

Remuneration report 2020

Introduction

This remuneration report provides an outline of how Holmen AB (publ) (Holmen) guidelines for executive remuneration, adopted by the annual general meeting 2020, have been implemented in 2020. The report also provides details on the remuneration of Holmen's CEO and deputy CEO. In addition, the report contains a summary of Holmen's outstanding share related incentive programmes. The company has not provided the board of directors with any remuneration in excess of what has been resolved by the annual general meeting. Remuneration to the board of directors is therefore not covered by this report but is disclosed in the annual report for 2020 (note 4).

Further information on executive remuneration and the work of the remuneration committee can be found in the company's annual report (note 4 and the corporate governance report).

Key developments 2020

The CEO summarizes the company's overall performance in his statement on page 4 in the annual report.

Overview of the application of the remuneration guidelines in 2020

Holmen has applied the remuneration guidelines adopted by the Annual General Meeting 2020. Under Holmen's remuneration guidelines, remuneration of executive management shall consist of a fixed market-based salary. Other benefits may constitute no more than 10 per cent of the fixed salary.

The remuneration guidelines, adopted by the annual general meeting 2020, can be found in note 4 in the annual report. The auditor's report regarding compliance with the guidelines is available on the company's website www.holmen.com. Total remuneration to CEO and deputy CEO is presented in table 1 below. In addition to remuneration covered by the remuneration guidelines, the annual general meeting has resolved to implement a long-term share-based incentive plan for senior management.

Table 1 – Total remuneration paid to CEO and deputy CEO during 2020 (SEK)

	Fixed remuneration		Variable remuneration	Extra-ordinary items ¹	Pension expense ²	Total remuneration
	Base salary	Other benefits ³				
Henrik Sjölund CEO	9 360 043	423 289	n/a	n/a	5 647 641	15 430 973
Anders Jernhall deputy CEO	4 884 000	67 606	n/a	n/a	2 622 072	7 573 678

¹ Non-recurring benefits (sign-on fees, redundancy payments etc.)

² The pension plan is defined contribution. The disclosed expenses include costs for an option to retire at the age of 60 and cost for health insurance. Mandatory social security fees are excluded.

³ Benefits in kind that are taxable for the recipient.

Share based remuneration

A long-term share-based incentive programme was approved by the 2019 Annual General Meeting with a duration from May 2019 until May 2022 (the Programme). The purpose of the Programme is to retain alignment of the interests of senior management and shareholders and to encourage long-term commitment to Holmen.

Subject to the employees making own investments in shares in the company (savings shares) up to a maximum of ten percent of their annual salary, and that the shares are held throughout the Programme, the employees will at the end of the Programme be awarded, free of charge, 0.5 matching shares and up to 3-6 performances shares per saving share, depending on position and outcome of the performance condition.

Allotment of matching shares is subject to a positive total shareholder return during the financial years 2019-2021. As per 2020-12-31 the total shareholder return was 135 per cent. Allotment of performance shares is subject to the satisfaction of conditions relating to the return on capital employed during the financial years 2019-2021. Further information about the Programme and the performance condition can be found on the company's website www.holmen.com.

54 persons participate in the programme. Upon maximum allotment of matching- and performance shares, the number of shares that could be allotted free of charge under the Programme would amount to 151,000 series B shares, corresponding to approximately 0.1 per cent of the share capital and approximately 0.03 per cent of the votes.

Remuneration of the CEO and the deputy CEO in shares

The CEO has invested in 4 400 savings shares and the deputy CEO in 2 327 saving shares. They are entitled to 0.5 matching share and up to 6 (CEO) / 5 (deputy CEO) performance share per saving share, subject to the performance conditions. Hence, at the end of the programme, the CEO could be allotted 2 200 matching shares and up to 26 400 performance shares and the deputy CEO 1 164 matching shares and up to 11 635 performance shares, subject to the performance condition.

Use of the right to reclaim

No remuneration has been reclaimed by the company from the CEO or deputy CEO.

Compliance with the remuneration guidelines

No variable remuneration has been paid during 2020 and the fixed remuneration has been market-based. The value of other benefits has not exceeded 10 per cent of the fixed salary and no shares or share-based derivatives of any sort have been awarded to the CEO or deputy CEO. Total remuneration to the CEO and the deputy CEO during 2020 has complied with the company's remuneration guidelines.

Derogations and deviations from the remuneration guidelines and from the procedure for implementation of the guidelines

There have been no deviations from the procedures set out in the remuneration guidelines nor any derogations from the remuneration guidelines themselves. There have not been any significant changes regarding remuneration.

Comparative information on the change of remuneration and performance

Table 2 – Change of remuneration and performance over the last five reported financial years⁴

	2016 vs 2015	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	2020 ⁵
CEO, TSEK	+803 (+11%)	+565 (+7%)	+487 (+6%)	+10 (+0%)	+720 (+8%)	9 783
Deputy. CEO, TSEK	+858 (+25%)	-251 (-6%)	+244 (+6%)	+239 (+6%)	+371 (+8%)	4 952
Operating profit ⁶ , MSEK	+462 (+27%)	+4 (+0%)	+309 (+14%)	-131 (-5%)	+134 (+6%)	2 479
Profit after tax, MSEK	+865 (+155%)	+244 (+17%)	+600 (+36%)	+6 463 (+285%)	-6 751 (-77%)	1 979
Average remuneration of employees, TSEK ⁷	+10 (+2%)	+17 (+3%)	+9 (+2%)	+6 (+1%)	+17 (+3%)	556

Information on shareholder vote

No views or comments on the guidelines or the report have been put forward by shareholders.⁸

⁴ Excluding remuneration under share based programmes adopted by the shareholder's general meeting and pension expenses. For total remuneration 2020, please refer to table 1.

⁵ Total figures previous reported financial year.

⁶ Excluding items affecting comparability.

⁷ Reported personnel cost on a full-time equivalent bases of employees of the parent company, excluding members of group executive management.

⁸ This being the first report, no report was presented to the annual general meeting 2020.