

# SCA's Remuneration Report 2022

## Introduction

This report describes how the guidelines for remuneration of senior executives of Svenska Cellulosa Aktiebolaget SCA (publ) ("SCA"), as resolved by the 2022 Annual General Meeting, were applied in 2022. The report also contains information about the remuneration of the President and CEO. The report was prepared in accordance with the Swedish Companies Act and the Swedish Corporate Governance Board's *Rules on Remuneration of the Board and Executive Management and on Incentive Programmes*, now administered by the Stock Market Self-Regulation Committee (ASK).

Further information concerning remuneration of senior executives is available in Notes C1-C5 on pages 101–106 of the 2022 Annual Report. Information concerning the work of the Remuneration Committee in 2022 can be found in the Corporate Governance Report on pages 74–83 of the 2022 Annual Report. Remuneration of the Board is not covered by this report. Such remuneration is decided each year by the Annual General Meeting and is presented in Note C4 on page 104 of the 2022 Annual Report.

## Company's performance in 2022

The President and CEO summarizes the company's earnings in his statement on pages 8–9 of the 2022 Annual Report.

## The company's remuneration guidelines: area of application, purpose and deviations

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. The company's remuneration guidelines make it possible to offer senior executives competitive total remuneration in line with market levels. According to the remuneration guidelines, total remuneration to senior executives is to be competitive in the senior manager's field of profession and also reflect the manager's responsibility, authority and performance. Remuneration may consist of the following components: fixed salary, variable salary, other benefits and pension. Variable remuneration shall be based on the outcome of short-term and long-term goals, comprising financial goals, goals that contribute to such, or to the value development of the company's share. Variable remuneration shall aim at promoting the company's business strategy and long-term interests, including its sustainability.

The guidelines and information regarding their application is available on pages 101–102 of the 2022 Annual Report. In 2022, the company has complied with the applicable remuneration guidelines as adopted by the Annual General Meeting. No deviations were made from the guidelines, nor were any deviations made from the decision-making process with regard to the determination of remuneration stated in the guidelines. The auditor's statement on the company's compliance with the guidelines is available on [www.sca.com](http://www.sca.com). No claims for the repayment of remuneration were made.

**Table 1. Remuneration of President and CEO**

The table shows total remuneration (SEK) of the President and CEO in 2022

		Fixed salary <sup>1</sup>	Other benefits <sup>2</sup>	STI (one-year variable remuneration) <sup>3</sup>	Supplementary STI (one-year variable remuneration) <sup>4</sup>	LTI (three-year variable remuneration)	Extraordinary remuneration	Pension costs <sup>5</sup>	Total remuneration	Distribution between fixed and variable remuneration relative to total remuneration <sup>6</sup>
Ulf Larsson (President and CEO)	2022	10,500,000	147,933	5,250,000	5,250,000	–	–	4,371,666	25,519,599	59%/41%

### Application of performance criteria

Performance criteria for the President and CEO's variable remuneration were selected to realize the company's strategy and to encourage behavior that promotes the company's long-term interests. The choice of performance criteria took into account strategic targets and short and long-term business priorities for 2022.

### Short Term Incentive Program

The performance criteria<sup>7</sup> in the short-term incentive program (STI) for the President and CEO comprise profit for the period, EBITDA, operating cash flow, return on capital employed (ROCE) for SCA's industrial operations, and the number of accidents with absence, Lost Time Accident (LTA) in the SCA Group.

**Table 2. Overview of the President and CEO's short-term performance goals and goal achievement in 2022 (short-term variable remuneration)**

	1	2	3
Ulf Larsson (President and CEO)	Description of criteria attributable to the remuneration component	Relative weights of performance criteria	a) Measured performance b) Actual remuneration outcome
	Profit for the period	25%	a) 6,821 MSEK b) 1,312.5 KSEK
	EBITDA	20%	a) 10,194 MSEK b) 1,050 KSEK
	Operating cash flow	25%	a) 5,685 MSEK b) 1,312.5 KSEK
	Industrial return on capital employed	20%	a) 40.1% b) 1,050 KSEK
	LTA (accidents with absence)	10%	a) 16 number b) 525 KSEK

<sup>1</sup> Fixed salary consists of base salary and vacation pay, paid in 2022.

<sup>2</sup> Vehicle benefits and health insurance. The table shows benefits expensed in 2022.

<sup>3</sup> The table reports STI pertaining to the 2022 fiscal year. Disbursements in 2023.

<sup>4</sup> The table reports Supplementary STI pertaining to the 2022 fiscal year. Supplementary STI replaces LTI during 2022. Disbursements in 2023.

<sup>5</sup> The pension costs pertain to the costs for defined contribution pension plans that affected profit for 2022. Supplementary health insurance is included in the costs.

<sup>6</sup> Calculated as (Fixed salary + Any other benefits + Pension costs)/Total remuneration. Calculated as (STI + Supplementary STI) /Total remuneration. The year's pension costs, which are exclusively calculated on Fixed salary, were reported in full as fixed remuneration.

<sup>7</sup> A definition of the performance criteria is presented on page 186 of the Annual Report.

## **Long Term Incentive Program**

The President and CEO participates in the company's long term cash-based incentive program (LTI), which was adopted by the Annual General Meeting 2022.

The LTI program's 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 2022, 2023 and 2024 (the "Performance Period"), which shall be measured to 60 percent in relation to a benchmark group of other companies<sup>8</sup> and to 40 percent in relation to the OMXS30 index (the "TSR-condition"), as well as a sustainability target related to increased climate benefit<sup>9</sup> (million tonnes of CO<sub>2</sub> equivalents), 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. For maximum payment, it is required that the TSR of the company's class B share exceeds the weighted TSR outcome for the benchmark group and the OMXS30 index by at least 5 percentage points during the Performance Period. For maximum payment, it is required that the average annual climate benefit increases with 1.5 million tonnes CO<sub>2</sub> equivalents during the Performance Period compared to the average annual climate benefit during the years 2019, 2020 and 2021 (the "Maximum Level").

The payment of cash remuneration within the LTI program is linked to a requirement of investment in the SCA share, whereby all of the net outcome (after tax deductions) is to be used to buy shares in SCA, and a requirement that the acquired shares are retained for a period of at least three years after the acquisition. Additional information concerning the company's LTI program can be found in Note C3 on pages 101–103 of the 2022 Annual Report.

The evaluation period for the program covers the financial years 2022, 2023 and 2024. Payment of cash remuneration under the program can therefore not be made until 2025.

## **Supplementary short-term incentive program**

For 2022, the Board of Directors resolved that the STI program should be supplemented with an additional short-term program. The supplementary program is intended to function as a transition to LTI 2022–2024 which does not vest until 2025. The President and CEO participates in the company's supplementary short-term incentive program.

The targets in the supplementary short-term incentive program are solely financial and consists of EBITDA, operating cash flow and industrial return on capital employed.

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<sup>8</sup> In 2022, the benchmark group of other companies comprised Holmen AB, Stora Enso OY, OPM-Kymmene OY and BillerudKorsnäs AB.

<sup>9</sup> A definition of climate benefit is presented on page 186 of the Annual Report.

**Table 3.** Overview of the President and CEO's supplementary short-term variable program, financial targets and goal achievement in 2022

	1	2		3
Ulf Larsson (President and CEO)	Description of criteria attributable to the remuneration component	Relative weights of performance criteria	c) d)	Measured performance Actual remuneration outcome
	EBITDA	44%	c) d)	10,194 MSEK 2,310 KSEK
	Operating cash flow	28%	c) d)	5,685 MSEK 1,470 KSEK
	Industrial return on capital employed	28%	c) d)	40.1% 1,470 KSEK

## Comparative information on the development of the President and CEO's remuneration, company performance and remuneration of other employees

**Table 4.** Comparison of President and CEO's remuneration relative to the company's financial performance and remuneration of other employees

	Total remuneration 2022	Change from previous year 2022/2021		Change from previous year 2021/2020	
<b>Remuneration to President and CEO, Ulf Larsson (SEK)</b>	25,519,599	2,500,742	11%	4,053,591	21%
<b>SCA's economic performance</b>					
• <b>EBITDA (MSEK)</b>	10,194	1,085	12%	5,716	268%
• <b>Profit for the period (MSEK)</b>	6,821	720	12%	5,334	795%
Average remuneration based on the number of full-time equivalent employees at SCA Group <sup>10</sup> (SEK). Variable salary during the year comprises expensed amounts.	630,236	15,306	2%	34,026	6%
Median based on the number of full-time equivalent employees at SCA Group <sup>11</sup> (SEK). Variable salary during the year comprises expensed amounts.	586,779	12,691	2%	45,060	9%

As from 2022, comparative company is the entire SCA Group. In previous remuneration reports, SCA Forest Products AB has been used as comparative company. The parent company Svenska Cellulosa Aktiebolaget SCA (publ) only employs the President and CEO and other Group Management and has no other employees. Current and previous members of the Group Management have been excluded from the comparison between the remuneration of the President and CEO and other employees' average remuneration.

<sup>10</sup> Refers to the SCA Group. Current and previous members of the Group Management have been excluded from the comparison between the remuneration of the President and CEO and other employees.

<sup>11</sup> Refers to the SCA Group, including other senior executives, according to GRI-standard.