

SCA's Remuneration Report 2023

Introduction

This report describes how the guidelines for remuneration of senior executives of Svenska Cellulosa Aktiebolaget SCA (publ) ("SCA"), as resolved by the Annual General Meeting 2022, were applied in 2023. The report also contains information about the remuneration of the President and CEO and a general overview of the company's outstanding long-term incentive programs. 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 103–108 of the Annual Report 2023. Information concerning the work of the Remuneration Committee in 2023 can be found in the Corporate Governance Report on pages 76–87 of the Annual Report 2023. 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 106 of the Annual Report 2023.

The company's performance in 2023

The President and CEO summarizes the company's earnings in his statement on pages 6–7 of the Annual Report 2023.

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 103–104 of the Annual Report 2023. In 2023, the company has complied with the applicable remuneration guidelines as adopted by the 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. 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 2023

		Fixed salary ¹	Other benefits ²	STI (one-year variable remuneration) ³	Supplementary STI (one-year variable remuneration) ⁴	LTI (three-year variable remuneration)	Extraordinary remuneration	Pension costs ⁵	Total remuneration	Distribution between fixed and variable remuneration relative to the total remuneration ⁶
Ulf Larsson (President and CEO)	2023	10,900,000	160,657	2,005,600	1,994,700	–	–	4,543,314	19,604,271	80%/20%

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 2023.

Short Term Incentive Program

The performance criteria⁷ 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 2023 (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) 3,625 MSEK b) 688 KSEK
	EBITDA	20%	a) 6,807 MSEK b) 512 KSEK
	Operating cash flow	25%	a) 2,985 MSEK b) 464 KSEK
	Return on capital employed – industrial	20%	a) 7.3 % b) 251 KSEK
	LTA (accidents with absence)	10%	a) 22 number b) 90 KSEK

¹ Fixed salary consists of base salary and vacation pay, paid in 2023.

² Vehicle benefits and health insurance. The table shows benefits expensed in 2023.

³ The table reports STI pertaining to the financial year 2023. Payment will be made in 2024.

⁴ The table reports Supplementary STI pertaining to the financial year 2023. Supplementary STI compensates for SCA’s LTI program, with the first program, LTI 2022–2024, vesting in 2025. Payment of Supplementary STI takes place in 2024.

⁵ The pension costs pertain to the costs for defined contribution pension plans that affected profit for 2023. Supplementary health insurance is included in the costs.

⁶ Fixed remuneration in relation to total remuneration is calculated as (Fixed salary + Any other benefits + Pension costs) / Total remuneration. Variable remuneration in relation to total remuneration is calculated as (STI + Supplementary STI) / Total remuneration. The pension costs for the year, which are entirely calculated on Fixed salary, have been fully accounted for as fixed remuneration.

⁷ A definition of the performance criteria is presented on page 190 of the Annual Report.

Outstanding Long-Term Incentive Program

In 2023, SCA had two outstanding long-term cash-based incentive programs for the Executive Management and up to 20 and 18 key employees, respectively, within the SCA Group, LTI 2022–2024 and LTI 2023–2025 (together the “LTI Programs”), which were adopted by the Annual General Meeting in 2022 and 2023, respectively. The President and CEO participates in the LTI Programs.

The performance criteria for LTI 2022–2024 are based on a financial target consisting of the total return (“TSR”) on the company’s class B share during a performance period consisting of the financial years 2022–2024⁸, which shall be measured to 60 percent in relation to a benchmark group of other companies⁹ and to 40 percent in relation to the OMXS30 index (the “TSR Condition”), as well as a sustainability target related to increased climate benefit¹⁰ (million tonnes of CO₂ 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. A condition for payment under the TSR Condition that the TSR of the company’s class B share is not below the weighted TSR outcome for the benchmark group and the OMXS30 index during the performance period. For maximum payment under the TSR Condition, it is required that 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. A condition for payment under the Sustainability Condition is that the average annual climate benefit increases during the performance period compared to the average annual climate benefit during the financial years 2019–2021. For maximum payment under the Sustainability Condition, it is required that the average annual climate benefit increases by 1.5 million tonnes of CO₂ equivalents during the performance period compared to the average annual climate benefit during the financial years 2019–2021. If the TSR for the company’s class B share and the climate benefit amount to a level between the minimum level and the maximum level during the performance period, a linear payment is made.

The performance criteria for LTI 2023–2025 are based on a financial target consisting of the total return (“TSR”) on the company’s class B share during a performance period consisting of the financial years 2023–2025¹¹, which shall be measured to 60 percent in relation to a benchmark group of other companies¹² and to 40 percent in relation to the OMXS30GI index (the “TSR Condition”), as well as a sustainability target related to increased climate benefit¹³ (million tonnes of CO₂ 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. A condition for payment under the TSR Condition that the TSR of the company’s class B share is not below the weighted TSR outcome for the benchmark group and the OMXS30GI index during the performance period. For maximum

⁸ The TSR is calculated as follows: Weighted average share prices in Q4 2021 are compared with weighted average share prices in Q4 2024, including reinvested dividends.

⁹ The benchmark group of other companies comprises Holmen AB, Stora Enso OY, OPM-Kymmene OY and BillerudKorsnäs AB (weighted equally) and may be adjusted as decided by the Board of Directors if the Board deems it appropriate.

¹⁰ A definition of climate benefit is presented on page 172 of the Annual Report 2021.

¹¹ The TSR is calculated as follows: Weighted average share prices in Q4 2022 are compared with weighted average share prices in Q4 2025, including reinvested dividends.

¹² The benchmark group of other companies comprises Holmen AB, Stora Enso OY, OPM-Kymmene OY and BillerudKorsnäs AB (weighted equally) and may be adjusted as decided by the Board of Directors if the Board deems it appropriate.

¹³ A definition of climate benefit is presented on page 186 of the Annual Report 2022.

payment under the TSR Condition, it is required that TSR of the company'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. A condition for payment under the Sustainability Condition is that the average annual climate benefit increases during the performance period compared to the average annual climate benefit during the financial years 2020–2022. For maximum payment under the Sustainability Condition, it is required that the average annual climate benefit increases by 1.5 million tonnes of CO₂ equivalents during the performance period compared to the average climate benefit during the financial years 2020–2022. If the TSR for the company's class B share and the climate benefit amount to a level between the minimum level and the maximum level during the performance period, a linear payment is made.

The payment of cash remuneration within the LTI programs is linked to a requirement of own 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 as well as requirement for permanent employment within the SCA group during the entire performance period for each of the LTI programs. After the end of each performance period, the Board of Directors will announce the extent to which the TSR Condition and Sustainability Condition have been met. Payment can only be made in 2025 and 2026, respectively.

Additional information concerning the LTI Programs can be found in Note C3 on pages 103–105 of the Annual Report 2023.

Supplementary short-term incentive program

For 2023, 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 the LTI Programs, with the first program, LTI 2022–2024, vesting in 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.

Table 3. Overview of the President and CEO's supplementary short-term variable program, financial targets and goal achievement in 2023

1		2	3	
Ulf Larsson (President and CEO)	Description of criteria attributable to the remuneration component	Relative weights of performance criteria	a) b)	Measured performance Actual remuneration outcome
	EBITDA	44%	a) b)	6,807 MSEK 1,126 KSEK
	Operating cash flow	28%	a) b)	2,985 MSEK 520 KSEK
	Return on capital employed – Industrial	28%	a) b)	7.3 % 348 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

	2023	Change from previous year 2023/2022		Change from previous year 2022/2021		Change from previous year 2021/2020	
Total remuneration to President and CEO, Ulf Larsson (SEK)	19,604,271	-5,915,328	-23%	2,500,742	11%	4,053,591	21%
SCA's economic performance							
• EBITDA (MSEK)	6,807	-3,387	-33%	1,085	12%	5,716	268%
• Profit for the period (MSEK)	3,625	-3,196	-47%	720	12%	5,334	795%
Average remuneration based on the number of full-time equivalent employees at SCA Group ¹⁴ (SEK). Variable salary during the year comprises expensed amounts.	633,174	2,938	0.5%	15,306	2%	34,026	6%
Median based on the number of full-time equivalent employees at SCA Group ¹⁵ (SEK). Variable salary during the year comprises expensed amounts.	586,909	130	0.0%	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.

¹⁴ Current and previous members of the Group Management have been excluded from the comparison between the remuneration of the President and CEO and the average remuneration of other employees.

¹⁵ Refers to the SCA Group, including other senior executives, according to the GRI standards.