

# CORPORATE GOVERNANCE REPORT

**Holmen AB is a Swedish public limited company, listed on the Stockholm Stock Exchange (Nasdaq Stockholm) since 1936. The preparation of a corporate governance report is a requirement under the Swedish Annual Accounts Act. The corporate governance report complies with the rules and instructions stipulated in the Swedish Code of Corporate Governance.**

## Shareholders

Holmen AB had 52 701 shareholders at year-end 2022. Private individuals with Swedish citizenship accounted for the largest category of owners with 50 177 owners.

The largest owner at year-end, with 62.3 per cent of votes and 34.1 per cent of capital, was L E Lundbergföretagen, which means that a Group relationship exists between L E Lundbergföretagen AB (corporate ID number 556056-8817), whose registered office is in Stockholm, and Holmen. The second-largest owner was the Kempe Foundations and their

holdings of Holmen shares amounted to 17.5 per cent of votes and 7.4 per cent of capital at the same date. No other individual shareholder controlled as much as 10 per cent of the votes. Employees have no holdings of Holmen shares via a pension fund or similar system.

At the 2022 AGM, the Board's authorisation to purchase up to 10 per cent of the company's shares was renewed. No shares were bought back in 2022. The company already holds 0.3 per cent of the total number of shares in treasury. During the year, 75 993 shares were transferred to participants in the Group's share savings programme, which expired in 2022.

See pages 58–59 for further information on the shares and ownership structure.

## General meeting of shareholders

The notice convening the AGM is announced and posted on holmen.com no earlier than six and no later than four weeks before the meeting. That a notice has been issued is also advertised in a nation-wide newspaper. It was announced on 20 September 2022 that the 2023 AGM would take place on 28 March 2023. Shareholders or proxies are entitled to

vote in respect of the full number of shares owned or represented.

## Nomination committee

The AGM resolved that the nomination committee shall consist of the Chairman of the Board and one representative from each of the three shareholders in the company that control the most votes at 31 August each year. The composition of the nomination committee for the 2022 and 2023 AGMs is shown in the table on page 51.

The nomination committee's mandate is to submit proposals for the election of Board members and the Board Chairman, for the Board fee and auditing fees, and for the election of auditors.

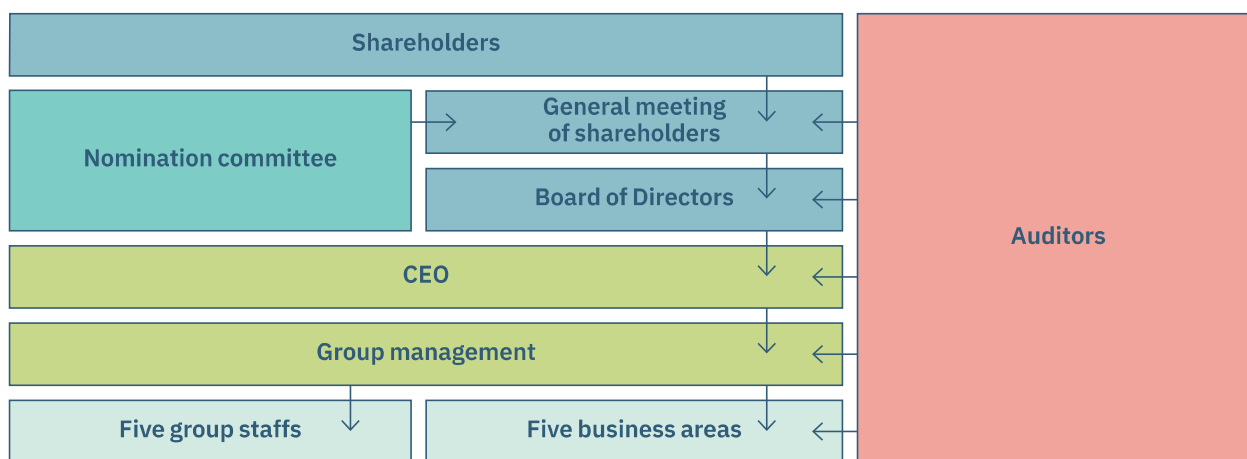
The nomination committee applies rule 4.1 of the Swedish Corporate Governance Code (the Code) as a diversity policy in putting forward proposed Board members, which means the composition of the Board should reflect the company's business operations, phase of development and other circumstances, and should be diverse and wide-ranging in terms of the expertise, experience and background of the members elected by general meetings.

## ↓ 2022 AGM

The notice convening the meeting, the agenda and the minutes of the 2022 AGM are available at holmen.com. According to item 1.2 of the Swedish Corporate Governance Code, the Chairman of the Board and as many members of the Board as are required for a quorum are to be present at meetings. In light of the risk of spreading the coronavirus, however, the Board resolved to conduct the AGM only through postal voting so that as few participants as possible would be present. For this reason, only the Chairman of the Board and the CEO were present at the AGM. However, as many members as were needed for the Board to have a quorum were prepared to hold a telephone meeting on the day of the AGM. For the AGM, shareholders were given the opportunity to ask and receive answers to questions in writing. The AGM adopted the income statement and balance sheet, decided on the appropriation of profits and granted the departing Board discharge from liability. Fredrik Lundberg, Hans Hedström, Carnegie Funds, and Carina Silberg, Alecta, checked and approved the minutes. It was not possible to follow or participate in the meeting from other locations using communication technology.

## ↓ Board meetings

The Board held eight meetings in 2022, four of which were in connection with the company's publication of its quarterly reports. One meeting was dedicated to reviews of strategic issues and the Group budget for 2023. One meeting was held in connection with the company's AGM. In addition, the Board paid particular attention to strategic, financial and accounting issues, the monitoring of business operations, the energy markets, and the other impacts of the war in Ukraine on Holmen's operations. The Board also devoted time to sustainability issues, study visits to sawmills and power plants in the vicinity of Skellefteå and significant investment matters. On one occasion the company's auditor reported directly to the Board, providing a presentation about the audit of the accounts and internal control.



An even gender distribution is sought. Further information about the work of the nomination committee will be provided at the 2023 AGM.

For the 2023 AGM, the nomination committee proposes that the Board consist of nine members elected by the AGM. The nomination committee proposes the re-election of the current Board members Fredrik Lundberg (who is also proposed for re-election as Chairman of the Board), Lars Josefsson, Alice Kempe, Louise Lindh, Ulf Lundahl, Fredrik Persson, Henrik Sjölund and Henriette Zeuchner, as well as the election of Carina Åkerström. Carl Bennet declined to stand for re-election.

### Composition of the Board

The members of the Board are elected each year by the AGM for the period until the end of the next AGM. According to the articles of association, the Board should consist of seven to eleven members. The company's articles of association contain no other rules regarding the appointment or dismissal of Board members, or regarding amendments to the articles, or restrictions on how long members can serve on the Board.

The 2022 AGM re-elected Fredrik Lundberg, Carl Bennet, Lars Josefsson, Alice Kempe, Louise Lindh, Ulf Lundahl, Henrik Sjölund and Henriette Zeuchner to the Board, as well as electing Fredrik Persson. Fredrik Lundberg was re-elected Chairman of the Board. At the statutory first meeting of the new Board in 2022, Henrik Andersson, Senior Vice President Legal Affairs, was appointed company secretary.

Over and above the nine members elected by the AGM, the local labour organisations have a statutory right to appoint three members and three deputy members.

Of the nine Board members elected by the AGM, eight are deemed independent of the company as defined by the Code. The CEO is the only Board member with an operational position in the company. Further information about the members of the Board is provided on pages 98–99.

### The Board's activities

The activities of the Board follow a plan, one of whose aims is to ensure that the Board obtains all requisite information. Each year the Board decides on written working procedures and issues written instructions relating to the division of

responsibilities between the Board and the CEO and the information that the Board is to receive continually on financial developments and other key events. Employees of the company participate in Board meetings to submit reports.

In order to develop the work of the Board, an annual evaluation is undertaken involving each member answering a questionnaire containing relevant questions concerning the Board's work and having the opportunity to make suggestions on how to enhance the Board's work. Their responses were presented and discussed at a Board meeting. The results of the 2022 evaluation will form the basis for planning the Board's work for the coming year. The Chairman of the Board has reported the results of the evaluation to the nomination committee.

### Remuneration

The Board has appointed a remuneration committee consisting of Fredrik Lundberg, Carl Bennet and Alice Kempe. During the year, the committee prepared matters pertaining to the remuneration and other employment conditions of the CEO and also evaluated guidelines for remuneration

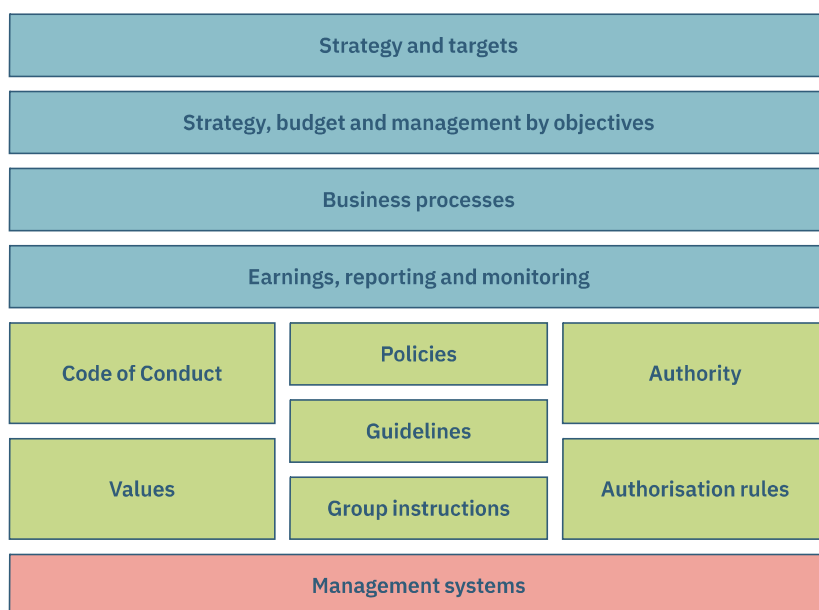
## ↓ Members of the Board of Directors

Board members	Elected	Role on the Board	Audit committee	Remuneration committee	Attendance at meetings in 2022:			Fee for 2022 decided by AGM (SEK '000)
					Board of Directors	Audit committee	Remuneration committee	
Fredrik Lundberg	1988	Chairman	Member	Chairman	8/8	5/5	1/1	780
Carl Bennet	2009	Member	–	Member	8/8	–	1/1	390
Lars G Josefsson	2011	Member	–	–	2/8	–	–	–
Lars Josefsson	2016	Member	Member	–	8/8	5/5	–	390
Alice Kempe	2019	Member	–	Member	8/8	–	1/1	390
Louise Lindh	2010	Member	–	–	8/8	–	–	390
Ulf Lundahl	2004	Member	Chairman	–	8/8	5/5	–	390
Fredrik Persson	2022	Member	–	–	5/8	–	–	390
Henriette Zeuchner	2015	Member	–	–	8/8	–	–	390
Henrik Sjölund	2014	Member, President & CEO	–	–	8/8	–	–	–

According to the nomination committee, Fredrik Lundberg, Carl Bennet, Lars Josefsson, Alice Kempe, Louise Lindh, Ulf Lundahl, Fredrik Persson and Henriette Zeuchner are independent of the company and its senior management, and Lars Josefsson, Ulf Lundahl, Fredrik Persson, Henriette Zeuchner and Henrik Sjölund are independent of the company's major shareholders. Lars G Josefsson declined to stand for re-election at the AGM on March 30 2022 and Fredrik Persson was elected as a new Board member.

### Employee representatives

Steeve Björklundh, member, elected 1998/Christer Johansson, member, elected 2017/Tommy Åsenbrygg, member, elected 2009/Martin Nyman, deputy member, elected 2021/Daniel Häggglund, deputy member, elected 2014/Ari Aula, deputy member, elected 2022.



Internal management processes and guideline documents.

and share savings programmes. The committee also examined remuneration structures, remuneration levels and methods for establishing the Group's salary levels to ensure that these are reasonable and appropriate.

Remuneration and other employment conditions for senior management who report directly to the CEO are decided by the latter and approved by the remuneration committee in accordance with the instructions for the remuneration committee adopted by the Board of Directors, as well as the guidelines adopted by the AGM for remuneration of senior management.

The Group applies the principle that each manager's manager must approve decisions on remuneration in consultation with the relevant personnel manager.

The current guidelines for remuneration of the CEO and other senior management, i.e. heads of business areas and heads of Group staffs who report directly to the CEO, were adopted by the 2020 AGM. The AGM adopted the guidelines in accordance with the Board's proposal. Current guidelines and information about remuneration are presented in Note 4 on pages 73–74. New guidelines are proposed for the 2023 AGM. See Note 4. The proposal is available on [holmen.com](http://holmen.com).

The 2022 AGM approved the Board fee and payment of the auditors' fee as invoiced.

The share savings programme that was introduced following a resolution by the 2019 AGM expired in April 2022. The 2022 AGM approved a new share savings programme for key individuals in the Group. The aim of the programme is to strengthen common interests between shareholders and company management, as well as to create a long-term commitment to Holmen. More information about the current share savings programme can be found in Note 4.

### Group management

The Board has delegated operational responsibility for management of the company and the Group to the CEO. The Board annually decides on instructions covering the distribution of tasks between the Board and the CEO.

Holmen's Group management consists of the company's CEO, the heads of the five business areas, and the heads of the five Group staffs. Information about the CEO and other members of Group management is provided on page 100.

Group management meets regularly. The meetings during the year dealt with matters such as earnings performance and reports before and after Board meetings, strategic issues, budgets, investments, internal control, work environment, sustainability issues, climate and environmental issues and silviculture matters. Meetings were also dedicated to reviews of market conditions, economic developments and other external factors affecting the business, as well as discussion about governance of the Group and the tools, such as the management-by-objectives model and Group-wide policies, used in such governance. In 2022, Group management focused particularly on analysing the energy and construction material markets, and testing the Group's strategy in different scenarios according to how these markets might develop.

### Audit

The audit firm PricewaterhouseCoopers AB (PwC), which has been Holmen's auditor since 2021, was re-elected as auditor at the 2022 AGM for a period of one year. Authorised Public Accountant Magnus Svensson Henryson was appointed as the principal auditor. PwC performs the audit for Holmen AB as well as for the majority of Holmen's subsidiaries.

The examination of internal procedures and control systems begins in the second quarter and continues thereafter until year-end. The interim report for January–September is subject to review by the auditors. The examination and audit of the final annual accounts and the annual report, including the sustainability report, take place in January–February.

The members of Holmen's audit committee are Ulf Lundahl, Chairman, Fredrik Lundberg and Lars Josefsson. The audit committee has met five times. The audit committee's task is to monitor the company's financial reporting and the efficiency of the company's internal control and risk management. The audit committee reviews and monitors the impartiality and independence of the auditor. The committee also evaluates the auditor's work and submits proposals to the company's nomination committee on the election of an auditor for the next mandate period. The Board's reporting instructions include requirements that the members of the Board shall receive a report each year from the auditors confirming that the company's organisation is structured to enable satisfactory supervision of accounting, management of funds and other aspects of the company's financial circumstances. In 2022, the auditors reported on their work to the audit committee at four meetings and to the Board of Directors on one occasion. In addition to the audit assignment, Holmen has consulted PwC on matters pertaining to taxation, accounting and for various investigations. The remuneration paid to PwC for 2022 is stated in Note 5 on page 75. PwC is required to assess its independence before making decisions on whether to provide Holmen with independent advice alongside its audit assignment.

### Internal management processes

Holmen's business strategy is formulated by Group management in order to create long-term value for both shareholders and customers, while contributing to a better climate and thriving rural communities. An annual review of the Group's strategy is conducted, including objectives for the business. The strategy is adopted by the Board and forms the basis for the expectations that are set. On the basis of the expectations, each unit sets objectives and identifies success factors for achieving them. Key performance indicators (KPIs) are linked to the success factors in order to measure and demonstrate changes in performance. The strategy review also provides the basis for the budget, in which decisions are taken on the distribution of resources and targets for the coming year are set. Use of a simple and well-implemented management-by-objectives tool for continuous follow-up ensures that the entire organisation is applying appropriate priorities to attain the objectives established.

The business areas guide the operating businesses towards these targets using processes for purchasing, production and sales, and supported by HR, financial management, IT, environment and communication processes.

Operations are followed up through regular reporting of performance and KPIs that reflect business activity, along with additional qualitative analysis. Reporting of non-financial data is integrated with the financial reporting. When major investment decisions are under consideration, financial, social and environmental effects are taken into account.

**Code of Conduct.** Holmen's Code of Conduct is in line with the UN Global Compact, the International Labour Organization's (ILO's) eight fundamental conventions and the OECD's Guidelines for Multinational Enterprises, and provides guidance on day-to-day operations and clarifies what expectations are made of employees. Holmen's operations should be characterised by responsible behaviour towards both internal and external stakeholders. The Supplier Code of Conduct is also in keeping with the principles, conventions and guidelines above. Both Holmen's Code of Conduct and Supplier Code of Conduct cover the areas of anti-corruption, human rights, health and safety and the environment.

With respect for human rights, Holmen endeavours to ensure a workplace climate that is founded on the equal value of all people. All Holmen's employees must have the same rights, obligations and opportunities irrespective of their sex, transgender identity or expression, ethnicity, religion or other belief, disability, sexual orientation and age. Holmen is subject to the UK Modern Slavery Act and a report relating to this is available at holmen.com.

**Policies.** Holmen works with policies, guidelines and Group instructions to clarify how employees should act within key and critical areas. The Group's 11 policies cover

matters such as expectations of employee participation and leadership, specify the scope of management by objectives, talent management, interaction with trade union organisations, equality and employment conditions. In addition to this, a good work environment is covered in terms of health and safety, anti-corruption and competition issues, and how good business practice is maintained in relation to external contacts on different markets. Employees in departments at risk of encountering unauthorised behaviour receive special training on business ethics. The policies specify that raw materials should be used efficiently, pollution should be prevented and that we should aspire to make continuous improvements. Financial risk is managed centrally and should be characterised by a low level of risk. The policies should also ensure that the company's assets are managed in accordance with Group rules, risks of errors

reiterated by managers at employee meetings. Compliance is monitored partly through employee surveys and appraisal talks, pay surveys, safety statistics and audits of the organisational and social work environment. The Board is to be informed of any violations of the Code of Conduct. Where non-compliance or failings are found in terms of the corporate culture, the issue is addressed on a case-by-case basis.

**Whistleblower function.** A whistleblower function is available so that employees and other stakeholders can highlight any deficiencies in Holmen's financial reporting or other possible areas of concern and improprieties at the company. No complaints about deficiencies were reported through this channel in 2022.

**Internal control of financial reporting**  
The Board's responsibility for internal control and financial reporting is regulated

» *Forests are the core and basis of sustainably successful entrepreneurship in a Group that rests on five strong business areas and whose strategy revolves around sustainable development. Through Holmen's business model, returns and climate benefits are generated at the same time as ecosystems and biodiversity are protected.*«

**Louise Lindh, Board member, Holmen**

in financial reporting are minimised and irregularities are prevented. The Group's purchasing should contribute to long-term profitability. The sustainable sale of raw materials, products and services should be ensured in both the short and long term. Communication must be accurate, transparent and easily accessible and comply with legal requirements and commercial confidentiality.

**Compliance.** Holmen's Code of Conduct, policies and values are part of every employee's induction programme, and

by the Swedish Companies Act and the Swedish Corporate Governance Code. Under this code, the Board is also responsible for ensuring that the company is managed in a sustainable and responsible manner. Day-to-day responsibility for all these matters is delegated to the CEO.

**Purpose and structure.** The purpose of internal control is to ensure that Holmen achieves its financial reporting objectives (see page 52), ensure the company's assets are managed according to Group

## ↓ Composition of the nomination committee

Name	Representing	Before AGM:		Independent of the:	
		2023	2022	Company	Largest shareholder (in terms of votes)
Mats Guldbbrand	L E Lundbergföretagen*	x (Chairman)	x (Chairman)	Yes	No
Fredrik Lundberg	Chairman of the Board	x	x	Yes	No
Carl Kempe	Kempe Foundations*	x	x	Yes	Yes
Vegard Torsnes	Norges Bank*	x	-	Yes	Yes
Hans Hedström	Carnegie Funds	-	x	Yes	Yes

\*At 31 August 2022, L E Lundbergföretagen controlled 62.2 per cent of the votes, the Kempe Foundations controlled 17.5 per cent and Norges Bank controlled 1.1 per cent.



rules and to prevent irregularities. Group Finance coordinates and monitors the internal control process concerning financial reporting.

This work adheres to guidelines issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in respect of internal control over financial reporting. The framework comprises five basic elements: control environment, risk assessment, control activities, information and communication, as well as monitoring activities and evaluations. The framework has been modified to suit the estimated needs of Holmen's various operations.

**Control environment.** The control environment provides the basis for internal control of financial reporting and is based in part on the company's internal management processes. The Board of Directors' procedural rules and the instruction for the CEO establish the distribution of roles and responsibilities to ensure effective control and management of the business' risks.

Policies, guidelines and instructions contribute to making individuals aware of their role in establishing good internal control. These documents also ensure that financial reporting complies with the laws and rules that apply to companies listed on Nasdaq Stockholm and the local rules in each country where the company operates.

**Risk assessment.** Risk assessment activities aim to identify and evaluate the risks that can result in the Group's financial reporting objectives not being met. The results of these risk-related activities are compiled and assessed under the guidance of Group Finance.

Holmen's greatest risks regarding financial reporting are linked to the valuation of forest assets, pension obligations, provisions and financial transactions. The risk assessment also involves identifying and assessing operational risks. For further information, see the Risk Management section on pages 53–57.

**Control activities.** To ensure that Holmen's financial reporting objectives are met, control requirements are incorporated into the processes that are deemed relevant: sales, purchasing, investments, personnel, financial statements, payments and IT. Control activities aim to prevent, identify and rectify errors and discrepancies. Business-specific self-assessments that are completed by all Group units set out what control requirements apply for each respective process and whether or not they are met.

**Information and communication.** Holmen's financial information provision, both external and internal, adheres to a communication policy established by the

CEO. The provision of financial information for Holmen's shareholders and other stakeholders must be accurate, comprehensive, transparent and consistent, and must take place on equal terms and at the right time.

**Follow-up and evaluation.** Control activities are assessed regularly to ensure that they are effective and appropriate. The results of self-assessments are followed up on a continual basis and discrepancies are reported half-yearly to the Executive Vice President. The accuracy of self-assessments is subject to testing. The reporting of internal control to Group management takes place once a year.

The company's auditors report their observations from the review of internal control to the audit committee and Board during the year.

Follow-up is an important tool to identify possible deficiencies within the Group and to address these through the development of new control requirements.

**Statement on internal audit.** The Board of Directors does not believe that particular circumstances in the business or other conditions exist to justify an internal audit function. The internal control managed by the Group, together with the activities carried out by the external auditors, is deemed to be sufficient.

## ↓ Holmen's financial reporting

External financial reporting must:

- be accurate and complete, and comply with applicable laws, regulations and recommendations
- provide a true and fair description of the company's business
- support a reasoned and informed valuation of the business.

Internal financial reporting must also support correct business decisions at all levels in the Group.

*»Sustainability is about balancing several perspectives – economic, environmental and social – and succeeding in doing so over time. It is a core component of our corporate governance and we were among the first to integrate the sustainability report into our annual report.«*

Anders Jernhall, Executive Vice President and CFO, Holmen