

Guidelines for remuneration to senior executives

The 2022 annual general meeting adopted – with amendment to the guidelines adopted at the annual general meeting 2020 – the following guidelines for remuneration to the senior management.

These guidelines shall apply to remuneration to Board members, the President, vice President as well as other members of the senior management. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the annual general meeting 2022. The guidelines do not apply to remuneration resolved by the general meeting.

Principles for remuneration

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit, motivate and retain qualified personnel through competitive remuneration in line with market levels. To this end, the total remuneration is to correspond to market practice and be competitive on the senior manager's field of profession, as well as be linked to the manager's responsibility, authority and performance. Remuneration may consist of fixed salary, variable remuneration, other benefits and pension, jointly referred to as total remuneration. The company's business strategy can be found in the company's annual and sustainability report.

Variable remuneration

Variable remuneration shall aim at promoting the company's business strategy and long-term interests, including its sustainability. Variable remuneration shall be based on the outcome in relation to short-term and long-term goals, respectively, comprising financial goals, goals that contribute to such (including sustainability goals), or to the value development of the company's Class B share. It shall be linked to the fixed annual salary and be maximized. Variable remuneration is to be paid as cash remuneration and shall not qualify for pension benefits.

Short-term performance goals may include, for example, organic growth, profit, cash flow, capital efficiency, return, health-safety-environment, individual targets, or a combination thereof. Remuneration that may be paid under such short-term performance goals shall not exceed 100 percent of the fixed annual salary.

Long-term performance goals shall be linked to the value development of the company's Class B share and the company's increased climate benefits. Remuneration that may be paid under such long-term performance goals, including Performance period, maximum amount and other main conditions, shall therefore be approved by the general meeting.

Total variable remuneration related to short-term performance goals and long-term performance goals in accordance with the description above shall not exceed 100 percent of the fixed annual salary.

Additionally, variable remuneration in the form of project bonuses may be awarded in individual cases. The performance goals shall, in such case, be linked to the project (e.g. Capex or production volume) in order to promote the completion of the project. The satisfaction of goals may be measured, and bonus may be paid, after one or several years. Such project bonus shall not exceed 40 percent of the total fixed annual salary during the relevant period.

The company shall be able to refrain from paying variable remuneration when required and possible under applicable law, if there is special cause and withholding the payment is necessary to serve the company's long-term interests, including its sustainability. The company shall also have the possibility to, under applicable law, reclaim variable remuneration paid on incorrect grounds.

Pension and other benefits

Pension benefits shall solely contain defined premium pension benefits, unless the manager is subject to defined benefit pension under applicable collective agreement provisions. The planned retirement age is 65 years. The defined premium pension shall total a maximum of 50 percent of the fixed annual salary.

Other benefits may include, for example, health insurance, company car and wellness allowance.

In the event of termination of employment, a notice period of two years shall typically apply if the termination is initiated by the company, or one year, if termination is initiated by the manager. Severance pay shall not occur.

Decision-making process and reporting

Issues regarding remuneration to senior managers shall be dealt with by the Board of Directors' remuneration committee and, in case of the President, be decided by the Board of Directors. The remuneration committee's tasks shall also include preparing the Board of Directors' decision to propose guidelines for remuneration to senior managers, as well as monitoring and evaluating the application of these. The senior managers shall not participate in the Board of Directors' nor the remuneration committee's processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

In the preparation of the remuneration guidelines, salary and employment conditions for the company's other employees in Sweden shall be taken into account, including information on the employees' total income, the components of the remuneration and increase and growth rate over time, as well as the company's equality policy.

The Board of Directors shall prepare a remuneration report.

Application of and derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability.

The guidelines do not take precedence over mandatory provisions under applicable employment regulation or collective agreements. They are also not applicable to agreements already signed.

Information about SCA's current guidelines for remuneration to senior executives, the application of the current guidelines and the company's costs for remuneration to senior executives is covered in note C3 of the company's annual report.

Description of significant changes compared to previous guidelines

This guidelines have been updated following the Board of Director's proposal concerning the implementations of a new long-term cash-based incentive program.