

# **Nomination Committee prior to 2018 Annual General Meeting in Essity Aktiebolag (publ)**

## **Decision regarding appointments**

The 2017 annual general meeting decided that the nomination committee, until further notice, shall be appointed in the following manner.

“The nomination committee shall be composed of representatives of the four largest registered shareholders in terms of voting rights 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 of directors 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, if the nomination committee considers it desirable, a “substitute” member shall be appointed to represent the same shareholder or, if the shareholder is no longer one of the largest shareholders in terms of voting rights, 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 by 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 board members including remuneration for committee work, auditor and remuneration to the auditor, and, to the extent deemed necessary, amendments to this instruction.”

## **Composition of the nomination committee**

The nomination committee prior to the 2018 annual general meeting comprises:

- Helena Stjernholm, AB Industrivärden, Chairman of the nomination committee,
- Petter Johnsen, Norges Bank Investment Management,
- Stefan Nilsson, Handelsbankens Pensionsstiftelser and others,
- Javiera Ragnartz, AMF och AMF Funds, and
- Pär Boman, Chairman of the board of directors of Essity Aktiebolag (publ).

The nomination committee shall submit proposals concerning the matters listed below for presentation to the 2018 annual general meeting for decision:

- Chairman of the annual general meeting
- Members of the board of directors
- Chairman of the board of directors
- Board fees and distribution among the Chairman and the other board members, as well as remuneration for work in committees
- Auditor and fees for the auditor
- Nomination committee for next annual general meeting

Shareholders who desired to present proposals to the nomination committee have had the opportunity to do so.

## **The nomination committee's proposals**

The nomination committee has submitted the following proposals to the 2018 annual general meeting.

### **Election of Chairman of the annual general meeting**

The nomination committee proposes that Eva Hägg, attorney at law, be elected as Chairman of the annual general meeting.

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

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

### **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 director elected by the general meeting and who is not employed by the company shall be SEK 740,000 and that the remuneration to the Chairman of the board of directors shall be SEK 2,220,000. Members of the remuneration committee are each to receive an additional remuneration of SEK 111,000 while the Chairman of the remuneration committee is to receive an additional remuneration of SEK 143,000. Members of the audit committee are each to receive an additional remuneration of SEK 264,000, while the Chairman of the audit committee is to receive an additional remuneration of SEK 349,000.

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

### **Reasoned statement - remuneration**

The nomination committee has concluded that the proposed remuneration corresponds to the market practice and is motivated by the board of directors' and the committee's workload and responsibility in Essity, a leading global hygiene and health company.

### **Election of directors and Chairman of the board of directors**

The nomination committee proposes re-election of the board members Ewa Björling, Pär Boman, Maija-Liisa Friman, Annemarie Gardshol, Bert Nordberg, Louise Svanberg, Lars Rebien Sørensen, Barbara M. Thoralfsson and Magnus Groth. Furthermore, Pär Boman is proposed to be elected as Chairman of the board of directors.

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 M. 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 M. Thoralfsson - are also independent of the company's larger shareholders. Only one director – Magnus Groth, CEO – works in the company's corporate management. All board members have sufficient experience of the requirements that a listed company is subject to.

Information regarding board members proposed for re-election can be found on the company's website, [www.essity.com/company/organization-and-management/board-of-directors/](http://www.essity.com/company/organization-and-management/board-of-directors/) and in the company's annual report [www.essity.com](http://www.essity.com).

## **The nomination committee's reasoned statement and presentation of the nomination committee's work**

In September 2017, pursuant to the mandate of the annual general meeting, the Chairman of the board of directors 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 2018 annual general meeting. On 15 September 2017, the company announced the composition of the nomination committee and how shareholders may submit proposals to the nomination committee. The nomination committee of Essity has held three recorded meetings, one meeting with major institutional shareholders, and has met with the board members and chief executive officer. All decisions within the nomination committee have been unanimous.

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 and in accordance with the company's diversity policy, also strived to achieve gender balance in the board of directors. The nomination committee has applied rule 4.1 of the Swedish Corporate Governance Code as diversity policy in the preparation of its proposal. The nomination committee has also reviewed the results of the company's evaluation of the auditor's performance, the audit committee's recommendation regarding proposal for election of auditors, as well as the evaluation of the board of directors' increased workload and increased responsibility.

The nomination committee has thoroughly familiarized itself with the board's work and the specific requirements of the company's operations. The nomination committee has also reviewed the result of the completed evaluation of the individual board members' contribution to the board's work, of the chairman's work and of how the board functions together as a group. The conclusion is that the current board and its work functions properly. The nomination committee has been informed that all board members, apart from Johan Malmquist who has declined re-election, are available for re-election. It has been deemed suitable to have nine board members elected by the general meeting.

In its proposal regarding the board of directors, the nomination committee has 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.

In light of the conducted evaluation, the nomination committee proposes re-election of Ewa Björling, Pär Boman, Maija-Liisa Friman, Annemarie Gardshol, Magnus Groth, Bert Nordberg, Louise Svanberg, Lars Rebién Sørensen and Barbara M. Thoralfsson. 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. 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.

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 2019. If elected, Ernst & Young AB has announced its appointment of Hamish Mabon as auditor in charge.

### **Reasoned statement - auditor**

The nomination committee has reviewed the audit committee's work regarding proposals for election of auditors as well as the audit committee's recommendation in this regard. The current auditor, Ernst & Young AB, has been the company's auditor for one year. 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 does not propose any amendments to the instruction for appointment of the nomination committee, see page 1, which is valid until further notice.