

# **The Nomination Committee's proposals to the 2020 Annual General Meeting in Essity Aktiebolag (publ), including reasoned statement**

## **Presentation of the Nomination Committee's work**

In accordance with the mandate of the Annual General Meeting, the Chairman of the Board of Directors has in September 2019 summoned representatives of the four largest shareholders in terms of voting rights, who had declared that they are willing to participate in the Nomination Committee work, to form part of the Nomination Committee together with the Chairman of the board of directors, ahead of the 2020 Annual General Meeting. On 9 September 2020, the company announced the composition of the Nomination Committee and how shareholders may submit proposals to the Nomination Committee. No proposals have been submitted.

The Nomination Committee for the 2020 Annual General Meeting comprises:

- Helena Stjernholm, AB Industrivärden, Chairman of the Nomination Committee,
- Jonas Jølle, Norges Bank Investment Management,
- Stefan Nilsson, Handelsbankens Pensionsstiftelser,
- Anders Oscarsson, AMF and AMF Funds, and
- Pär Boman, Chairman of the Board of Directors of Essity Aktiebolag (publ).

The Nomination Committee of Essity has considered the tasks imposed on the Nomination Committee according to the Swedish Corporate Governance Code, and the instruction to the Nomination Committee resolved upon by Essity's Annual General Meeting. The Nomination Committee has held four recorded meetings, one meeting with major institutional shareholders, and has met with one board member and the President and CEO.

The Nomination Committee has familiarized itself with the board's work and the specific requirements imposed by the company's operations and strategy. The Nomination Committee has also reviewed the result of the completed evaluation of the individual board members' contribution to the board's work, the Chairman's work and of how the board functions together as a group.

The Nomination Committee has also reviewed the results of the company's evaluation of the auditor's performance and the Audit Committee's recommendation regarding proposal for re-election of auditors.

The Nomination Committee has applied rule 4.1 of the Swedish Corporate Governance Code as diversity policy in the preparation of its proposal.

All decisions of the Nomination Committee have been unanimous.

## **The Nomination Committee's proposals and reasoned statement**

The Nomination Committee has submitted the following proposals to the 2020 annual general meeting.

### **Election of Chairman of the Annual General Meeting**

The Nomination Committee proposes that Sven Unger, attorney at law, be elected as Chairman of the Annual General Meeting.

### **Resolution on the number of members of the Board and deputy directors**

The Nomination Committee proposes that the number of board members shall be nine, with no deputy directors.

### **Reasoned statement – Number of members of the board**

Nine board members elected by the General Meeting with no deputy directors are considered appropriate.

### **Resolution on the number of auditors and deputy auditors**

The Nomination Committee proposes one Auditor, with no deputy auditors.

### **Resolution on remuneration to the Board of Directors and the Auditor**

The Nomination Committee proposes that the remuneration to each board member elected by the General Meeting and who is not employed by the company shall be SEK 800,000 (770,000) and that the remuneration to the Chairman of the Board of Directors shall be SEK 2,400,000 (2,310,000). Members of the Remuneration Committee are each to receive an additional remuneration of SEK 120,000 (115,000) while the Chairman of the Remuneration Committee is to receive an additional remuneration of SEK 150,000 (150,000). Members of the Audit Committee are each to receive an additional remuneration of SEK 280,000 (275,000), while the Chairman of the Audit Committee is to receive an additional remuneration of SEK 395,000 (380,000).

Remuneration to the Auditor is to be paid according to approved invoice.

### **Reasoned statement - Remuneration**

Competitive remuneration is the basic principle for the assessment of remuneration to the board members, in order to ensure that Essity can recruit and retain people with the best possible qualifications. When assessing the size of the remuneration, comparisons with remuneration to the board members in companies of comparable size and complexity have been made. It should be noted that the Essity group has customers in more than 190 countries and had sales of approximately SEK 130 billion in 2019. The proposed Board comprises members of various nationalities and all board members have international experience. The Nomination Committee has evaluated and discussed the structure and levels of the remuneration to the Board of Directors and concluded that an increase of the remuneration level is justified. The Nomination Committee's assessment is that also a slight increase of remuneration for committee work is reasonable, while the remuneration to the Chairman of the Audit Committee should be further increased due to increased workload and responsibility.

### **Election of Directors and Chairman of the Board of Directors**

The Nomination Committee proposes re-election of the board members Ewa Björling, Pär Boman, Magnus Groth, Maija-Liisa Friman, Annemarie Gardshol, Bert Nordberg, Louise Svanberg, Lars Rebien Sørensen and Barbara Milian Thoralfsson.

Furthermore, Pär Boman is proposed to be elected as Chairman of the Board of Directors.

### **Reasoned statement – Board members**

The aim of the Nomination Committee has been to propose a Board of Directors where the individual board members, as well as the Board in its entirety, meet great demands on relevant knowledge and experience, in order to be able to carry out effective board work in Essity, characterized of high quality. The Nomination Committee has, in addition to the aforementioned, also strived to achieve gender balance in the Board of Directors. Five of the proposed members of the board are women and four are men, which corresponds to 56% and 44% of the board members, respectively.

In its proposal regarding the Board of Directors, the Nomination Committee has also paid specific attention to the proposed board members' other assignments, to ensure

that they are able to devote their assignment in the Essity Board the time and the commitment that is required.

The conclusion is that the current Board and its work functions properly. The Nomination committee has also been informed that all board members are available for re-election.

The Nomination Committee considers that the proposed Board of Directors will obtain an appropriate composition with regard to the company's operations, phase of development and other relevant circumstances. The Board of Directors is characterized by diversity and breadth as to the board members' qualifications, experience and background. The proposal also provides continuity to the Board's work, which the Nomination Committee has considered particularly important in the light of the changes the company has undergone.

A majority (eight out of nine) of the proposed board members – Ewa Björling, Pär Boman, Maija-Liisa Friman, Annemarie Gardshol, Bert Nordberg, Louise Svanberg, Lars Rebien Sørensen and Barbara Milian Thoralfsson – are independent in relation to the company and the senior management. Out of these board members, seven – Ewa Björling, Maija-Liisa Friman, Annemarie Gardshol, Bert Nordberg, Louise Svanberg, Lars Rebien Sørensen and Barbara Milian Thoralfsson – are also independent in relation to the company's larger shareholders. Only one board member – Magnus Groth, CEO – is part of the company's management. All board members have sufficient experience of the requirements that a listed company is subject to.

The Nomination Committee concludes that the stock exchange's rules regarding board members' relevant stock exchange experience have been met, as are the rules of the Corporate Governance Code regarding the independence of board members.

## **Election of auditor**

The Nomination Committee proposes Ernst & Young AB as Auditor for the period until the end of the annual general meeting 2021. If elected, Ernst & Young AB has announced its appointment of Hamish Mabon as Auditor in charge.

### **Reasoned statement - auditor**

The current Auditor, Ernst & Young AB, has been the company's Auditor for three years. The company's audit is a complicated process that, among other things, includes auditing in more than 90 countries. Ernst & Young AB has been deemed appropriate for this.

## **Resolution on the nomination committee**

The Nomination Committee proposes that the following instruction to the Nomination Committee shall apply until further notice.

"The Nomination Committee shall be composed of representatives of the four largest registered shareholders in terms of voting rights, who has expressed their willingness to participate in the Nomination Committee, according to the shareholders' register maintained by the company as of the last banking day of August, and of the Chairman of the Board of Directors. The Chairman of the Board of Directors is to convene the first meeting of the Nomination Committee. The member representing the largest shareholder in terms of voting rights shall be appointed Chairman of the Nomination Committee. The Chairman of the Board shall not be Chairman of the Nomination Committee. If deemed important, due to later changes in the ownership structure, the Nomination Committee is authorized to appoint one or two additional members among the shareholders who in terms of voting rights are the shareholders next in turn. The total maximum number of members shall be seven. Should a member resign from the Nomination Committee before its work is completed and the Nomination Committee considers it desirable that a substitute member be appointed, such substitute shall be appointed from the same shareholder or, if the shareholder is no longer one of the largest shareholders in terms of

voting rights, from the largest shareholder in terms of voting rights next in turn. Changes in the composition of the Nomination Committee shall be made public immediately. The composition of the Nomination Committee is to be announced by Essity no later than six months prior to the Annual General Meeting. Remuneration shall not be paid to the members of the Nomination Committee. Any costs for the work of the Nomination Committee shall be borne by Essity. The term of office for the Nomination Committee ends when the composition of the following Nomination Committee has been announced. The Nomination Committee shall propose the following: the Chairman of the General Meeting, the Board of Directors, the Chairman of the Board of Directors, remuneration to the Board of Directors individually specified for the Chairman and each of the other directors including remuneration for committee work, auditor and remuneration to the auditor and, to the extent deemed necessary, amendments to this instruction.”