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## Proposal for (A) implementation of a long-term share savings program 2024 and (B) hedging measures in connection therewith

### Background

The board proposes that the annual general meeting decides on a new long-term share savings program ("the Program" or "LTIP 2024"). The Program is aimed at members of the group management and is to be implemented after Holmen's annual general meeting in 2024. The annual general meeting in 2022 decided on a long-term share savings program aimed at members of the group management and a number of key individuals in the Holmen group, which expires in connection with the publication of Holmen's interim report for the first quarter of 2025 ("LTIP 2022"). The board believes that the program is appropriately designed and proposes that the annual general meeting in 2024 adopt a long-term share savings program which, in all material respects, has similar terms as LTIP 2022. However, unlike LTIP 2022, the board proposes that the conditions for the allocation of Performance Shares II (as defined and described in section A.d below), in addition to return on invested capital, should also be related to the overall climate benefit of the Holmen group. Furthermore, LTIP 2024 shall only be aimed at members of the group management. The overall purpose of the Program is to maintain a close alignment of interests between the group management and the shareholders and to continue to promote long-term commitment to Holmen. The Program is intended to attract and retain members of the group management who are crucial to Holmen's continued success. The Program shall be achievable, easy to understand, cost-effective to administer, and simple to communicate.

### A. Implementation of the Program

The board proposes that the implementation of the Program shall be according to the main terms outlined below.

- a. The Program is proposed to be directed to a maximum of 10 permanent employees within the Holmen group, who are divided into the following three categories: the CEO of Holmen ("**Group 1**"), the vice CEO of Holmen ("**Group 2**"), and other members of the group management ("Group 3"). The participants in Groups 1–3 are collectively referred to as the "**Participants**"

- b. To participate in the Program, it is required that the Participants personally invest in class B shares in Holmen and that these shares are allocated to the Program ("**Savings Shares**")
- c. For each Savings Share, the Participants have the opportunity to be allotted half (0.5) class B shares in Holmen, free of charge, either by Holmen, by another company in the Holmen group, or by a designated third party ("**Performance Share I**"). Performance Shares I are allotted on the condition that the total shareholder return on class B shares in the company exceeds 10 percent during 2024–2026 ("**TSR condition**")
- d. Participants will also have the opportunity, depending on the fulfillment of certain performance conditions, to be allotted additional class B shares in Holmen, free of charge, either by Holmen, by another company in the Holmen group, or by a designated third party ("**Performance Shares II**"). For each Savings Share, the Participant may be allotted Performance Shares II in accordance with the following:
- Participants in Group 1 may be allotted up to six (6) Performance Shares II;
  - Participants in Group 2 may be allotted up to five (5) Performance Shares II; and
  - Participants in Group 3 may be allotted up to four (4) Performance Shares II.

Allocation of Performance Shares II shall be based 90 percent on an average return on capital employed for the two business areas, Cardboard & Paper and Wood Products, during the fiscal years 2024, 2025, and 2026 ("**Financial goal**")<sup>1</sup>. The allocation shall be based 10 percent on Holmen's climate benefit ("**Sustainability goal**"). Holmen's climate benefit is further described and defined in the annual report for the fiscal year 2023 on page 38.

The board shall have the right to decide on the detailed conditions for the allocation of the 90 percent of Performance Shares II related to the Financial goal. For this purpose, the board will establish minimum and maximum levels for the fulfillment of the Financial goal. To allocate Performance Shares II related to the Financial goal, it is required that the minimum level is exceeded, and for the maximum allocation of Performance Shares II, it is required that the maximum level is achieved. If a level between the minimum and maximum levels is achieved, the Participants will receive a linear allocation. Once the

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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.



Earning Period has expired, the board will disclose the minimum and maximum levels for the Financial goal and to what extent the Financial goal has been achieved.

For allotment related to the Sustainability goal, i.e., 10 percent of the maximum allocation of Performance Shares II, it is required that the reported climate benefit, measured as an average during the fiscal years 2024–2026, has increased compared to the reported climate benefit during the base year 2023 (adjusted for any extraordinary events, such as major acquisitions, divestitures or equivalent, and adjusted for any changes in definitions and methodologies for calculating the climate benefit). In the event of decreased or unchanged climate benefit during the measurement period, no allocation of Performance Shares II related to the Sustainability goal will occur.

e. Performance Shares I and II will be allotted after the end of an earning period, which runs from May 25, 2024, until the day of the publication of Holmen's interim report for the first quarter of 2027 ("**Earning Period**").

The maximum value of the right to receive one Performance Share I or one Performance Share II shall be limited to 200 percent of the volume-weighted average price of Holmen's class B share during the five trading days immediately following the day of the publication of Holmen's interim report for the first quarter of 2024 ("**Cap**"). If the value of such a right (calculated based on the volume-weighted average price of Holmen's class B share during the five trading days immediately following the day of the publication of the interim report for the first quarter of 2027, less any dividend decided by the annual general meeting that has not been separated from the share) exceeds the Cap, a proportional reduction of the number of Performance Shares I and Performance Shares II to be allotted shall occur to the extent necessary to not exceed the Cap. This limitation enables control and creates predictability over the maximum scope and cost of the Program.

f. Each Participant may invest in Savings Shares up to an amount equal to a maximum of 10 percent of their respective annual individual gross base salary for 2024.

g. Participants shall invest in Savings Shares during the period from April 29 to May 24, 2024, with the right for the board to extend (or postpone) the investment period for individual Participants if there are special reasons.

h. Performance Shares I and Performance Shares II are normally to be allotted only after the end of the Earning Period.

i. A condition for a Participant, where applicable, to be allotted Performance Shares I or Performance Shares II is that they, with certain

exceptions, have been employed within the Holmen group throughout the Earning Period and that the Participant, until the end of the Earning Period, has retained the Savings Shares invested within the Program. Savings Shares that have been disposed of before the end of the Earning Period shall not be included in the calculation to determine the allotment of Performance Shares I or Performance Shares II.

j. If significant changes occur within the Holmen group or in the market that, in the board's assessment, would render the conditions for the allotment of Performance Shares I or Performance Shares II under the Program no longer reasonable, the board shall have the right to make adjustments to the Program, including, but not limited to, the right to decide on reduced allotment of Performance Shares I or Performance Shares II, or that no allotment of Performance Shares I or Performance Shares II shall occur at all.

k. The board shall have the right to decide on the detailed terms of the Program. In this regard, the board shall have the right to make necessary adjustments to these terms to comply with specific rules or market conditions outside of Sweden.

l. Participation in the Program is subject to such participation being legally permissible in the relevant jurisdictions. In the event that Participants outside of Sweden, in the board's assessment, cannot be allotted Performance Shares I or Performance Shares II at a reasonable cost or with reasonable administrative efforts, the board shall have the right to decide on cash settlement for such Participants.

m. The Program shall encompass a maximum of 60,000 class B shares in Holmen (including Performance Shares I and Performance Shares II).

n. The number of Performance Shares I and Performance Shares II shall be adjusted as a result of subsequent bonus issue, share split, rights issue, dividend exceeding 5 percent of the equity in the Holmen group for a specific fiscal year, and/or other similar corporate events.

### **The cost of the Program**

The costs of the Program, as reported in the income statement, are calculated according to the accounting standard IFRS 2 and recognized over the Vesting Period. The calculation has been performed based on the closing market price of Holmen's class B shares on March 11, 2024, which is 415 kronor per share, and with the following assumptions: (i) an annual dividend yield of approximately 2 percent, (ii) an annual employee turnover rate of 5 percent, (iii) the TSR condition being met, (iv) an average achievement of the Financial Goal at 50 percent and fulfillment of the Sustainability Goal, and (v) a total maximum of 60,000 Performance Shares I and



Performance Shares II available for allocation. In addition to the above, the costs of the Program have been based on the Program involving 10 Participants and each Participant making a maximum investment. The total estimated cost of the Program under IFRS 2 is approximately 9 MSEK excluding social security contributions (16 MSEK when the TSR condition, the Financial Goal, and the Sustainability Goal are met at 100 percent). The costs of social security contributions are estimated to be approximately 4 MSEK, based on the above assumptions, and assuming an annual share price increase of 10 percent during the Program's term and a social security contribution tax rate of 31.42 percent (7 MSEK when the TSR condition, the Financial Goal, and the Sustainability Goal are met at 100 percent).

The expected annual costs of 5 MSEK, including social security contributions, correspond to approximately 0.1 percent of Holmen Group's total personnel costs for the fiscal year 2023 (0.2 percent when the TSR condition, the Financial Goal, and the Sustainability Goal are met at 100 percent).

Assuming that the Cap is reached (calculated for this purpose based on the closing market price of Holmen's class B shares on March 11, 2024, which is 415 kronor per share) and that all Participants are entitled to the maximum allocation of Performance Shares I and Performance Shares II in the Program and remain in the Program until the end of the Vesting Period, the maximum costs for Holmen under IFRS 2 will amount to 19 MSEK, and the maximum costs for social security contributions will amount to 13 MSEK.

### **Dilution**

The allocation of repurchased class B shares to fulfill the commitments under the Program would result in the following dilution effects (under the assumptions provided below). With maximum allocation of Performance Shares I and Performance Shares II and assuming an annual dividend not exceeding 5 percent of Holmen Group's equity for a certain fiscal year, the number of shares that can be allotted free of charge in the Program amounts to 60,000 class B shares in Holmen, which corresponds to approximately 0.04 percent of the share capital and approximately 0.01 percent of the votes (calculated based on the number of outstanding shares in Holmen on March 11, 2024). The effects on key ratios and earnings per share are marginal.

### **Hedging measures**

The board proposes that the annual general meeting, as a primary option, decides on gratuitous transfers of treasury shares of class B to the Participants, and that gratuitous transfers of treasury shares of class B can be made to subsidiaries of Holmen to ensure Holmen's commitments to deliver class B shares to the Participants. The company currently holds 3,289,969 treasury shares of class B. The detailed terms of the board's primary option are set out in item 17.B.1 below.



In the event that the required majority for item 17.B.1 below is not achieved, the board proposes that Holmen be able to enter into share swap agreements with third parties, in accordance with item 17.B.2 below.

### **Preparation of the proposal**

The proposed Program has been prepared, according to guidelines issued by Holmen's board, by Holmen's Compensation Committee, with the assistance of external advisors. The Compensation Committee has presented the work to the board, after which the board has decided to propose the adoption of the Program at the 2024 annual general meeting.

## **B. Hedging Measures in Relation to the Program**

### **1. Decision on transfers to Participants of acquired treasury shares of class B**

The board proposes that the annual general meeting, as a primary option, decides that transfers of Holmen's treasury shares of class B may occur under the following condition.

- a) Transfers may only occur of class B shares in Holmen, whereby a maximum of 60,000 class B shares in Holmen may be transferred free of charge to the Participants
- b) The right to acquire class B shares in Holmen free of charge shall, with deviation from the shareholders' preferential rights, belong to the Participants. Furthermore, with deviation from the shareholders' preferential rights, subsidiaries of Holmen shall have the right to acquire class B shares in Holmen free of charge, whereby such subsidiary shall be obliged, according to the terms of the Program, to immediately transfer the shares to the Participants
- c) Transfers of class B shares in Holmen shall be made free of charge at the time and on the other terms that the Participants are entitled to acquire shares
- d) The number of class B shares in Holmen that may be transferred within the framework of the Program shall be adjusted due to interim bonus issues, splits, preferential issues, dividends exceeding 5 percent of the equity of the Holmen Group for a certain fiscal year, and/or other similar corporate events.

### **2. Share swap agreement with external party**

The board proposes that the annual general meeting, in the event that the required majority for item 17.B.1 above cannot be achieved, decides that the financial exposure expected to result from the Program may be hedged by Holmen on market terms by entering into a share swap agreement with an external party, whereby the external party, for a fee and in its own name, may acquire and transfer class B shares in Holmen to the Participants, in accordance with the terms of the Program.



### **Conditions**

The decision of the general meeting to implement the Program in accordance with section 17.A above is conditional upon the meeting deciding either in accordance with the proposal for transfers to the Participants of own series B shares in accordance with section 17.B.1 above or in accordance with the proposal to enter into share swap agreements with an external party in accordance with section 17.B.2 above.

### **Majority rules**

For a valid decision on the introduction of the Program according to item 17.A above, a majority of more than half of the votes cast at the meeting is required. For a valid decision on the transfer of treasury shares of class B to the Participants according to item 17.B.1 above, the decision must be supported by shareholders representing at least nine-tenths of both the votes cast and the shares represented at the meeting. For a valid decision to enter into a share swap agreement with an external party according to item 17.B.2 above, a majority of more than half of the votes cast at the meeting is required.

### **Previous incentive programs at Holmen**

Since 2022, Holmen has had a three-year Long-Term Incentive Program (LTIP 2022), which is essentially based on the same terms as the LTIP 2024 proposed above, except that LTIP 2024 is supplemented with a goal related to the overall climate benefit of the Holmen Group. Unlike LTIP 2024, which is exclusively aimed at members of the corporate management, LTIP 2022 also targets a number of key individuals in the Holmen Group. LTIP 2022 is further described in Note 4 of Holmen's annual report for the fiscal year 2023.