

Materiality assessment

Holmen’s Materiality assessment 2018

In 2018, Holmen conducted a root and branch materiality analysis to establish our role in a sustainable future. The work included both internal and external stakeholders, with the results of the analysis providing the basis for the development of Holmen’s Group-wide sustainability work.

Holmen operates in a world of rapid change, which is why we chose to carry out an even more thorough materiality analysis this year. Around 50 interviews and workshops were held, plus consultations with external stakeholders including customers, investors, public authorities, politicians, universities and NGOs.

Based on these numerous sustainability issues, we have established that we at Holmen will secure long-term profitability and a sustainable future by:

- Helping our customers towards a sustainable business
- Contributing to a better climate
- Stay committed to our employees and our local communities

Holmen Materiality assessment 6 steps

Materiality is the point at which a topic becomes relevant both in the context of stakeholders’ collective priorities and when it is a determining factor in Holmen’s success.

Holmen’s six-step materiality process engaged internal and external stakeholders in identifying how potentially relevant sustainability topics impact Holmen’s ability to create lasting value for stakeholders and for the business.

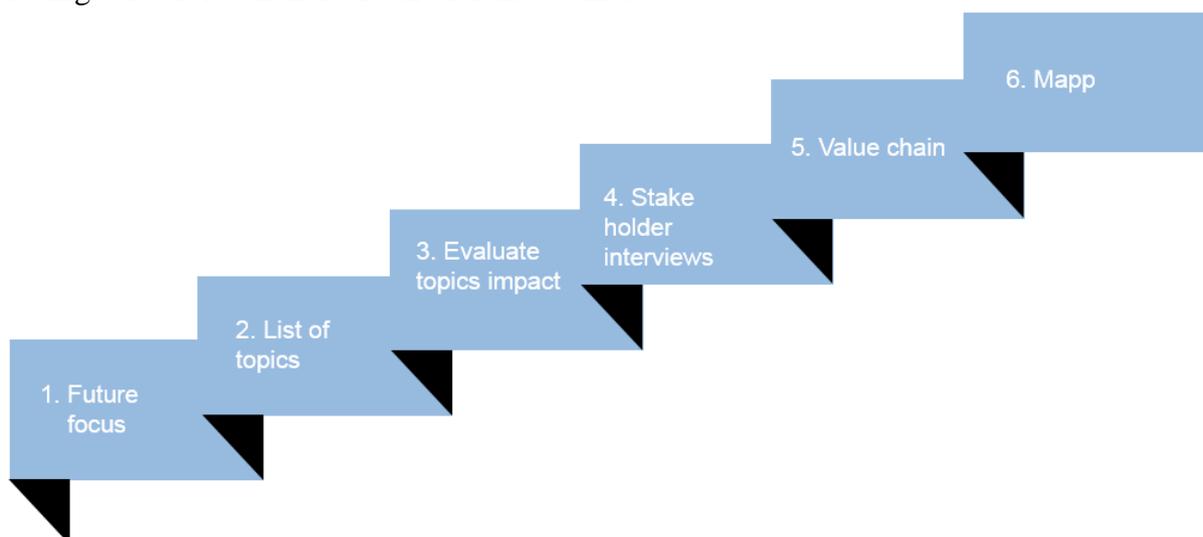


Figure 1 Holmen Materiality assessment 6 steps

Holmen’s leadership team, internal experts with insights into key stakeholder groups, representatives of Group functions as well as from prioritized stakeholder groups were all involved in this process between November 2017 and May 2018.

By collating independent research of established sources of information, we mapped how society is expected to evolve to 2030 and how it may impact Holmen to 2025. Significant impacts on Holmen were defined as game changers.

We compiled a list of 32 potentially relevant topics that can impact Holmen's ability to create value in the long and medium term. They are defined as WHAT Holmen's response is. They were categorized according to the environment, economic, governance and social aspects (People, planet and profit). This list was informed by the above analysis, as well as aspects as defined by GRI's framework and topics that are relevant to prioritized stakeholders and other actors in the forest industry.

The final 32 topics together with their definitions were validated based on significance of impact, influence on the business' ability to create value, and Holmen's stakeholder's interests. To validate the outcome of the internal weighting, we interviewed ten external stakeholders from customers, investors, NGOs, future employees and society. The one-hour deep-dive interviews focused on how each stakeholder group saw key game changers and its likely impact on their agenda and their perception of Holmen. We also stress-tested the 'high' rankings from the internal weighting. Pullquotes from the interviews are attached to some of the topics below.

Stakeholders

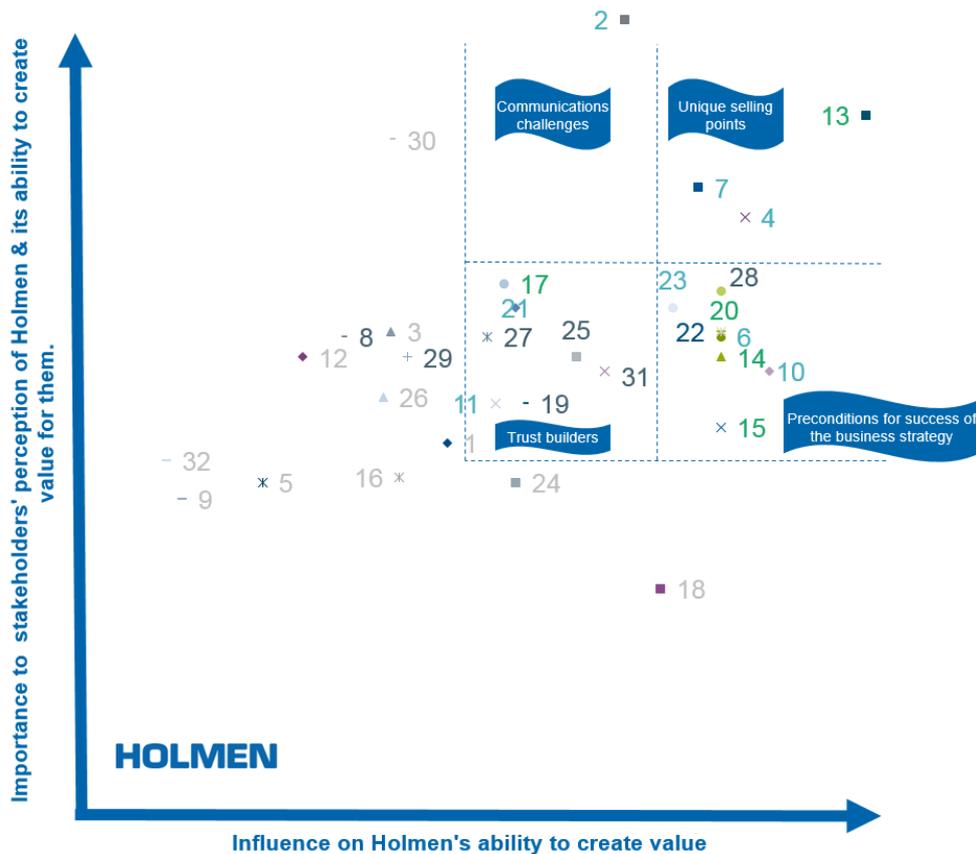
The following stakeholders have been included in the Materiality assessment:

- Customers (paper and paperboard)
- Employees / Co-workers
- Owners and investors
- NGOs
- Society and authorities

The outcome of the analysis has been influenced by the input by Swedish stakeholders. In the years to come we aim to involve more customers, including customers outside of Sweden.

The outcome

The process is designed to identify the most material topics for Holmen and its ability to create long-term value, and to better understand their role in the business.



Holmen's focus areas towards a sustainable future.	Helping our customers towards a sustainable business	Contributing to a better climate	Stay committed to our employees and our local communities
Unique selling points	4. Long-term profitability 7. Customer relations	13. Carbon capture	
Preconditions for success of the business strategy	6. Sustainable investments 10. Public engagement on the sustainability agenda. 23. Product development & applications	14. Energy security and renewables 15. Sustainable transport 20. Biodiversity 22. Products for the circular economy	28. Access to talent
Trust builders	11. Value chain compliance 21. Innovation of new products	17. GHG and other emissions. 19. Effluents	25. Occupational health and safety 27. Talent training and retention 31. Community involvement 8. Digitalization 29. Diversity and inclusion
Communications challenges	Transparency & accountability (2)		

Figure and table 2: Holmen Materiality assessment

Unique selling points

Four topics define how Holmen can create the greatest value. These are the topics that have the greatest impacts on the perceptions of stakeholders and how Holmen can deliver value to them as well as what is most relevant to the business. Among these, carbon capture (sequestering) is the topic that offers the greatest opportunity for sustainability leadership.

- Long-term profitability (4)
 - a. Our investors say: *"Fredrik Lundberg [Majority owner of Holmen] is known for his long-term thinking on the marketplace—it's his own priority and image others have of him. Long term thinking is a proven profitable approach; Resilience; Forests as an asset..."*
- Customer relations (7)
- Carbon capture (13)
 - a. Our investors say: *"This is forestry's joker. But there are forest companies that don't want to own forests. We reward companies that manage their forests."*

Preconditions for success of the business strategy

Eight topics are considered a precondition for realizing the business strategy. Here, a product offering that includes sustainability benefits as well as management of climate impacts and biodiversity in operations, are particularly important to support the strategy.

- Sustainable investments (6)
- Public engagement on the sustainability agenda (10)
- Energy security and renewables (14)
- Sustainable transport (15)
- Biodiversity (20)
 - Authorities say: *"It is deeply unfortunate and unnecessary that the climate challenge and biodiversity have been used against each other. Both issues are equally as important and collaboration is necessary for success."*
 - NGOs say: *"Swedish companies demonstrate leadership. They are a good example of how to use bio resources, water, nutrient controls that are sustainable. Climate is steering forest companies too much, even though it is a complex system."*
- Product development & applications (23)
- Products for the circular economy (22)
- Access to talent (28)

Trust builders

The topics that need to be managed well enough to meet expectations of stakeholders and compliance by law.

- Value chain compliance (11)
 - Our clients say: *“A transparent supply chain is increasing in importance and we have to deliver on that.”*
- GHG and other emissions. (17)
- Effluents (19)
- Innovation of new products (21)
- Occupational health and safety (25)
- Talent training and retention (27)
- Community involvement (31)
 - Local politicians say: *“Local communities and industries together strengthen our workforce. For example, if Holmen hires staff, then local community contribute with work opportunities for other family members. Or, the other way around; if the community finds a teacher that wants to take a job with us, and their partner can't find work, neither of them will come here.”*
- Digitalization (8)
- Diversity and inclusion (29)

Communications challenges

The topics where greater communication and dialogue is needed, either because stakeholders don't understand Holmen's business model, or because Holmen doesn't fully deliver on how it can best create value for stakeholders.

- Transparency & accountability (2)

Here, customers, NGOs, employees and society ranked Labor and human rights as high importance because it is a hot topic on the sustainability agenda. Holmen, with its highly Scandinavian supply base has relatively low human rights and anti-corruption risks. Holmen has also a good standing as an employer. For these reasons, Holmen sees its human rights risks as being medium.

Holmen Materiality

Based on these numerous sustainability issues, we have established that we at Holmen will secure long-term profitability and a sustainable future by:

- Helping our customers towards a sustainable business
 - By ensuring *long-term profitability* (4), we can build strong *customer relationships* (7) where we become partners with our customers and together create sustainable products that meets society's driving forces in the global trends of urbanized and globalized world with growing middle class.
 - Through *sustainable investments* (6), by utilizing *digital solutions* (8) and by *developing existing and new products and services* (23, 21), we ensure that we develop our and our customers' operations to meet the global driving forces
 - Through *transparency & accountability* (2) throughout our value chain, and by ensuring that we have a *sustainable value chain* (11), we secure our customers' sustainable value chain, both upstream and downstream.
 - Through active and responsible *public engagement on the sustainability agenda* (10), we enable the Swedish industry to make sustainable investments that support Holmen's vision: create a sustainable future.

- Contributing to a better climate
 - By using the forest so that it *binds more carbon dioxide* (13), and by producing products that bind carbon dioxide, we contribute to a better climate.
 - By *securing the energy supply* (14), we contribute to a reduced need for fossil fuel, which reduces *fossil GHG-emission and other emissions* (17).
 - Through our production of *renewable energy* (14), we reduce *fossil GHG-emission and other emissions* (17).
 - By working to make our *transports* (15) more sustainable, we reduce *fossil GHG-emission and other emissions* (17).
 - By reducing emissions to air, soil and water, we contribute to a better climate.
 - By promoting *biodiversity* (20), we contribute to the conservation of important natural resources and natural values.
 - By enabling *reuse and recycling of resources* (22), both within our own operations and throughout our value chain, we contribute to a more sustainable utilization of the earth's resources, for example water and effluents to water (19).

- Stay committed to our employees and our local communities
 - By working together on group level, and together with communities and external businesses and organizations to attract new talent (28). By helping to strengthen the *communities* (31) in which we operate, the communities become more attractive to live in and we can both attract and retain competent employees.
 - By investing in the development of our employees *build and maintain our existing employees' talents* (25) within the business.
 - By being an *equal and inclusive workplace* (29) that focuses on *diversity* (29), equal treatment and counteracting discrimination, we enable all of us to act according to Holmen's values and we thus perform our best in our workplace.