the relevant measurement period, and (ii) the performance condition related to the return on capital employed is based on an average return on capital employed for the three Paperboard, Paper and Wood products business areas instead of being measured for the whole Group. LTIP 2019, which expires in connection with the announcement of Holmen's interim report for the first calendar quarter 2022, is further described in note 04 of Holmen's annual report for the financial year 2021.