

Long-term cash-based incentive program for 2023-2025

The 2023 annual general meeting of Svenska Cellulosa Aktiebolaget SCA (“SCA” or the “Company”) adopted a long-term cash-based incentive program which is directed to the members of the group management and key employees within the SCA group (the “Program”).

Background

In order to promote a common interest for the participants and the shareholders of long-term good return and to promote the Company’s ability to recruit and retain key employees with business-critical competence, the Board of Directors considers that the Company shall have long-term cash-based incentive programs. The Programs should be approved annually and have performance conditions related to the relative value development of SCA’s Class B share and the Company’s increased climate benefits, which is measured during a three-year period. The Board of Directors also considers that there should be a requirement for own investment in SCA shares of the entire net amount paid and that such shares should be held for a period of at least three years.

The Annual General Meeting 2022 resolved on a long-term cash-based incentive program with three-year performance conditions, which is described in the Company’s annual report, and in the remuneration report proposed by the Board of Directors, for the financial year 2022. The Board of Directors proposes that the Annual General Meeting 2023 approves a, in all material respects, equivalent cash-based incentive program for the Company, as further described below.

Principal terms and conditions of the Program

The Board of Directors proposes that the Program shall be based on the following principal terms and conditions:

- (a) The Program is proposed to be open to the group management and in addition not more than 18 key employees within the SCA group (the “Participants”).
- (b) The Participants shall have the opportunity, depending on satisfaction of certain performance conditions in accordance with paragraph c) below, to obtain a cash remuneration (the “Cash Remuneration”) after the end of the three-year performance period for the performance conditions under the Program. The Cash Remuneration for each Participant may not exceed a certain percentage of the Participant’s fixed annual salary (gross) for 2025, as follows: (i) for the President, a maximum of 50 percent, (ii) for the other members of the group management, a maximum of 40 percent and (iii) for other Participants, a maximum of 15 percent.
- (c) Payment of the Cash Remuneration shall depend on the degree of satisfaction of the performance conditions for the Program. The performance conditions shall be based on a financial target consisting of the total return (“TSR”) on the Company’s Class B share for the financial years 2023, 2024 and 2025¹ (the “Performance Period”),

¹ The calculation of TSR is made as follows: The weighted average price of the shares during the fourth quarter 2022 is compared with the weighted average price of the shares during the fourth quarter 2025, including reinvested dividend.

which shall be measured to 60 percent in relation to a benchmark group of other companies² and to 40 percent in relation to the OMXS30GI index (the “**TSR-condition**”), as well as a sustainability target related to increased climate benefit (million tonnes of CO₂ equivalents, as defined in the annual report, “**Climate Benefit**”) during the Performance Period (the “**Sustainability Condition**”). The TSR-condition will be weighted 90 percent and the Sustainability Condition 10 percent when payment of the Cash Remuneration is decided. In connection with the expiration of the Performance Period, the Board of Directors will publish information disclosing to what extent the TSR- and the Sustainability Condition, respectively, have been satisfied.

Payment of Cash Remuneration related to the *TSR-condition* shall be calculated in accordance with the following:

- A condition for payment is that the TSR of SCA’s Class B share is not lower than the weighted TSR outcome for the Benchmark Group and the OMXS30GI index during the Performance Period (the “**Minimum Level**”). If the Minimum Level is not reached, no payment of Cash Remuneration related to the TSR condition will be made.
- For maximum payment, it is required that the TSR of SCA’s Class B share exceeds the weighted TSR outcome for the Benchmark Group and the OMXS30GI index by at least 5 percentage points during the Performance Period (the “**Maximum Level**”).
- Should the TSR of SCA’s Class B share be between the Minimum Level and the Maximum Level during the Performance Period, a linear payment will be made.

Payment of Cash Remuneration related to the *Sustainability Condition* shall be calculated in accordance with the following:

- A condition for payment is that the average annual Climate Benefit increases during the Performance Period, compared to the average annual Climate Benefit during the financial years 2020, 2021 and 2022 (the “**Minimum Level**”). If the Minimum Level is not reached, no payment of Cash Remuneration related to the Sustainability Condition will be made.
- For maximum payment, an increase of the Climate Benefit corresponding to 1.5 million tonnes CO₂ equivalents during the Performance Period is required, measured as an average of the Climate Benefit during the three years in the Performance Period compared to the average of the Climate Benefit during the years 2020, 2021, 2022 (the “**Maximum Level**”).

² The benchmark group consists of Holmen, Stora Enso, UPM Kymmene and Billerud (weighted with equal parts) and may be adjusted by a Board resolution if deemed appropriate by the Board of Directors (the “**Benchmark Group**”).

- Should the Climate Benefit reach a level between the Minimum Level and the Maximum Level during the Performance Period, a linear payment will be made.
- (d) Cash Remuneration will normally be paid after the expiration of the Performance Period.
- (e) A prerequisite for a Participant to be able to receive full Cash Remuneration, is that he/she, with certain specific exemptions, has been permanently employed within the SCA group for the duration of the whole Performance Period.
- (f) Participants shall undertake, for as long as the Participant is employed within the SCA group, to acquire SCA shares for the total paid net amount of the Cash Remuneration no later than June 30, 2026 (or as soon as possible thereafter if the Participant has been prevented from acquiring SCA shares at such time due to insider rules), and to retain such shares for a period of at least three years after the acquisition (with certain exemptions approved by the Board of Directors). If a Participant does not acquire or retain SCA shares in accordance with the above, the Participant's right to payment under other incentive programs to which the Participant has been invited to participate, shall lapse.
- (g) If extraordinary changes in the SCA group or in the market occur which, in the opinion of the Board of Directors, would result in a situation where the conditions for Cash Remuneration 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 right to Cash Remuneration, or that no Cash Remuneration shall be paid at all.
- (h) 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.
- (i) Participation in the Program presupposes that such participation is legally possible in the various jurisdictions concerned.

Costs for the Program, dilution, etc.

The cost for the Program, including social security charges, is estimated to a maximum of SEK 40 million if satisfaction of the TSR- and the Sustainability Condition, respectively, is 100 percent. This cost can be related to SCA's total cost for salaries and remuneration, including social security charges, of SEK 2.6 billion in 2022. The cost effect on key ratios and profit per share is marginal.

The Program is cash-based and does not entail any dilution for the Company's shareholders. No hedging arrangements are intended to be made with regard to the Program's financial exposure.

Preparations of the proposal

The proposed Program has been prepared by SCA's Remuneration Committee. The Remuneration Committee has presented documentation to the Board of Directors, whereafter the Board of Directors has resolved that the Program shall be referred to the Annual General Meeting 2023 for approval.

Majority requirements

The Annual General Meeting's resolution on approval of the Program requires simple majority of the votes cast.

Previous incentive programs in SCA

The Company's other incentive programs are described in more detail in note C3 in SCA's annual and sustainability report for the financial year 2022.