

# 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. This corporate governance report complies with the rules and instructions stipulated in the Swedish Code of Corporate Governance.

## Shareholders

**AT YEAR-END** Holmen had 27 778 shareholders. Swedish private individuals made up the largest category of owners, comprising 25 416 shareholders. This corresponds to 91 per cent of the total number of shareholders. The largest owner at year-end, with 61.6 per cent of votes and 32.9 per cent of capital, was L E Lundbergföretagen AB, 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 Kempe Foundations' holdings of Holmen shares amounted to 16.9 per cent of votes and 7.0 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. There is no restriction on how many votes each shareholder may cast at the AGM. See pages 55–57 for further information on the shares and ownership structure.

## General meetings of shareholders

**THE NOTICE** convening the annual general meeting is sent no earlier than six and no later than four weeks before the meeting. The notice contains: a) information about registering intention to attend and entitlement to participate in and vote at the meeting; b) a numbered agenda of the items to be addressed, c) information on the proposed dividend and the

## ANNUAL GENERAL MEETING 2014

The 2014 AGM was held in Swedish, and the material presented was in Swedish. The notice convening the meeting, the agenda, the CEO's speech and the minutes are available on the company's website. The meeting was attended by all AGM-elected Board members, the entire Group management and the company's auditor. During the AGM, the shareholders had the opportunity to ask and obtain answers to questions. The AGM adopted the income statement and balance sheet, decided on the appropriation of profits and granted the departing Board discharge from liability. Ramsey Brufer of Alecta and Martin Wallin of Lannebo Funds checked and approved the minutes of the meeting.

It was not possible to follow or participate in the meeting from other locations using communication technology. Similarly, no such possibility is planned for the 2015 meeting.

main content of other proposals. Shareholders or proxies are entitled to vote for the full number of shares owned or represented and can notify the company of their intention to attend the AGM by letter, telephone, e-mail or the company's website. Notices convening an Extraordinary General Meeting (EGM) called to deal with changes to the company's articles of association shall be sent no earlier than six and no later than four weeks before the meeting.

**PROPOSALS FOR SUBMISSION** to the meeting should be addressed to the Board and submitted in good time before the notice is distributed. Information about the rights of shareholders to have matters discussed at the meeting is provided on the website.

**AGM 2015.** It was announced on 9 April 2014 that the 2015 AGM would take place in Stockholm on 16 April 2015.

## Nomination committee

**COMPOSITION AND MANDATE.** The AGM resolved to establish a nomination committee to 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 2014 and 2015 AGMs is shown in the table. 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, where applicable, for the election of auditors. The committee's proposals are presented in the notice convening the AGM.

**NOMINATION COMMITTEE PROPOSALS.** For the 2015 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), Carl Bennet, Carl Kempe, Lars G Josefsson, Louise Lindh, Ulf Lundahl, Göran Lundin and Henrik Sjölund, and that Henriette Zeuchner be elected as a new Board member.

## KEY REGULATIONS

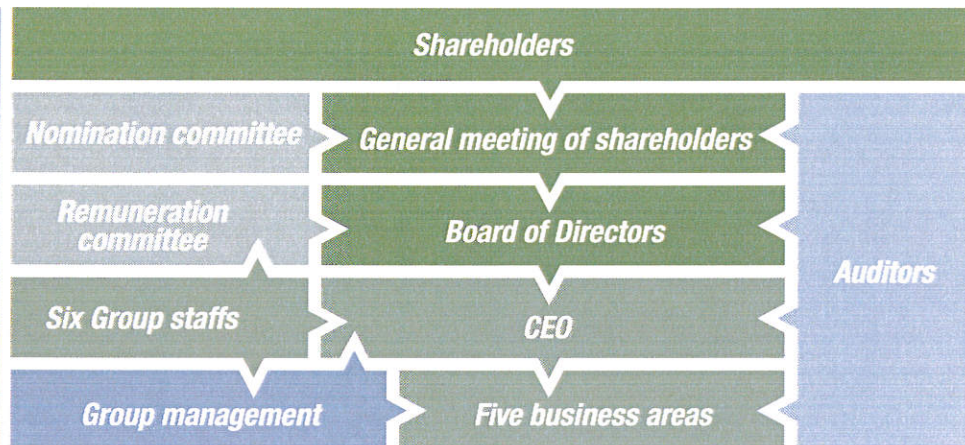
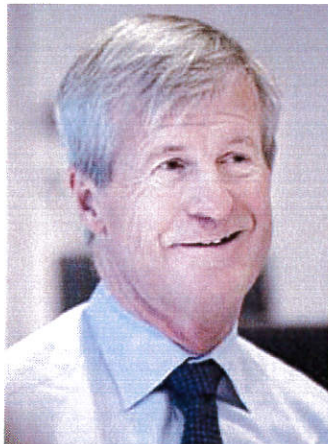
### External rules

- Swedish Companies Act
- Swedish Code of Corporate Governance (the Code)
- Stock exchange rules (Nasdaq)

### Internal rules

- Articles of association
- The Board of Directors' procedural rules
- Internal policies and guidelines, report manuals, etc.





### BOARD MEETINGS IN 2014

The Board held nine meetings in 2014, four of which were in connection with the company's publication of its quarterly reports. A two-day meeting was devoted to strategic business planning. One meeting was held in Iggesund in conjunction with a site visit to the mill and the sawmill. One meeting dealt with the Group's budget for 2015. The other two meetings were held in connection with the company's AGM. The Board also paid special attention to strategic, financial and accounting issues, monitoring business operations and major investment matters. On two occasions the company's auditors reported directly to the Board, presenting their observations from their audit of the accounts and internal control. All AGM-elected board members attended all the meetings.

### BOARD MEMBERS AS OF THE 2014 AGM

BOARD MEMBERS	POSITION	ELECTED	ATTENDANCE	FEE (SEK)	INDEPENDENT OF THE:	
					COMPANY	MAJOR SHAREHOLDERS
Fredrik Lundberg*	Chairman	1988	9/9	650 000	Yes	No
Carl Kempe	Deputy chairman	1983	9/9	325 000	Yes	No
Carl Bennet*	Member	2009	9/9	325 000	Yes	No
Lars G Josefsson	Member	2011	9/9	325 000	Yes	Yes
Louise Lindh	Member	2010	9/9	325 000	Yes	No
Ulf Lundahl	Member	2004	9/9	325 000	Yes	Yes
Göran Lundin	Member	2001	9/9	325 000	Yes	Yes
Henrik Sjölund	Member, President and CEO	2014	9/9	—	No	Yes
<b>Total</b>					<b>7 / 8</b>	<b>4 / 8</b>

\* Representatives of the remuneration committee

### EMPLOYEE REPRESENTATIVES

Steeve Björklundh, member, elected 1998  
Kenneth Johansson, member, elected 2004  
Karin Norin, member, elected 1999

Daniel Hägglund, deputy member, elected 2014  
Martin Nyman, deputy member, elected 2010  
Tommy Åsenbrygg, deputy member, elected 2009

## INTERNAL MANAGEMENT PROCESSES

**Business concept, strategy and goals**

Management at Holmen is based on the business concept, strategies and goals of the Group and the business areas. Under the Board, CEO and Group management, responsibility for operational activities has been decentralised to five business areas. The Group staffs are in charge of coordinating certain matters, such as business administration and finance, business development human resources, legal affairs, technology and public relations.

**Business plan, budget, forecast and action plans**

The Group uses annual rolling three-year business plans to break down goals and strategies into action plans and activities that can be measured and evaluated. These business plans are important to the long-term strategic control of the Group. Annual budgets, forecasts and action plans are used for day-to-day management of operations.

**Business processes**

Various business processes, such as sales, purchasing and production, are used to manage operational activities at business area level with a view to achieving the business targets and implementing the agreed action plans.

**Results, reporting, follow-up**

The results are followed up through regular financial reports, and approved measures are reviewed through additional follow-ups.

## COMPOSITION OF THE NOMINATION COMMITTEE

NAME	REPRESENTING	BEFORE AGM:		INDEPENDENT OF THE:	
		2014	2015	COMPANY	LARGEST SHAREHOLDER (IN TERMS OF VOTES)
Mats Guldbrand	L E Lundbergföretagen*	x (chairman)	x (chairman)	Yes	No
Fredrik Lundberg	Chairman of the Board	x	x	Yes	No
Alice Kempe	Kempe Foundations*	x	x	Yes	Yes
Hans Hedström	Carnegie funds*	x	x	Yes	Yes

\* At 31 August 2014, L E Lundbergföretagen controlled 61.1 per cent of the votes, the Kempe Foundations controlled 16.9 per cent and Carnegie funds (Sweden) controlled 1.7 per cent.

**Composition of the Board**

**ANNUAL ELECTIONS.** 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 company's articles of association, the Board shall have 7–11 members, and they are to be elected at the AGM. 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 2014 AGM** re-elected Fredrik Lundberg, Carl Bennet, Lars G Josefsson, Carl Kempe, Louise Lindh, Ulf Lundahl and Göran Lundin to the Board and elected Henrik Sjölund as a new Board member. Fredrik Lundberg was re-elected chairman. Magnus Hall had declined re-election. At the statutory first meeting of the new Board in 2014, Carl Kempe was elected deputy chairman and Lars Ericson, the company's general counsel, was appointed secretary of the Board.

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

Of the eight AGM-elected members, seven 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 52–53.

**The Board's activities****INFORMATION AND WORKING PROCEDURES.**

The activities of the Board follow a plan that, among other things, aims to ensure that the Board obtains all requisite information. Each year the Board decides on written working procedures and issues written instructions. The latter relate to the division of responsibilities between the Board and the CEO and the information that the Board is to receive continually regarding financial developments and other key events. Employees of the company participate in Board meetings to submit reports.

**EVALUATION.** The Board evaluates its activities each year, and the nomination committee has been informed of the content of the 2014 evaluation. This will serve as a basis for planning the Board's work in the next few years.

**Remuneration**

**ACTIVITY.** The Board has appointed a remuneration committee consisting of Fredrik Lundberg and Carl Bennet. During the year, the committee prepared matters pertaining to the remuneration and other employment conditions of the CEO.

Remuneration and other employment conditions for senior management who report directly to the CEO are decided by the latter in accordance with a pay policy established by the remuneration committee. The remuneration committee has evaluated the application of both this policy and the guidelines on the

remuneration of senior management adopted by the Annual General Meeting.

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

**AT THE 2014 AGM,** an account was given of the Board's proposed guidelines on remuneration to the CEO and other members of senior management. The AGM adopted the guidelines in the proposal. The Board is proposing unchanged guidelines to the 2015 AGM. They are presented in Note 4 on page 72.

The 2014 AGM approved the Board fee and payment of the auditors' fee as invoiced.

**Group management**

**RESPONSIBILITY AND COMPOSITION.** 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 includes 12 individuals: the company's CEO, the heads of the five business areas and the heads of the six Group staffs.

**MEETINGS IN 2014.** Group management met on 10 occasions in 2014, dealing with matters such as earnings trends and reports before and after Board meetings, business plans, budget-

ing, investments, internal control and reviews of market conditions, general development of the economy and other external factors affecting the business. Projects relating to business areas and Group staffs were also discussed and decided on. Management by objectives was in particular focus during the year. Work on policies and guidelines, along with a Group-wide framework for this, has begun.

Information on the CEO and other members of Group management is provided on page 54.

## Audit

**KPMG**, which has been Holmen's auditor since 1995, was re-elected by the 2014 AGM as auditor for a period of one year. Authorised accountant George Pettersson was appointed as the principal auditor. KPMG audits Holmen AB and almost all of its subsidiaries.

**THE AUDIT PROCESS.** 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 take place in January–February.

**DUTIES OF THE BOARD.** Holmen allows the Board to perform duties that would otherwise be performed by an audit committee. 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 2014 the auditors reported to the entire Board at two meetings. Over and above this, the auditors reported to the Board chairman and the CEO on two occasions and to the CEO at one further meeting.

In addition to the audit assignment, Holmen has consulted KPMG on matters pertaining to taxation, accounting and for various investigations. The remuneration paid to KPMG for 2014 is stated in Note 5 on page 73. KPMG is required to assess its independence before making decisions on whether to provide Holmen with independent advice alongside its audit assignment.

## Internal control

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, are deemed to be sufficient.

**PURPOSE AND STRUCTURE.** Holmen's internal control activities have two purposes: to ensure that the Group lives up to its objectives for financial reporting (see box) and to minimise risks of fraud to which the Group may be subject.

The structure adheres to guidelines issued by

the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in respect of internal control over financial reporting. This framework contains 17 principles divided into five areas: control environment, risk assessment, control activities, monitoring and evaluation, as well as information and communication. They have been modified to suit the estimated needs of Holmen's various operations. Group Finance ensures that internal control is maintained and carries out compliance checks.

The framework for internal control was evaluated and further developed in 2014. The self-assessments that are completed each year by all Group units have been revised. Training courses and workshops have been conducted at several of the Group's units.

**CONTROL ENVIRONMENT.** The basis for Holmen's framework for internal control is the control environment, which is defined through policies, procedures, manuals and instructions. The control environment is maintained by means of an organisational structure with clearly defined roles and areas of responsibility and individuals' awareness of their role in maintaining adequate internal control. The Board of Directors is ultimately responsible for internal control, in accordance with the Swedish Companies Act. Day-to-day responsibility for these matters is delegated to the CEO. Holmen's financial reporting complies with the laws and rules that apply to companies listed on the Stockholm Stock Exchange and the local rules in each country where the company operates. In addition to external rules and recommendations, financial reporting is also covered by internal instructions, directions and systems.

A review of Holmen's policy portfolio has been conducted over the year, and work has begun on updating the Group's framework for steering documents.

**RISK ASSESSMENT.** Risk assessment activities are based on identifying and evaluating 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 developed under the guidance of Group Finance.

Holmen's greatest risks regarding financial reporting are linked to the valuation of biological assets and property, plant and equipment as well as to financial transactions (see the section on risk management on pages 32–35).

Where risks are identified, control requirements are developed that must then be adhered to.

**CONTROL ACTIVITIES.** To ensure that Holmen's financial reporting objectives are met, control requirements are incorporated into the processes that are deemed relevant to Holmen's business: sales, purchasing, investments, personnel, financial statements, payments and IT. These control activities aim to prevent, identify and rectify errors and discrepancies.

The self-assessments that are completed by all Group units set out what control require-

## GOALS

### HOLMEN'S FINANCIAL REPORTING

Holmen's external financial reporting shall:

- be correct 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 shall, over and above these three goals, support correct business decisions at all levels in the Group.

ments apply for each respective process. These need to state whether the respective control requirements have been met and what proof of verification exists. As Holmen's different units vary widely in nature, these self-assessments have been tailored to each unit's operations.

**FOLLOW-UP AND EVALUATION.** Follow-up and testing of control activities are performed continually to ensure that risks have been satisfactorily considered and addressed. The self-assessments contain integrated action plans for those control requirements that are not met. The self-assessments are followed up on a continual basis and discrepancies are reported to the steering group for internal control each quarter. Reporting to Group management takes place once a year. Follow-ups are an important tool for understanding what deficiencies may exist in the Group, and how these can be minimised by putting in place new control requirements.

**INFORMATION AND COMMUNICATION.** The provision of financial information for Holmen's shareholders and stakeholders must be correct, comprehensive, transparent and consistent, and information must be provided on equal terms. The provision of information by Holmen complies with an information policy established by the Board. Events that are considered to have an impact on the share price are made public via press releases. Information to external stakeholders is provided in the annual report, the year-end and interim reports, press releases and presentations broadcast online in connection with the quarterly reports. All material is available on the company's website. The website also contains presentation material for recent years and information on corporate governance.

Guidelines on financial reporting are communicated to staff via manuals, policies and codes published on the company's intranet. A whistle-blower function is available so that employees and other stakeholders can highlight any deficiencies in Holmen's financial reporting or possible areas of concern at the company.