

Remuneration report 2024

Essity Aktiebolag (publ) to be presented at the 2025 Annual General Meeting (AGM)

Introduction

This report describes how the guidelines for remuneration of senior executives of Essity Aktiebolag (publ), as adopted by the 2024 AGM, were applied in 2024. The report also provides information about the remuneration of the President and the Executive Vice President and a summary of the company's variable remuneration programs and other benefits. The report has been prepared in accordance with the Swedish Companies Act and the Stock Market Self-Regulation Committee Remuneration Rules. More information about remuneration of senior executives is available in Note C (Employees) on pages 145–150 in the 2024 Annual Report, which is available on [essity.com](https://www.essity.com). Information about the work of the Remuneration Committee in 2024 is presented in the Corporate governance report on pages 104–113 in the 2024 Annual Report.

The Board's remuneration is not covered in this report. Such remuneration is approved each year by the AGM and is reported in Note C3 on page 148 of the 2024 Annual Report.

1. Key events and key figures in 2024

The President summarizes the company's overall performance in his statement on pages 6–8 in the 2024 Annual Report.

2. The company's guidelines for remuneration of senior executives: purpose, scope and deviations

The remuneration guidelines, as unanimously adopted by the 2024 AGM, and the application of these are described in Note C2 on pages 145–146 of the Annual Report.

A prerequisite for the successful implementation of the company's business strategy and the protection of its long-term interests, including its sustainability, is that the company can recruit and retain qualified staff. To this end, the company must offer competitive and market-based remuneration and benefits.

According to the guidelines, total remuneration and benefits to the senior executive, Total Reward, combined is to correspond to market practice and be competitive in the senior executive's field of profession. The remuneration is offered as fixed salary, variable remuneration, other benefits such as company car, pension and healthcare benefits.

The total remuneration is to be proportionate to the senior executive's position and authority and the responsibility this entails based on the financial scope and business impact, as well as market complexity. Total remuneration is decided on an individual basis at a level that, in combination with the various remuneration components, is considered to correspond to market practice and is competitive taking into account performance. For the President and the Executive Vice President, a market comparison is therefore conducted with Swedish global industrial companies.

Table 1 below shows the total remuneration of senior executives in 2024 and the relationship between fixed and variable remuneration. Remuneration was not received from any other Group company.

3. Variable remuneration

Variable remuneration is divided into short and long-term programs that are related to financial and non-financial targets. The targets are designed to contribute to the company's business strategy and long-term interests, including its sustainability. The long-term incentive programs were adopted by the AGM in 2022, 2023 and 2024. The sustainability targets are primarily based on the science-based targets for Scope 1 and 2, which aim to reduce emissions of carbon dioxide in energy utilization and purchased electricity.

3.1 Short-term incentive program

The program aims to support the achievement of the company's strategic business targets in the short and long-term. The program's target structure consists of key financial targets or business strategic non-financial targets related to the individual area of responsibility. The key financial targets for senior executives consist of Group level financial targets or business area financial targets and comprise return on capital employed, operating cash flow, organic sales growth, profit and operating margin. For the President and the Executive Vice President, the target structure for 2024 consisted of the Group's return of capital employed, operating cash flow, organic sales growth and profit for the period.

If the targets are met in full, short-term remuneration amounts to 50% of fixed cash salary for the President and the Executive Vice President. This remuneration is not pensionable income.

3.2 Long-term incentive program (LTI-program)

The aim of the long-term program is to promote the long-term positive earnings trend for the company and positive value appreciation for the company's shareholders.

The program is a cash-based program and aims through share ownership to create commonality between participants and the company's shareholders and reward long-term value creation. The program is also an important remuneration component in attracting and retaining key employees. The program is approved by the Board and adopted by the general meeting for one year at a time and participants in one program are not automatically eligible to participate in future programs. The measurement period is three years. An invitation to take part in the program is sent during the first year of the measurement period. The degree to which the targets were met and any outcomes are determined at the end of the measurement period.

The long-term incentive program has two targets. The first is based on the performance of the company's Class B shares, measured as Total Shareholder Return (TSR). TSR comprises dividends, share price performance and other returns that are compared with the performance of weighted indexes that contain return on shares for a selection of competing companies in Essity's business areas of Health & Medical, Consumer Goods and Professional Hygiene during a three-year measurement period. Average TSR during the final quarter before the start of the measurement period is compared with average TSR during the final quarter of the measurement period.

Remuneration for this target is awarded if Essity's TSR is not less than the weighted TSR of the comparison group for the same period and maximum outcome is achieved if Essity's TSR exceeds the weighted TSR for the comparison group by at least 5 percentage points during the measurement period. The second goal is a relative goal for reduction in greenhouse gas emissions ("Sustainability target"). A prerequisite for payment is that the company reduces its greenhouse gas emissions during the measurement period by at least 7.5% on a linear basis compared with the base year of 2016. Full payment is made if the Sustainability target is achieved.

The TSR target is weighted at 80% and the Sustainability target at 20% when deciding on the outcome of the program. The company pays any outcome as cash remuneration, and the maximum outcome may amount to 100% of the fixed cash salary for the senior executive. The maximum compensation for the President and the Executive Vice President is 50% of the fixed cash salary. Resulting remuneration is not pensionable income. Within a specified period, the senior executive must acquire Essity shares for the full amount of remuneration received, after deduction of income tax. If trading restrictions are in place, due to so called insider information, the acquisition must take place as soon as possible thereafter. The senior executive must then not divest the shares acquired within the framework of the program for a period of at least three years from the date of purchase.

The outcome of the program is paid as cash remuneration to the senior executive, which means the program has no dilution effect or similar impact for shareholders and, as stated above, there is a ceiling for the maximum outcome.

The next upcoming assessment of outcome in respect of the program 2023–2025 will be in 2026.

4. Pension benefits

Pension benefits for senior executives shall be defined contribution in accordance with the remuneration guidelines and limited to at most 40% of fixed salary with the exception of pension agreements signed before 2020.

Pension benefits are defined contribution with a premium of 40% of fixed cash salary for the President and 30% of fixed cash salary for the Executive Vice President in addition to the premium expenses for basic pension benefits in the ITP plan with retirement pension benefits limited to a maximum salary income of 7.5 income base amounts.

5. Other benefits

Other benefits refers to company cars, luncheon vouchers and medical insurance.

6. Deviations and audit

No deviations from the guidelines took place and no exemptions from implementing the remuneration guidelines were made. The auditor's report on the company's compliance with the guidelines is available on [essity.com](https://www.essity.com). No remuneration was refunded.

7. Comparative information between remuneration and performance

Comparative information about changes in total remuneration of senior executives and average remuneration per full-time employee in the Parent Company and the company's performance results, is provided under Table 4.

Board of Directors, February 20, 2025

Table 1. Total remuneration of the President and the Executive Vice President

Name, position	Fiscal year	Fixed remuneration		Variable remuneration ¹⁾		Extraordinary benefits	Pension costs	Total salary and remuneration	Proportion fixed and variable remuneration, %
		Fixed salary	Other benefits and remuneration	Short-term remuneration	Long-term remuneration				
Magnus Groth President and CEO	2024	17,500,000	192,894	8,430,931	8,750,000	0	7,302,869	42,176,694	51/49
Fredrik Rystedt Executive Vice President and CFO	2024	8,818,259	151,910	4,248,351	4,409,130	0	2,790,599	20,418,248	51/49

Table 2. Outcome of the short-term program 2024 for the President and the Executive Vice President

Name, position	Target	Target's relative value	Target outcome	Remuneration, SEK
Magnus Groth President and CEO	Return of capital employed excl. IAC	27.5%	17.6%	2,406,250
	Operating cash flow (adjusted ²⁾)	20%	SEK 19.99bn	1,750,000
	Organic sales growth	27.5%	2.3%	2,087,181
	Profit for the period excl. IAC	25%	SEK 12.78bn	2,187,500
Fredrik Rystedt Executive Vice President and CFO	Return of capital employed excl. IAC	27.5%	17.6%	1,212,511
	Operating cash flow (adjusted ²⁾)	20%	SEK 19.99bn	881,826
	Organic sales growth	27.5%	2.3%	1,051,732
	Profit for the period excl. IAC	25%	SEK 12.78bn	1,102,282

Table 3. Outcome of the long-term incentive program 2022 -2024 for the President and the Executive Vice President

Name, position	Target	Target's relative value	Target outcome	Remuneration, SEK
Magnus Groth President and CEO	Performance of the company's Total Shareholder Return (TSR) compared with weighted indices of competing companies over the three year measurement period	80%	11.1%	7,000,000
	Science-based targets, Scope 1 and 2	20%	-6.6%	1,750,000
Fredrik Rystedt Executive Vice President and CFO	Performance of the company's Total Shareholder Return (TSR) compared with weighted indices of competing companies over the three year measurement period	80%	11.1%	3,527,304
	Science-based targets, Scope 1 and 2	20%	-6.6%	881,826

Table 4. Change in Total remuneration and the company's performance in recent fiscal years

Name, position	Total remuneration ³⁾ in 2024 SEKm	Year-on-year change - 2024/2023		Year-on-year change - 2023/2022		Year-on-year change - 2022/2021		Year-on-year change - 2021/2020		Year-on-year change - 2020/2019	
		SEKm	%	SEKm	%	SEKm	%	SEKm	%	SEKm	%
Magnus Groth President and CEO	42.2	6,9	19	-2,9	-8	14,7	62	-3,6	-13	-6,4	-19
Fredrik Rystedt Executive Vice President and CFO	20,4	3,6	21	-1,5	-8	7,4	67	-1,8	-14	-3,4	-21
Average remuneration per employee (converted to full-time equivalents) in Essity Aktiebolag (publ). Remuneration of senior executives is excluded.	1,6	0,2	15	-0,2	-13	0,2	14	-0,2	-12	-0,2	-9
Company's performance - Profit for the period (excluding IAC)	12,778	819	7	3,632	44	-1,036	-11	-2,442	-21	1,039	10

1) Variable remuneration pertains to 2024 but is paid in 2025.

2) Change in working capital is replaced with average calculated change in working capital during the year.

3) Total remuneration comprises fixed salary, short and long-term variable remuneration, pension costs and other benefits.