Board's proposal concerning (A) adjustment of the terms of the 2019 share saving programme and (B) proposal concerning hedging activities regarding the 2019 share saving programme

A. Board's proposal to adjust a condition

Background

The Board proposes that the 2020 Annual General Meeting approve the following change to the long-term share saving programme adopted by the 2019 Annual General Meeting (**LTIP 2019**) in light of Holmen's change to the accounting policy for forest land in 2019.

Holmen's decision to switch to recognising the entire forest holding at fair value, calculated based on transactions in those areas where Holmen owns land, results in a significant reduction of the recognised return on capital employed. Under the previous accounting policy, the Group's capital employed at 31 December 2019 would have amounted to SEK 26 321 million. The amended accounting of forest assets increases capital employed by SEK 17 574 million to SEK 43 895 million at 31 December 2019. The percentage return will decrease as a result of the change, all else being equal.

LTIP 2019 requires the return on capital employed to average at least 8% over the 2019–2021 financial years in order for performance shares to be allotted. The return on capital employed has to average at least 11% over the 2019–2021 financial years in order for the maximum allotment of performance shares to be made. According to the Board's calculations, which have been reviewed by the company's auditor, a return on capital employed of 8% under the previously recognised values corresponds to a return of 5.4% under the new recognised values. A return on capital employed of 11% under the previously recognised values corresponds to a return of 7.2% under the new recognised values. However, the return on capital employed for 2019 will not be affected as the increased value of forests is recognised as an item affecting comparability in the income statement for 2019.

Proposal to adjust performance condition

The Board therefore proposes that the 2020 Annual General Meeting approve a change to how the minimum and maximum levels of the LTIP 2019 performance condition is calculated in order to minimise the effect of the accounting change on participants' ability to receive an allotment of performance shares.

The Board's proposal means that, instead of being based on average fulfilment of the performance condition during 2019–2021, the allotment of performance shares will be measured based on the fulfilment of the performance condition during the 2019 financial year against the original levels for allotment, i.e. a minimum level for allotment of 8% and a level for maximum allotment of 11%, whereas the fulfilment of the performance condition in 2020 and 2021 will be measured against a minimum level of 5.4% and a maximum level of 7.2% on average for these two financial years. The reason why the Board is proposing that fulfilment of objectives be measured separately for 2019 and as an average for 2020–2021, rather than being based on an average over the three-year period, is to minimise the impact on allotment from the accounting change. Matching and performance shares, however, should only be allotted once the three-year vesting period is over.

The Board's proposal means that section A (d) of LTIP 2019 will be changed to the following wording:

> *The allotment of Performance Shares shall depend on the degree of fulfilment of the performance condition for the Programme. The Performance Condition shall consist of a financial target specific to the Programme and relating to the return on capital employed [1] both in the 2019 financial year (at 1/3 weighting) and as an average of the 2020 and 2021 financial years (at 2/3 weighting), together called **'the Performance Condition'**. In connection with the expiry of the Vesting Period, the Board of Directors will publish information about the extent to which the Performance Condition has been fulfilled.*
>
> *The number of Performance Shares that may be allotted shall be calculated in accordance with the following:*
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> - *For the allotment of Performance Shares to be made, the return on capital employed for the 2019 financial year must exceed 8 per cent or the return on capital employed must exceed 5.4 per cent on average for the 2020–2021 financial years (**'the Minimum Level'**).*
> - *For the maximum allotment of Performance Shares to be made, the return on capital employed for the 2019 financial year must amount to at least 11 per cent and the return on capital employed for the 2020–2021 financial years must amount to at least 7.2 per cent on average for these two financial years (**'the Maximum Level'**).*
> - *If a level is achieved that exceeds the Minimum Level but is less than the Maximum Level, Participants will receive an allotment of a number of Performance Shares, 1/3 of which is based on a linear calculation of by how much the return on capital employed for the 2019 financial year exceeds 8 per cent but is less than 11 per cent and 2/3 of which is based on a linear calculation of by how much the return on capital employed for the 2020–2021 financial years on average exceeds 5.4 per cent but is less than 7.2 per cent.*

The Board proposes that the programme shall remain unchanged in other respects. LTIP 2019 shall continue to comprise no more than 190 000 class B shares in Holmen (Matching Shares and Performance Shares included).

B. The Board's proposal on hedging activities relating to LTIP 2019 and majority rules

The Board proposes that the allotment of shares to programme participants be made by means of the transfer of the company's class B treasury shares as per the decision of the 2019 Annual General Meeting, provided that the 2020 Annual General Meeting approves the Board's proposal as per point (A) above with a requirement for a majority of at least nine tenths of both the votes cast and shares represented at the Annual General Meeting.

In the event that a majority of at least nine tenths of both votes cast and shares represented at the Annual General Meeting cannot be achieved, the Board proposes that the proposal to amend LTIP 2019 as per point A above be approved by a majority of more than half of the votes cast at the Annual General Meeting and that the decision be conditional on the Annual General Meeting also approving the conclusion of share swap agreements with external parties. Such swap agreement shall be on terms in accordance with market practice, whereby in exchange for a fee the third party

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

undertakes to, in its own name, acquire and transfer class B shares in Holmen to the LTIP 2019 participants in accordance with the terms of the programme. Approval of swap agreement under this section B requires shareholders representing more than half of the votes cast at the Annual General Meeting.

Stockholm, April 2020

The Board of Directors