

## **The Board's proposal concerning (A) the introduction of a long-term share savings program and (B) hedging measures thereof**

The Board of Directors proposes that the Annual General Meeting resolve on a new long-term share savings program ("the Program" or "LTIP 2025"). The Program is aimed at the Group Executive Management and Business Area Management teams and will be implemented after the Annual General Meeting.

The Annual General Meetings in 2022 and 2024 resolved on long-term share savings programs (LTIP 2022 and LTIP 2024, respectively), which will expire in connection with the publication of Holmen's interim report for the first quarter of 2025 and 2027, respectively. The programs are similar, but LTIP 2022 includes a broader group of key individuals, whereas LTIP 2024 includes only the Group Executive Management. Additionally, LTIP 2024 introduced a climate-related target for the allocation of Performance Shares II.

The Board considers the programs to be appropriately designed and proposes that the 2025 Annual General Meeting adopt a long-term share savings program with terms that are, in all material respects, equivalent to those of LTIP 2024. Since LTIP 2022, which includes business area management teams, expires in 2025, the Board proposes that LTIP 2025 should include not only the Group management but also the business area management teams.

The overall purpose of the Program is to maintain a strong alignment of interests between key individuals within the Group and the shareholders and to continue fostering a long-term commitment to Holmen. The Program is intended to attract and retain employees who are crucial to Holmen's continued success. It should be achievable, easy to understand, cost-effective to administer, and simple to communicate.

### **A. Implementation of a long term share savings 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 at a maximum of 45 permanently employed individuals within the Holmen Group, who are divided into the following four categories: the CEO of Holmen ("**Group 1**"), the Deputy CEO of Holmen ("**Group 2**"), other members of the Group Executive Management ("**Group 3**"), and the Business Area Management teams ("**Group 4**"). The participants in Groups 1–4 is 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 can be allotted one 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 2025–2027 ("**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.
  - Participants in Group 4 may be allotted up to three (3) Performance Shares II.

Allocation of Performance Shares II shall be based 90 percent on an average return on capital employed<sup>1</sup> for the two business areas, Cardboard & Paper and Wood Products, during the fiscal years 2025, 2026 and 2027 ("**Financial**

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<sup>1</sup> Operating result (excluding comparability-distorting items) expressed as a percentage of average employed capital, as defined in the annual report for each year.



**Target**"). For Performance Shares II to be awarded in relation to the Financial Target, a minimum level of 10 percent ROCE must be exceeded, and for maximum allocation, a maximum level of 20 percent ROCE must be achieved. If a level between the minimum and maximum levels is reached, Participants will receive a linear allocation of Performance Shares II in relation to the Financial Target.

The allocation of Performance Shares II shall be based 10 percent on Holmen's climate benefit ("Sustainability Target"). Holmen's climate benefit is described and defined in more detail in the annual report for the financial year 2024 on page 36.

For allocation related to the Sustainability Target, the reported climate benefit, measured as an average over the financial years 2025–2027, must have increased compared to the reported climate benefit in the reference year 2024 (adjusted for any extraordinary events, such as major acquisitions, divestments, or equivalent, as well as adjusted for any changes in definitions and methodology for calculating climate benefit). If the climate benefit decreases or remains unchanged during the measurement period, no allocation of Performance Shares II related to the Sustainability Target will take place.

- e. Performance Shares I and II will be allotted after the end of an earning period, which runs from May 31, 2025, until the day of the publication of Holmen's interim report for the first quarter of 2028 ("**Earning Period**").

The maximum value of the right to receive a Performance Share I or a 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 2025 ("**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 2028, less any dividend resolved by the annual general meeting that has not yet 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 2025.
- g. Participants shall invest in Savings Shares during the period from May 9 – May 30, 2025, 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. If 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 100 000 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.

#### *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 accrued over the vesting period. The calculation has been performed based on the noted closing price of the Class B shares in Holmen as of February 20, 2025, i.e., 424 SEK per share, and with the following assumptions: (i) an annual dividend yield of approximately 3 percent, (ii) an annual employee turnover of 5 percent, (iii) that the TSR condition is met, (iv) an average fulfillment of the Financial Target of 50 percent and fulfillment of the Sustainability Target, and (v) the total maximum number of shares available for allocation as per section A.m above. In addition to the above, the costs of the Program have been based on the assumption that the Program includes 45 Participants and that each Participant makes a maximum investment.

The total estimated costs of the Program according to IFRS 2 amount to approximately 17 MSEK, excluding social security contributions (30 MSEK if the TSR condition, the Financial Target, and the Sustainability Target are fulfilled at 100 percent). The costs for social fees are estimated to approximately 8 MSEK, based on the assumptions above, and on the assumption of an annual share price increase of 10 percent during the Program period, as well as a social fee tax rate of 31.42 percent (14 MSEK upon fulfillment of the TSR condition, the Financial target, and the Sustainability target at 100 percent). The costs for social security contributions are estimated to amount to approximately 8 MSEK, based on the above assumptions, and assuming an annual share price increase of 10 percent during the Program's duration and a social security tax rate of 31.42 percent (14 MSEK upon fulfillment of the TSR condition, the Financial target, and the Sustainability target at 100 percent).

The expected annual costs of 9 MSEK, including social security contributions, correspond to approximately 0.3 percent of the Holmen Group's total personnel costs for the financial year 2024 (0.4 percent upon fulfillment of the TSR condition, the Financial target, and the Sustainability target at 100 percent).

Assuming that the Cap is reached (for this purpose calculated based on the closing price of series B shares in Holmen as of February 20, 2025, i.e., 424 SEK per share) and that all Participants are entitled to the allocation of the maximum number 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 35 MSEK, and the maximum costs for social security contributions to 24 MSEK.

#### *Dilution*

The allocation of repurchased Series B shares to fulfill the commitments under the Program would result in the following dilution effects (under the assumptions specified below). In the event of the maximum allocation of Performance Shares I and Performance Shares II, and provided that no recalculation takes place pursuant to section A.n above, the number of shares to be allocated free of charge under the Program amounts to 100,000 Series B shares in Holmen, which corresponds to approximately 0.06 percent of the share capital and approximately 0.02 percent of the votes (calculated based on the number of outstanding shares in Holmen as of February 20, 2025). The effects on key financial 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 4 844 832 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 2025 annual general meeting.

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

### *1. Decision on transfers to Participants of 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 100 000 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 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 to implement the Program in accordance with section A above is conditional upon the Annual General Meeting deciding either in accordance with the proposal for transfers to the Participants of treasury shares series B in accordance with section B.1 above or in accordance with the proposal to enter into share swap agreements with an external party in accordance with section B.2 above.



### *Majority rules*

For a valid decision on the introduction of the Program according to item 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 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 B.2 above, a majority of more than half of the votes cast at the meeting is required.

### *Previous incentive programs in Holmen*

In addition to what has been stated above, LTIP 2022 and LTIP 2024 are described in more detail in note 4 of Holmen's annual report for the financial year 2024.

Stockholm, February 2025

The Board of Directors