



# Corporate governance report



## 10

Board meetings were held during the year. At one of them, a visit was paid to Braviken Sawmill which was under construction at the time.

### Laws and articles of association

First and foremost, Holmen AB is obliged to comply with the Swedish Companies Act, the rules accompanying its listing on Nasdaq OMX Nordic, Stockholm, and good stock market practice. The Code is an integral part of the stock exchange's regulations; it is part of self-regulation in Swedish business and is based on the "comply or explain" principle. This means that a company complying with the Code may deviate from individual rules but must report the reasons for each deviation. In its operations, Holmen shall also comply with the company's articles of association.

### Shareholders

At year-end, Holmen AB had 28 339 shareholders. See pages 40–42 for information on the share and ownership structure.

### General meetings of shareholders

The notice convening the Annual General Meeting (AGM) is sent no earlier than six and no later than four weeks before the meeting. The notice contains information

Holmen AB is a Swedish public limited company, listed on the Stockholm Stock Exchange (Nasdaq OMX Nordic) since 1936. The stock exchange incorporated the Swedish Code of Corporate Governance (the Code) into its rules for listed companies in 2005. The preparation of a corporate governance report has been mandatory pursuant to the Annual Accounts Act since 2010. This corporate governance report complies with the rules of the Code and the directions for its application.

about registering intention to attend and entitlement to participate in and vote at the meeting, a numbered agenda of the items to be addressed, information on the proposed dividend and the 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 via the company's website and other means.

Notices convening an Extraordinary General Meeting (EGM) called to deal with the company's articles of association shall be sent no earlier than six and no later than four weeks before the meeting. Notices convening other EGMs shall be sent no earlier than six and no later than two 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.

The 2010 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 website. The entire Board, the Group management and the company's auditor were present. During the AGM, the shareholders had the opportunity to ask and obtain answers to questions. The topics raised included integration of sustainability aspects into Holmen's product and production strategy and purchasing and supplier strategy, the Group's wood supply, its target for the debt/equity ratio and its currency hedges. The Annual General Meeting adopted the income statement and balance sheet, decided on the appropriation of profits and granted the departing Board discharge from liability.

Marianne Nilsson from Swedbank Robur Fonder and Leif Törnvall from Alecia Pensionsförsäkring 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 2011 meeting.

It was announced on 25 March 2010 that the 2011 AGM would take place in Stockholm on 30 March 2011.

### Composition of the nomination committee

NAME	REPRESENTING	BEFORE AGM:		INDEPENDENT OF THE: LARGEST SHAREHOLDER (IN TERMS OF VOTES)	
		2010	2011	COMPANY	
Mats Gulbrand	L E Lundbergföretagen*	x (Chairman)	x (Chairman)	Yes	No
Alice Kempe	Kempe Foundations*	x		Yes	Yes
Johan Kempff	Kempe Foundations*		x	Yes	Yes
Fredrik Lundberg	L E Lundbergföretagen* (Chairman of the Board)	x	x	Yes	No
Håkan Sandberg	Handelsbanken incl. pension fund*	x	x	Yes	Yes

\* At 31 August 2010, L E Lundbergföretagen controlled 52.0 per cent of the votes, the Kempe Foundations controlled 16.9 per cent and Handelsbanken including the pension fund controlled 9.1 per cent.

### Nomination committee

The AGM decided to set up 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 2010 and 2011 AGMs is shown in the table.

The nomination committee's mandate is to submit proposals for election of Board members and the Board chairman, for the Board fee and auditing fees and, where applicable, for election of auditors. The committee's proposals are presented in the notice convening the AGM.

The nomination committee proposes to the 2011 AGM the re-election of the board members Fredrik Lundberg (who is also proposed for re-election as Chairman of the Board), Carl Bennet, Magnus Hall, Carl Kempe, Hans Larsson, Louise Lindh, Ulf Lundahl and Göran Lundin. Curt Källströmer has declined re-election. The nomination committee also proposes that the AGM elects Lars G Josefsson as a new board member.

The proposed Board fee is SEK 2 700 000 (previous year 2 475 000), including SEK 600 000 (550 000) for the chairman and SEK 300 000 (275 000) for each of the other members. The CEO does not receive a Board fee.

### 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 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. There is no rule regarding the maximum period a Board member may serve.

The 2010 AGM re-elected Fredrik Lundberg, Carl Bennet, Magnus Hall, Carl Kempe, Curt Källströmer, Hans Larsson, Ulf Lundahl and Göran Lundin to the Board. Louise Lindh was elected to the Board to replace Lillian Fossum, who declined re-election. Fredrik Lundberg was elected chairman. At the statutory first meeting of the new Board in 2010, Carl Kempe was elected deputy chairman and Lars Ericson, the company's general counsel was appointed secretary of the Board. 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.

Eight AGM-elected members are deemed independent of the company as defined by the Code. Of these, three are also deemed independent of the company's major shareholders. The largest shareholders, each controlling more than 10 per cent of the votes, are L E Lundbergföretagen and the Kempe Foundations. The CEO is the only Board member with an operational position in the company.

Information about the members of the Board is provided on pages 48–49.

### The Board's activities

The activities of the Board follow a plan that, among other things, 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. The secretary of the Board is the company's general counsel.

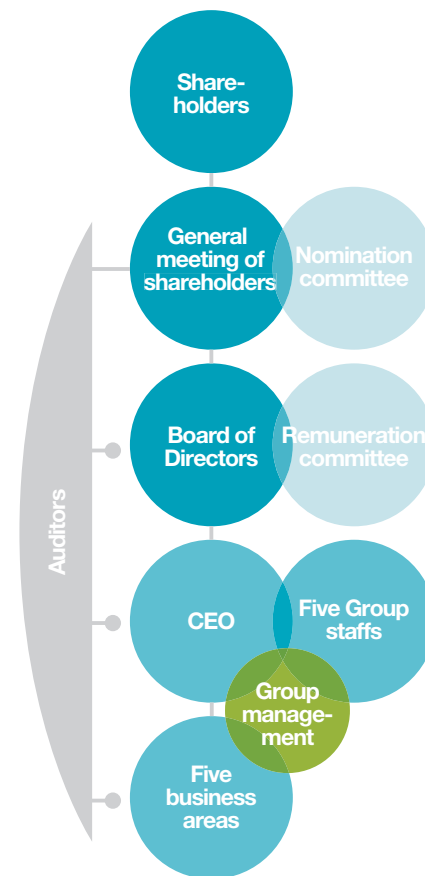
The Board held 10 meetings in 2010, four of which were in connection with the company's publication of its quarterly

reports. At one of these meetings, the Board visited Braviken Paper Mill and Braviken Sawmill, which was under construction. A two-day meeting was devoted to strategic business planning. One meeting dealt with the Group's budget for 2011. The Board also paid special attention to strategic, financial and accounting issues, follow-up of 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 and the company's internal control. Attendance levels at the Board meetings were very high.

The Board evaluates its activities each year, and the nomination committee has been informed of the content of the 2010 evaluation. This will serve as a basis for planning the Board's work in the next few years.

### 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 11 individuals: the CEO, the heads of the five business areas and the heads of the five Group staffs.

Group management met on 13 occasions in 2010, dealing with matters such as earnings trends and reports before and after Board meetings, business plans, budget, investments, internal control, policies 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.

Information on the CEO and other members of Group management is provided on page 48-49.

### Internal management processes

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, human resources, legal affairs, technology and public relations.

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.

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.

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

### Remuneration

The Board has appointed a remuneration committee consisting of Fredrik Lundberg and Hans Larsson. The committee held several meetings during the year at which it prepared matters pertaining to the remuneration and other employment conditions of the CEO and proposals for decisions. Remuneration and other employment conditions of 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 Group applies the principle that each manager's manager must approve decisions

on remuneration in consultation with the relevant personnel manager.

At the 2010 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 2011 AGM; they are presented in note 4 on page 64.

The 2010 AGM approved the Board fee and payment of the auditors' fee as invoiced.

In 2008, the Group's employees were invited to acquire call options on class B shares in Holmen at market price. One third of all employees bought a total of 758 300 call options. Holmen's commitments pursuant to this scheme were secured by buying back some of the company's own shares. See the section on the share and shareholders on page 41 for more details. The 2010 AGM renewed the Board's authorisation to decide on buying back up to 10 per cent of the company's total shares. No buy-backs took place in 2010.

Information about remuneration is provided in note 4 on pages 64-65.

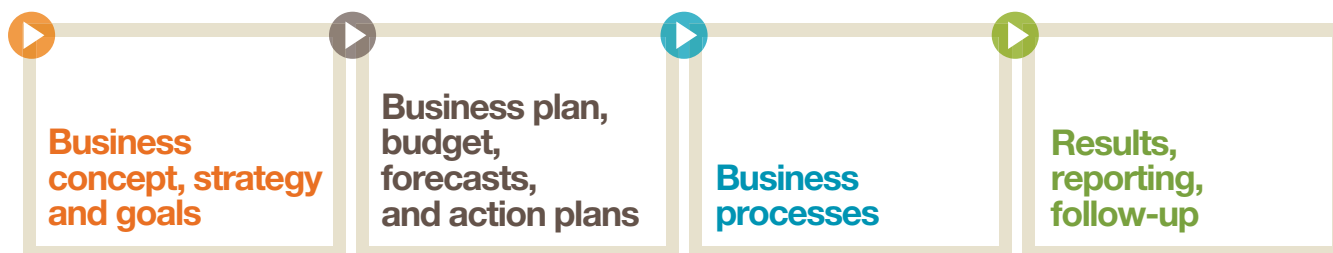
### Audit

KPMG, which has been Holmen's auditor since 1995, was elected by the 2008 AGM

## Board members as from the 2010 AGM

NAME	FUNCTION	ELECTED	COMMITTEES	INDEPENDENT OF THE:		ATTENDANCE AT BOARD MEETINGS
				COMPANY	MAJOR SHAREHOLDERS	
<i>BOARD MEMBERS</i>						
Fredrik Lundberg	Chairman	1988	Remuneration committee	Yes	No	10/10
Carl Kempe	Dep. Chairman	1983		Yes	No	10/10
Carl Bennet	Member	2009		Yes	No	10/10
Curt Källströmer	Member	2006		Yes	Yes	10/10
Hans Larsson	Member	1990	Remuneration committee	Yes	Yes	10/10
Louise Lindh	Member	2010		Yes	No	9/10
Ulf Lundahl	Member	2004		Yes	No	10/10
Göran Lundin	Member	2001		Yes	Yes	10/10
Magnus Hall	Member, president and CEO	2004		No	Yes	10/10
<b>Total</b>				<b>8/9</b>	<b>4/9</b>	
<i>REPRESENTATIVES OF THE EMPLOYEES</i>						
Steewe Björklundh	Member	1998				
Kenneth Johansson	Member	2004				
Karin Norin	Member	1999				
Martin Nyman	Dep. member	2010				
Daniel Stridsman	Dep. member	2010				
Tommy Åsenbrygg	Dep. member	2009				

INTERNAL MANAGEMENT PROCESSES



as auditor for a period of four years. KPMG has since appointed George Pettersson, authorised public accountant, as the principal auditor for Holmen. KPMG audits Holmen AB and almost all of its subsidiaries.

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

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 on whether 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 2010 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 one occasion and to the CEO at another two meetings.

In addition to the audit assignment, Holmen has consulted KPMG on matters pertaining to taxation, accounting and investigations, and in some countries also on matters of business law. The remuneration paid to KPMG for 2010 is stated in note 5 on page 65. 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’s responsibility for internal control is laid out in the Swedish Companies Act, and internal control related to financial reporting is covered by the Board’s reporting instructions 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, as well as internal distribution of roles and responsibilities with the object of ensuring sound internal control over financial reporting. Financial reports are prepared quarterly and monthly in the Group and its business areas, units and subsidiaries. Forecasts and extensive analyses, along with comments, are provided in connection with the reports to help ensure the accuracy of the financial reports, for example. Financial functions and controllers with functional responsibility for accounting, reporting and analysis of financial developments operate at Group level, at business area level and at major units.

The audit includes the annual statutory audit of Holmen AB’s annual report, the statutory audit of the parent company and all subsidiaries (where so required), the audit of internal reporting packages, an audit of the final accounts and a review of one interim report. Reviews of the internal control system are used in this work.

Holmen’s internal control activities aim to ensure that the Group lives up to its objectives for financial reporting (see box). These activities are based on a common set of instructions and common checklists for key procedures and processes for the Group’s financial reporting. The structure adheres to guidelines issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for small listed companies in respect of internal control over financial reporting. COSO’s guidelines contain 20 principles in five areas: control environment, risk assessment, control activities, information and communication, and follow-up. They have been modified to suit the estimated needs of Holmen’s various operations. 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.

Holmen has no separate internal auditing function. The Board does not believe that specific circumstances in the business or other conditions exist to justify having such a function. In 2008 the company introduced a type of audit procedure in which experienced accountants and controllers in the Group examine the internal control procedures of other Group units.

**Investor relations**

Holmen’s information to shareholders and other stakeholders is provided in the annual report, the year-end and interim reports and press releases. All are available on the company’s website. The website also contains presentation materials for recent years and information on corporate governance. The provision of information by the company complies with an information policy established by the Board.

<b>Goals</b>	<b>HOLMEN'S FINANCIAL REPORTING</b>
<p>Holmen’s external financial reporting shall:</p> <ul style="list-style-type: none"> <li>• be correct and complete, and comply with applicable laws, regulations and recommendations</li> <li>• provide a true and fair description of the company’s business</li> <li>• support a reasoned and informed valuation of the business.</li> </ul> <p>Internal financial reporting shall, over and above these three goals, support correct business decisions at all levels in the Group.</p>	

## Board of Directors



Fredrik Lundberg



Carl Kempe



Carl Bennet



Steewe Björklundh



Magnus Hall



Kenneth Johansson



Curt Källströmer



Hans Larsson



Louise Lindh



Ulf Lundahl



Göran Lundin



Karin Norin



Martin Nyman



Daniel Stridsman



Tommy Åsenbrygg

## Group management



Magnus Hall



Ingela Carlsson



Lars Ericson



Thommy Haglund



Anders Jernhall



Sven Wird



Brynolf  
Alexandersson



Björn Kwick



Håkan Lindh



Sören Petersson



Arne Wallin

## Board of Directors

*"Shareholding" refers to shares in Holmen AB.*

**Fredrik Lundberg** Chairman. Djursholm. Born in 1951. Member since 1988. Master of Engineering and B.Sc. (Econ.). D. Econ h.c. and D. Eng. h.c. President and CEO of L E Lundbergföretagen AB. Other significant appointments: Chairman of the Boards of Cardo AB and Hufvudstaden AB. Deputy chairman of Svenska Handelsbanken AB. Board member: L E Lundbergföretagen AB, AB Industrivärden and Sandvik AB. Shareholding: 734 724 shares. Shareholding of L E Lundbergföretagen: 23 511 000 shares.\*

**Carl Kempe** Deputy chairman. Örnsköldsvik. Born in 1939. Member since 1983. Licentiate in Engineering. Dr. h.c. mult. Other significant appointments: Chairman of the Boards of the Kempe Foundations, MoRe Research AB, UPSC Berzellii Centre for Forest Biotechnology, Elförest AB and the Swedish IASA committee. Own and related parties' shareholding: 385 125 shares.

**Carl Bennet** Gothenburg. Born in 1951. Member since 2009. B.Sc. (Economics). D. Tech. h.c Former President and CEO of Getinge AB. Chairman of the Boards of Getinge AB, Elanders AB and Lifco AB. Other significant appointments: Chairman of the Board: University of Gothenburg. Board member: L E Lundbergföretagen AB and SSAB. Shareholding: 100 000 shares.

**Steeve Björklundh** Hudiksvall. Born in 1958. Member since 1998. Representative of the employees, LO. Chairman of the GS Union at Iggesund Sawmill. Shareholding: 200 call options.

**Magnus Hall** Stockholm. Born in 1959. Member since 2004. M.Sc. (Industrial Engineering). President and CEO. Other significant appointments: Chairman of the Swedish Forest Industries Federation. Chairman of the Board of BasEl i Sverige AB and

Industrikraft i Sverige AB. Board member of the Linköping University. Own and related parties' shareholding: 12 698 shares, 14 450 call options.

**Kenneth Johansson** Söderköping. Born in 1958. Member since 2004. Representative of the employees, LO. Section chairman of Paperbranch 53, Holmen Paper Braviken. Shareholding: 500 call options. Related parties' shareholding: 500 call options.

**Curt Källströmer** Stockholm. Born in 1941. Member since 2006. Higher banking degree. Other significant appointments: Chairman of the Boards of Umeå School of Business. Board member: Stockholmsmässan AB, SBC AB, Wählin Fastigheter AB, Royal College of Music in Stockholm and AB Skrandan. Shareholding: 600 shares.

**Hans Larsson** Stockholm. Born in 1942. Member since 1990. B.A. Other significant appointments: Chairman of the Boards of Svenska Handelsbanken AB, Nobia AB, Attendo AB and Valedo Partners Fund 1 AB. Member of the board of AB Industrivärden. Shareholding: 1 000 shares.

**Louise Lindh** Stockholm. Born 1979. Member since 2010. MBA. Executive vice president Fastighets AB L E Lundberg. Other significant appointments: Board member of Hufvudstaden AB and L E Lundbergföretagen. Shareholding: 100 000 shares.

**Ulf Lundahl** Lidingö. Born in 1952. Member since 2004. B.A. in Legal Science and B.Sc. (Econ). Executive VP and deputy CEO of L E Lundbergföretagen AB. Other significant appointments: Board member: Brandkontoret, Indutrade AB, Cardo AB, Husqvarna AB and SHB Regional Bank Stockholm. Shareholding: 4 000 shares.

**Göran Lundin** Norrköping. Born in 1940. Member since 2001. Engineer. Other significant appointments: Chairman of the Board: Norrköpings

Tidningar AB. Board member: Lorentzen & Wettre AB and Fastighets AB L E Lundberg. Shareholding: 1 000 shares.

**Karin Norin** Forsa. Born in 1950. Member since 2009. Representative of the employees, PTK. Chairman of Unionen Gävleborg and Unionen Holmen-Iggesund. Member of Unionen's delegation "Industry 1". Shareholding: 200 call options. Related parties' shareholding: 200 call options.

## Deputy members

**Martin Nyman** Iggesund. Born 1978. Deputy member since 2010. Representative of the employees, LO. Chairman of Paperbranch 15, Iggesund. Shareholding: 0 shares.

**Daniel Stridsman** Norrköping. Born 1979. Deputy member since 2010. Certified forester. Production manager Holmen Skog, region Norrköping. Representative of the employees, PTK. Chairman of Akademikerföreningen Holmen Skog. Other significant appointments: Deputy chairman of Skogsakademikerna. Shareholding: 200 call options. Related parties' shareholding: 200 call options.

**Tommy Åsenbrygg** Hallstavik. Born in 1968. Deputy member since 2009. Representative of the employees, PTK. Deputy chairman in Ledarna, Hallstavik. Shareholding: 100 shares.

## Auditors

KPMG AB, Principal auditor: **George Pettersson**  
Authorised public accountant

*\*As of 7 February 2011, the holding comprises 26 122 000 shares.*

*"Shareholding" refers to shares in Holmen AB.*

## Group management

**Magnus Hall** President and CEO. Born in 1959. Joined Holmen in 1985. Own and related parties' shareholding: 12 698 shares, 14 450 call options. Magnus Hall has no significant shareholdings and no ownership in companies with whom the Group has important business relations. For further information about the CEO, see above.

**Ingela Carlsson** Head of Group Public Relations Born in 1962. Joined Holmen in 2008. Shareholding: 4 000 call options.

**Lars Ericson** Head of Group Legal Affairs. Company Board secretary. Born in 1959. Joined Holmen in 1988. Shareholding: 4 000 call options.

**Thommy Haglund** Head of Group Human Resources. Born in 1950. Joined Holmen in 2001. Shareholding: 500 shares, 4 000 call options.

**Anders Jernhall** CFO, head of Group Finance. Born in 1970. Joined Holmen in 1997. Shareholding: 500 shares, 2 000 call options.

**Sven Wird** Head of Group Technology. Born in 1951. Joined Holmen in 1995. Shareholding: 50 shares, 4 000 call options.

**Brynolf Alexandersson** Head of Holmen Energi. Born in 1957. Joined Holmen in 2007. Shareholding: 4 000 call options.

**Björn Kvick** Head of Iggesund Paperboard. Born in 1950. Joined Holmen in 1983. Shareholding: 4 000 call options.

**Håkan Lindh** Head of Holmen Timber. Born in 1964. Joined Holmen in 1994. Shareholding: 2 000 call options.

**Sören Petersson** Head of Holmen Skog. Born in 1969. Joined Holmen in 1994. Shareholding: 2 300 shares, 2000 call options.

**Arne Wallin** Head of Holmen Paper. Born in 1954. Joined Holmen in 1988. Shareholding: 4 000 call options.