

## **Board's proposal concerning a share saving programme for senior executives**

The Board of Directors proposes that the annual general meeting resolves on the implementation of a long-term share saving program (the "**Program**"). The Program is directed to the members of the Executive Management, the Business Area Managers and a number of key employees of the Holmen Group and shall be implemented after the Annual General Meeting 2016 in Holmen.

The overall purpose of the Program is to closely align the participants' interests with those of the shareholders and to create a long-term commitment to Holmen. The Program is intended to attract and retain employees who are critical to Holmen's on-going success.

The Program shall be achievable, easy to understand, cost effective to administrate and easy to communicate.

### A. Implementation of the Program

The Board of Directors proposes that the implementation of the Program be made in accordance with the principal terms and conditions set out below.

- a) The Program is proposed to be open to no more than 45 permanent employees of the Holmen Group, who are divided into the following four groups: the Chief Executive Officer of Holmen ("**Group 1**"), the deputy Chief Executive Officer of Holmen ("**Group 2**"), no more than four Business Area Managers of Holmen ("**Group 3**") and no more than 39 other Key Employees of the Holmen Group ("**Group 4**"). The participants in Group 1-4 are collectively referred to as the "**Participants**".
- b) To be able to participate in the Program, the employees must personally invest in Series B shares of Holmen and these shares must be allocated to the Program ("**Saving Shares**"). For each Saving Share, the Participants will have the possibility to be allotted 0.5 Series B shares in Holmen free of charge, from Holmen, from another company within the Holmen Group or from a designated third party ("**Matching Share**"). The Matching Shares will be allotted after the expiration of a vesting period, starting on 20 May 2016 and running up to and including the day of announcement of Holmen's interim report for the first calendar quarter 2019 (the "**Vesting Period**"). Holmen intends to provide a notice to the Participants of their admission to the Program no later than on 26 April 2016 (however with the right for the Board of Directors to postpone this date for individual Participants if there are special reasons therefore).
- c) Further, the Participants will, depending on satisfaction of certain performance conditions (as defined and described in paragraph (d) below), after the expiration of the Vesting Period have the possibility to be allotted additional Series B shares of Holmen free of charge from Holmen, from

another company within the Holmen Group or from a designated third party (the “**Performance Shares**”). For each Saving Share, the Participants may be allotted the Performance Shares in accordance with the following:

- Participants in Group 1 may be allotted no more than six (6) Performance Shares;
  - Participants in Group 2 may be allotted no more than five (5) Performance Shares;
  - Participants in Group 3 may be allotted no more than four (4) Performance Shares; and
  - Participants in Group 4 may be allotted no more than three (3) Performance Shares.
- d) The allotment of Performance Shares shall depend on the degree of fulfilment of the performance condition for the Program, as established by the Board of Directors. The performance condition shall be based on Program specific financial targets related to the average return on capital employed (“**ROCE**”)<sup>1</sup> for the financial years 2016, 2017 and 2018 (the “**Performance Condition**”). In connection with the expiry of the Vesting Period, the Board of Directors will publish information about to what extent the Performance Condition has been fulfilled.

The number of Performance Shares that may be allotted shall be calculated in accordance with the following:

- A condition for any allotment of Performance Shares to occur is that the Performance Condition exceeds 7 per cent (the “**Minimum Level**”). If the Minimum Level is not exceeded, no Performance Shares will be allotted.
- For maximum allotment of Performance Shares to occur, the Performance Condition must amount to at least 9 per cent (the “**Maximum Level**”).
- Should the degree of fulfilment exceed the Minimum Level but be between the Minimum Level and the Maximum Level, the Participants will receive a linear allotment of Performance Shares.

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

- e) The maximum value per each right to receive a Matching Share or a Performance Share shall be limited to 200 per cent of the volume weighted average price of the Holmen Series B share during the five trading days immediately following the publication of the interim report for the first calendar quarter 2016 (the “**Cap**”). Should the value of such right

(calculated based on the volume weighted average price of the Holmen Series B share during the five trading days immediately following the day of publication of the interim report for the first calendar quarter 2019, after deduction of dividend approved by the Annual General Meeting, where the share is still traded including the right to such dividend) exceed the Cap, a proportional reduction in the number of Matching Shares and Performance Shares to be allotted shall be made. For the avoidance of doubt, after such reduction, the value of each such right shall correspond to the Cap. This limitation enables control and predictability over the program's maximum scope and cost.

- f) Each Participant may invest in Saving Shares of a value (determined based on the quoted closing price of the Holmen Series B share in the last day of trading in 2015, i.e. SEK 261.60 per share) corresponding to no more than 10 per cent of his/her respective individual gross annual fixed salary for 2016.
- g) Participants must invest in Saving Shares during the period 27 April – 20 May 2016, however with the right for the Board of Directors to extend the period for investment.
- h) Matching Shares and Performance Shares may normally be allotted only after the expiration of the Vesting Period.
- i) In order for a Participant to be allotted any Matching Shares or Performance Shares, as applicable, it is a condition that, with certain specific exemptions, he/she has been permanently employed within the Holmen Group for the duration of the whole Vesting Period and that the Participant, until the expiration of the Vesting Period, has retained the Saving Shares invested in for purposes of the Program. Saving Shares disposed of prior to the expiration of the Vesting Period will not be included in the calculation to determine any allotment of Matching Shares or Performance Shares.
- j) If significant changes in the Holmen Group or in the market occur which, in the opinion of the Board of Directors, would result in a situation where the conditions for allotment of Performance Shares under the Program become unreasonable, the Board of Directors shall be entitled to make adjustments to the Program, including, among other things, be entitled to resolve on a reduced allotment of Performance Shares, or that no Performance Shares shall be allotted at all.
- k) The Board of Directors shall be authorised to establish the detailed terms and conditions for the Program. The Board of Directors may, in that regard, make necessary adjustments of these general terms and conditions to satisfy certain regulations or market conditions outside Sweden.
- l) Participation in the Program presupposes that such participation is legally possible in the various jurisdictions concerned and that the administrative costs and financial efforts are reasonable in the opinion of the Board of Directors.

- m) The Program shall comprise no more than 120,000 Series B shares in Holmen (Matching Shares and Performance Shares included).
- n) The number of Matching Shares and Performance Shares will be subject to recalculation as a result of intervening bonus issues, share splits, rights issues, dividends exceeding 5 per cent of the equity in respect of a certain financial year and/or other similar corporate events.

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*Costs for the Program etc.*

The costs for the Program, which are charged in the profit and loss account, are calculated according to the accounting standard IFRS 2 and distributed over the Vesting Period. The calculation has been made based on the quoted closing price of Series B shares in Holmen as of 1 March 2016, i.e. SEK 255.30 per share, and the following assumptions: (i) an annual dividend yield of approximately 4.5 per cent, (ii) an estimated annual turnover of personnel of 5 per cent, (iii) an average fulfilment of the Performance Condition of 50 per cent, and (iv) a total maximum of 120,000 Matching Shares and Performance Shares eligible for allotment. In addition to what is set forth above, the costs for the Program have been based on that the Program comprises a maximum of 45 Participants and that each Participant makes a maximum investment.

In total, the costs for the Program according to IFRS 2 are estimated to approximately SEK 12 million excluding social security costs (SEK 21 million if the average fulfilment of the Performance Condition is 100 per cent). The costs for social security charges are calculated to approximately SEK 6 million, based on the above assumptions, and also assuming an annual share price increase of 10 per cent during the Program and a social security tax rate of 31.42 per cent (SEK 11 million if the average fulfilment of the Performance Condition is 100 per cent).

The expected annual costs of SEK 6 million, including social security charges, correspond to approximately 0.3 per cent of the Holmen Group's total employee costs for the financial year 2015 (0.5 per cent if 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 Series B shares in Holmen as of 1 March 2016, i.e. SEK 510.60 per share) is reached and that all Participants are entitled to allotment of the maximum number of Matching Shares and Performance Shares in the Program and remain in the Program until the end of the Vesting Period, the maximum cost according to IFRS 2 for Holmen will amount to SEK 25 million and the maximum social security charges will amount to SEK 18 million.

*Dilution*

Allotment of repurchased shares to fulfil the obligations under the Program would result in the following dilution effects (under the below mentioned assumptions). Upon maximum allotment of Matching Shares and Performance Shares and assuming annual dividends that do not exceed 5 per cent of the equity in respect

of a certain financial year, the number of shares to be allotted free of charge under the Program amounts to 120,000 Series B shares in Holmen, corresponding to approximately 0.14 per cent of the share capital and approximately 0.04 per cent of the votes (calculated based on the number of Holmen Series B shares as of 1 March 2016). The effects on key ratios and profit per share are marginal.

#### *Hedging arrangements*

The Board of Directors proposes that the annual general meeting resolves, as a main alternative, on transfers of Series B treasury shares free of charge to the Participants and that transfers of Series B treasury shares free of charge may be made to subsidiaries of Holmen in order to secure Holmen's obligations to deliver Series B shares to the Participants. The company currently holds 760,000 Series B shares in treasury. The detailed conditions of the Board of Directors' main alternative are set out in item 18.B.1 below.

Should the majority required under item 18.B.1 below not be reached, the Board of Directors proposes that Holmen shall be able to enter into an equity swap agreement with a third party, in accordance with item 18.B.2 below.

#### *Preparations of the proposal*

The proposed Program has, pursuant to the guidelines issued by Holmen's Board of Directors, been prepared by the Remuneration Committee of Holmen with the assistance of external advisors. The Remuneration Committee has informed the Board of Directors of the work, who has subsequently resolved that the Program shall be proposed to the Annual General Meeting 2016.

### B. Hedging arrangements in respect of the Program

#### *1 Resolution on transfers of acquired Series B treasury shares to the Participants*

The Board of Directors proposes that the Annual General Meeting resolves, as a main alternative, that transfers of Holmen's Series B treasury shares may be made on the following terms.

- a) Transfer may be made only of Series B shares in Holmen, whereby a maximum of 120,000 Series B shares in Holmen may be transferred free of charge to the Participants.
- b) Right to acquire Series B shares in Holmen free of charge shall, with deviation from the shareholders' preferential rights, be granted the Participants. Further, subsidiaries of Holmen shall, with deviation from the shareholders' preferential rights, be entitled to acquire Series B shares in Holmen free of charge, whereby such company shall be obliged to, in accordance with the conditions of the Program, immediately transfer the shares to the Participants.
- c) Transfers of Series 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 Series B shares in Holmen that may be transferred under the Program will be subject to recalculation as a result of intervening bonus issues, share splits, rights issues, dividends exceeding 5 per cent of the equity in respect of a certain financial year and/or other similar corporate events.

## 2 *Equity swap agreement with a third party*

The Board of Directors proposes that the Annual General Meeting, should the majority required under item 18.B.1 above not be reached, resolves that the expected financial exposure resulting from the Program may be hedged by Holmen entering into an equity swap agreement with a third party. Such swap agreement shall be on terms in accordance with market practice, whereby the third party against a fee undertakes to, in its own name, acquire and transfer Series B shares in Holmen to the Participants in accordance with the terms and conditions of the Program.

### Conditions

The shareholders' meeting's resolution on the implementation of the Program according to item 18.A. above is conditional upon the meeting resolving either in accordance with the proposal on transfer of Series B treasury shares to the Participants under item 18.B.1 above or in accordance with the proposal on entering into a swap agreement with third party under item 18.B.2 above.

### Majority requirements

The shareholders' meeting's resolution on implementation of the Program according to item 18.A. above requires simple majority among the votes cast. A valid resolution on transfer of Series B treasury shares to the Participants under item 18.B.1 above requires approval by shareholders representing not less than nine-tenths of the votes cast as well as of the shares represented at the meeting. A valid resolution on entering into a swap agreement with third party under item 18.B.2 above requires simple majority among the votes cast.

### Other

#### *Previous incentive programs in Holmen*

There are currently no outstanding share related incentive programs in the company.