

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 53 344 shareholders at year-end 2023. Swedish private individuals accounted for the largest category of owners with 50 747 shareholders.

The largest shareholder at year-end, with 62.6 per cent of the votes and 34.7 per cent of the 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 shareholder was the Kempe Foundations and their holdings of Holmen shares amounted to 17.6 per cent of the votes and 7.5 per cent

of the 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 2023 Annual General Meeting (AGM), the Board's authorisation to purchase up to 10 per cent of the company's shares was renewed. On 3 May 2023, the Board decided to use the buy-back authority to adjust the Group's capital structure. In 2023, 2 779 323 shares were repurchased for SEK 1 119 million, corresponding to an average price of SEK 403/share. The buy-backs amount to 1.7 per cent of the total number of shares. The company already owned 0.3 per cent of its own shares, meaning that at 31 December 2023 Holmen held 2.0 per cent of the total number of shares.

See pages 54–55 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 2023 that the 2024 AGM would take place on 16 April 2024. Shareholders or proxies are entitled to vote in accordance with the full number of shares owned or represented.

Nomination committee

The AGM resolved that the nomination committee should 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 2023 and 2024 AGMs is shown in the table on page 47.

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

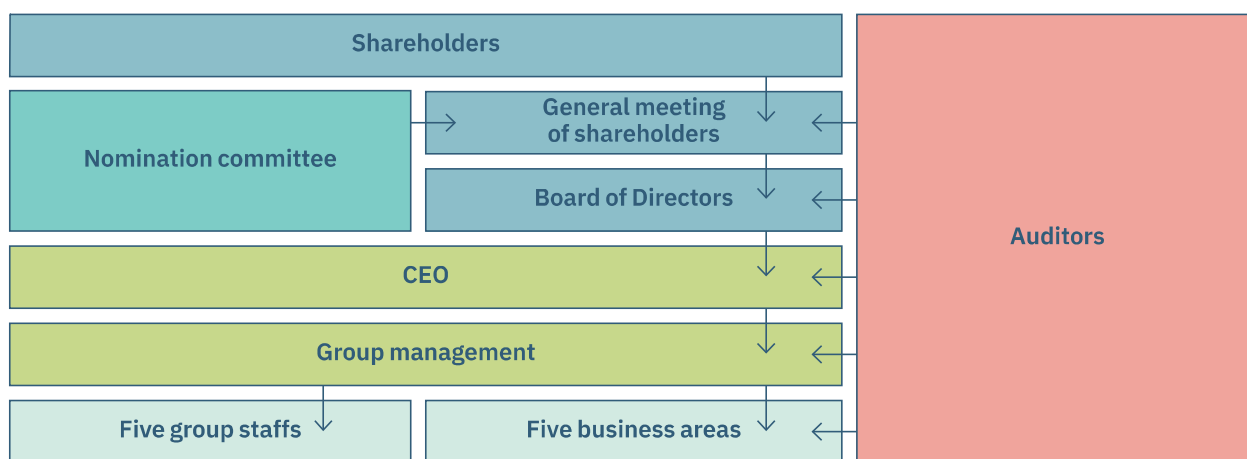
The nomination committee applies rule 4.1 of the Swedish Corporate Governance Code (the Code) as a diversity policy when putting forward proposed Board members, which means the composition of the Board should reflect the company's business operations, phase of development and other circumstances, and should be

↓ 2023 Annual General Meeting

The notice convening the meeting, the agenda and the minutes of the 2023 AGM are available at holmen.com. The Board of Directors attended the meeting. The AGM approved the income statement and balance sheet, decided on the appropriation of profits and granted the departing Board discharge from liability. The following Board members were re-elected: Fredrik Lundberg, Alice Kempe, Lars Josefsson, Louise Lindh, Ulf Lundahl, Fredrik Persson, Henrik Sjölund and Henriette Zeuchner. Carina Åkerström was elected as a new member. Fredrik Lundberg was re-elected Chairman of the Board. The general meeting of shareholders also decided on Board fees, auditors and auditors' fees, the approval of the remuneration report, the adoption of new remuneration guidelines for members of senior management and to authorise the Board to buy back treasury shares. Fredrik Lundberg, Patrik Jönsson, SEB Investment Management and Staffan Ringvall, Handelsbanken Fonder, checked and approved the minutes.

↓ Board meetings

The Board held eleven meetings in 2023, four of which were in connection with the company's publication of its quarterly reports. One meeting was held in connection with the company's AGM. One meeting was dedicated to reviews of strategic issues and the Group budget for 2024. The Board also paid special attention to financial and accounting issues, the following up of business operations and the energy market. In addition, the Board devoted time to sustainability issues, study visits to paperboard mills, sawmills and power plants in the vicinity of Iggesund and significant investment matters. On one occasion the company's auditor reported directly to the Board on the audit of the accounts and internal control.



diverse and wide-ranging in terms of the expertise, experience and background of the members elected by general meetings. An even gender distribution is sought. Further information about the work of the nomination committee will be provided at the 2024 AGM.

For the 2024 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, Henriette Zeuchner and Carina Åkerström.

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 between seven and 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 2023 AGM decided to re-elect Fredrik Lundberg, Lars Josefsson, Alice Kempe, Louise Lindh, Ulf Lundahl, Fredrik Persson, Henrik Sjölund and Henriette Zeuchner to the Board, as well as electing Carina Åkerström. Fredrik Lundberg was re-elected Chairman of the Board. At the statutory first meeting of the new Board in 2023, Henrik Andersson, Senior Vice President Legal Affairs, was appointed Board 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 to be 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 56–57.

The Board's activities

The activities of the Board follow a plan, one of whose aims is to ensure that the Board obtains all the 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. Company employees participate in Board meetings, where they 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 are presented and discussed at a Board meeting. The results of the 2023 evaluation will form the basis for the planning of the Board's work for the coming year. The Chairman of the Board has reported the results of the evaluation to the nomination committee.

Audit

The audit firm PricewaterhouseCoopers AB (PwC), which has been Holmen's auditor since 2021, was re-elected as auditor at the 2023 AGM for one year. Authorised public accountant Magnus Svensson Henryson was appointed as the principal

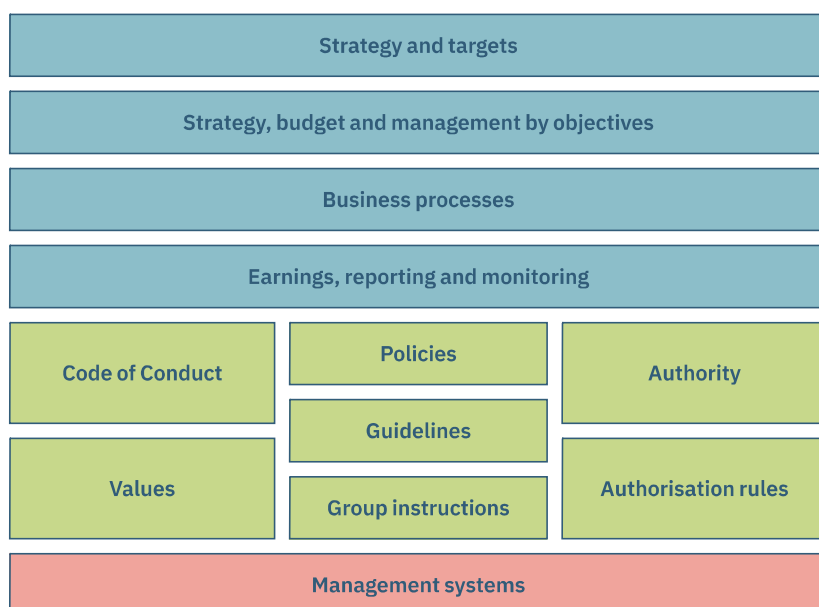
↓ Members of the Board of Directors

Board members	Elected	Role on the Board	Audit committee	Remuneration committee	Attendance at meetings in 2023:			Fee for 2023 decided by AGM (SEK '000)
					Board of Directors	Audit committee	Remuneration committee	
Fredrik Lundberg	1988	Chairman	Member	Chairman	11/11	5/5	3/3	820
Carl Bennet	2009	Member	–	Member	4/11	–	2/3	–
Lars Josefsson	2016	Member	Member	–	11/11	5/5	–	410
Alice Kempe	2019	Member	–	Member	11/11	–	3/3	410
Louise Lindh	2010	Member	–	–	11/11	–	–	410
Ulf Lundahl	2004	Member	Chairman	–	11/11	5/5	–	410
Fredrik Persson	2022	Member	–	Member	11/11	–	1/3	410
Henriette Zeuchner	2015	Member	–	–	11/11	–	–	410
Carina Åkerström	2023	Member	–	–	7/11	–	–	410
Henrik Sjölund	2014	Member, President & CEO	–	–	11/11	–	–	–

According to the nomination committee, Fredrik Lundberg, Lars Josefsson, Alice Kempe, Louise Lindh, Ulf Lundahl, Fredrik Persson, Henriette Zeuchner and Carina Åkerström are independent of the company and its senior management, and Lars Josefsson, Ulf Lundahl, Fredrik Persson, Henriette Zeuchner, Carina Åkerström and Henrik Sjölund are independent of the company's major shareholders. Carl Bennet declined to stand for re-election at the general meeting of shareholders of 28 March 2023 and Carina Åkerström was elected as a new Board member. Fredrik Persson succeeded Carl Bennet as a member of the remuneration committee.

Employee representatives

Christer Johansson, member, elected 2017/Tommy Åsenbrygg, member, elected 2009/Ari Aula, member, elected 2022/Martin Nyman, deputy member, elected 2021/Daniel Hägglund, deputy member, elected 2014/John Nyberg, deputy member, elected 2023.



Internal management processes and guideline documents.

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 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. In 2023, the committee's duties were expanded to also include reporting on sustainability matters, with an initial focus on the preparations for the new corporate sustainability reporting directive, or CSRD. 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 for the election of an auditor for the next mandate period. The Board's reporting instructions include requirements that the members of the Board receive a report each year from the auditors confirming that the company's organisation is structured to enable satisfactory supervision of accounting, of the management of funds and of other aspects of the company's financial circumstances. In 2023, 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 2023 is stated in Note 5 on page 74. PwC is required to assess its independence before making decisions on whether to provide Holmen with independent advice alongside its audit assignment.

Remuneration

The Board has appointed a remuneration committee consisting of Fredrik Lundberg, Fredrik Persson 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, share savings programmes and short-term benefits. The committee also examined remuneration structures, remuneration levels and methods for establishing the Group's wage 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 on 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 the remuneration of members 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 the 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 2023 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.

The 2023 AGM approved the Board

fees and payment of the auditors' fee as invoiced.

The 2022 AGM approved a new share savings programme for key individuals in the Group. The programme will expire in April 2025. Its aim 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 58.

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 discussions about governance of the Group and the tools, such as the management-by-objectives model and Group-wide policies, used in such governance. In 2023, Group management focused particularly on analysing the future energy market in Europe and its impact on the Group's competitiveness and activities. Group management also devoted time to exploring how Holmen can contribute further to the European sustainability objectives, and how changes in the rules related to these objectives may affect Holmen's competitiveness.

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. The strategy is adopted by the Board each year and forms the basis for the expectations that are set. On the basis of these expectations, each unit sets targets 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, through which decisions are taken on the distribution of resources and targets for the coming year are set. Use of a simple

management-by-objectives tool for continuous follow-up ensures that the entire organisation is applying appropriate priorities to attain the targets established.

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

Activities are followed up through regular meetings with Group management and the monthly reporting of performance and KPIs that reflect business activity, along with additional qualitative analyses. Reporting of sustainability data is integrated with the financial reporting. When major investment decisions are under consideration, financial, social and environmental effects are taken into account.

Risk management. The Group's business and operational risks, and climate-related risks and opportunities, are managed by the various business areas. Each business unit has its own processes for identifying, assessing and responding to these risks and opportunities. Material risks are reported to Group management as part of regular operational reviews.

Purchasing and IT infrastructure are managed by Group-wide functions in order to leverage economies of scale, and risks are handled in line with the Group's policies. Group Finance manages the Group's financing and financial risks, based on a finance policy that is established by the Board and is characterised by a low level of risk. Regulatory risks and changes in external requirements driven by sustainability matters are monitored and dealt with by the Holmen Sustainability Council, which is led by Holmen's Senior Vice President Technology (who is a member of Group management) and consists of a representative from each Group staff and each business area.

For further information, see the Risk management section on pages 49–53.

Code of Conduct. Holmen's Code of Conduct is in line with the UN Global

Compact, the International Labour Organization's (ILO) 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 above principles, conventions and guidelines. Both Holmen's Code of Conduct and Supplier Code of Conduct cover the areas of the prevention of corruption, human rights, the work environment and the environment.

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

Policies. Holmen develops policies, guidelines and Group instructions to clarify how employees should act within key and critical areas. The Group's eleven policies cover matters such as expectations of employee participation and leadership, and specify the framework for management by objectives, talent management, interaction with trade union organisations, equal treatment and employment conditions. A good work environment is also covered in terms of health and safety, anti-corruption and competition issues, and how good business practice is maintained in dealings with 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 we should aspire to make continuous improvements. Production units must carry out a climate analysis risk

and prepare climate adaptation plans. 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 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. Information communicated must be accurate, transparent and easily accessible and comply with legal requirements and commercial confidentiality.

The policies, with the associated guidelines and instructions, are available to all employees on the Group's intranet. Policies considered to be of importance for external stakeholders are published on holmen.com.

Compliance. Holmen's Code of Conduct, policies and values are part of every employee's induction programme, and are repeated through regular training. Compliance is monitored for example through employee surveys and appraisal talks, pay surveys, safety statistics and audits of the organisational and social work environment. The Board is informed of any breaches 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, discrimination or other possible areas of concern or improprieties at the company. Two matters were raised through this function in 2023. The matters concerned work-related issues, which were managed through ordinary procedures.

↓ Composition of the nomination committee

Name	Representing	Before AGM:		Independent of the Company	Largest shareholder (in terms of votes)
		2024	2023		
Mats Guldbbrand	L E Lundbergföretagen*	-	x (Chairman)	Yes	No
Bo Selling	L E Lundbergföretagen*	x (Chairman)	-	Yes	No
Fredrik Lundberg	Chairman of the Board	x	x	Yes	No
Carl Kempe	Kempe Foundations*	-	x	Yes	Yes
Lars Ericson	Kempe Foundations*	x	-	Yes	Yes
Vegard Torsnes	Norges Bank*	x	x	Yes	Yes

*At 31 August 2023, L E Lundbergföretagen controlled 62.2 per cent of the votes, the Kempe Foundations controlled 17.5 per cent and Norges Bank controlled 1.9 per cent.

Internal control of financial reporting

The Board's responsibility for internal control and financial reporting is regulated 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 below), to ensure that the company's assets are managed according to Group rules and to prevent irregularities. Group Finance coordinates and monitors the internal control process for financial reporting. Work was begun during the year on including sustainability reporting in the Group's internal control work.

This work adheres to guidelines issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for internal control of financial reporting. The framework comprises five basic elements: the control environment, risk assessment, control activities, information and communication, as well as monitoring activities and evaluations. The framework has been modified to suit the 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 instructions for the CEO establish the distribution of roles and responsibilities to ensure effective control and management of the business's risks.

Policies, guidelines and instructions contribute to making individuals aware of their role in maintaining 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 may 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. In 2023, the analysis was expanded to also cover risks related to the sustainability reporting process.

Holmen's greatest reporting risks are linked to the valuation of forest assets, pension obligations, provisions and financial transactions. The risk assessment also includes the identification and evaluation of operational risks, which are managed through each business area's management system. For further information, see the Risk management section on pages 49–53.

Control activities. To ensure that Holmen's financial reporting objectives are met, control requirements are incorporated in the processes that are deemed relevant: sales, purchasing, investments, employees, financial statements, payments and IT. Control activities aim to prevent, identify and rectify errors and nonconformities. Business-specific self-assessments that are completed by all Group units set out what control requirements apply for each process and whether or not they are being 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 to 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 regularly assessed to ensure that they are effective and appropriate. The results of self-assessments are followed up on a continuous basis and nonconformities are reported half-yearly to the Executive Vice President. The accuracy of self-assessments is subject to testing. Internal control reporting to Group management takes place once a year.

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

Follow-up is an important tool for identifying possible deficiencies within the Group and for addressing 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, are 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