

Corporate Governance Report

Sveaskog is a limited company owned by the Swedish state. Governance of Sveaskog is based on the Swedish Companies Act, the State Ownership Policy, the Swedish Code of Corporate Governance (the Code), as well as other applicable Swedish and foreign laws and regulations.

This Corporate Governance Report has been prepared as part of Sveaskog's application of the Code. The report has been reviewed by the company's auditors.

In accordance with the Swedish government's state ownership policy and guidelines for state-owned companies, Sveaskog has deviated from the Code in three instances:

- Preparation of decision on nomination of the Board of Directors and auditors, which means that Sveaskog has not appointed a Nomination Committee.
- With regard to the independence of Board members in relation to the state as a major shareholder, this not reported because the Code in this respect focuses on companies with a diverse ownership.
- The date and location of the Annual General Meeting shall be stated on the company's website not later than in connection with the interim report for the third quarter. Sveaskog has chosen to comply with Nasdaq Stockholm's regulations for issuers and therefore provides details of the scheduled date for the Annual General Meeting in the year-end report.

Mission

According to the state's ownership policy, companies owned by the state must take a long-term approach, be efficient and profitable and be given the capacity to develop. The companies should serve as role models in the area of sustainable business and otherwise act in a manner that generates public confidence.

According to its Articles of Association, Sveaskog shall own and manage real and personal property and conduct forestry operations and forest industry as well as related activities. Its core business shall comprise forestry. Sveaskog shall also be an independent operator without major interests of its own as an end user of wood raw materials. The company may also conduct related activities if these contribute to increased returns for the company. According to a special parliamentary assignment, the company shall contribute to strengthening private agriculture and forestry by selling land in sparsely populated areas to private individuals. Sale of land shall be carried out until 10% of the land area owned by Sveaskog at the time of its foundation in 2002 has been divested. At year-end, 33,583 hectares remained available for sale. Operations shall be conducted on a commercial basis and generate a market return.

Annual General Meeting

The Annual General Meeting is Sveaskog's highest decision-making body. The Annual General Meeting of the Parent Company Sveaskog AB (publ) took place on 24 April 2019 in Stockholm. The 2020 Annual General Meeting will be held on 24 April. See page 121 for more information about the 2020 Annual General Meeting.

According to the State ownership policy and guidelines for companies with state ownership and the Articles of Association, Members of Parliament have the right to attend and ask questions at Sveaskog's general meetings. The meetings are also open to the public.

Nomination process

The State ownership policy and guidelines for state-owned companies set out a different nomination process than that prescribed in the Code in respect of the Board of Directors and auditors. Nomination of the Board is coordinated by the Government Offices of Sweden. The Government Offices of Sweden also submit a proposal for the Chairman of the Board and chairman of the general meetings. Nominations of members of the Board are presented in the notice of the Annual General Meeting and on Sveaskog's website.

The Government Offices of Sweden are also responsible for the election of auditors and that a decision on this is taken at the Annual General Meeting. A proposal for election of auditors is presented in the notice of the Annual General Meeting and on Sveaskog's website. Auditors are appointed for a term of one year. The practical work of procurement of auditors is handled by the Board's Audit Committee together with the company and owner.

Board of Directors

The Board of Directors shall be responsible for the company's organisation and administration of the company's affairs. According to the Articles of Association, the Board of Directors shall consist of a minimum of five and a maximum of nine members. In addition, there are two employee representatives with two deputies. The Articles of Association do not contain any regulations on the appointment or dismissal of Board members.

The company's legal adviser is the secretary to the Board of Directors.

Composition of the Board of Directors

In connection with the 2019 Annual General Meeting, members Anna-Stina Nordmark Nilsson and Thomas Hahn resigned. Eva Färnstrand, Sven Wird, Annika Nordin and Leif Ljungqvist were re-elected at the Annual General Meeting. Kerstin Lindberg Göransson, Marie Berglund and Johan Kuylenstierna were elected as new members, meaning that after the Annual General Meeting the Board comprises four women and three men. The Board also includes two employee representatives with two deputies. Eva Färnstrand was also re-elected as chairman.

Work of the Board of Directors

The work of the Board is governed by the Board's formal work plan. The Chairman of the Board shall ensure that the work of the Board is conducted efficiently and that the Board fulfils its obligations. According to the formal work plan, the Board shall normally hold eight meetings per year, in addition to the board meeting following election in connection with the Annual General Meeting. The formal work plan stipulates which issues are to be dealt with at each meeting and which specific issues should be submitted to the Board. According to the formal work plan, the Chairman shall, on behalf of the Board of Directors, consult with representatives of the owner on matters of crucial importance for Sveaskog. The formal work plan also contains details of the Chairman's role on the Board of Directors and on the division of roles and responsibilities between the Board of Directors and the CEO. The Board continuously evaluates the CEO's work, and also evaluates the

work of the Board on an annual basis. At least once a year, the work of the CEO shall be evaluated without any member of the Group management being present.

In 2019, the Board held eleven meetings. In addition to addressing standing items on the agenda, the Board has focused on the issues of insect infestation and other damage to forests, Sveaskog's nature conservation work, the relationship with the reindeer industry and other stakeholders, investments primarily in plant operations and measurement of standing timber. The Board of Directors has also decided on a number of acquisitions and disposals of properties. The Board of Directors has recruited a new CEO, who took up the post on 1 July 2019.

Board committees

The Board committees prepares issues ahead of a decision by the Board. Guidelines for the work of the committees can be found in the Board's formal work plan. In addition, there are specific instructions for the Property and Audit Committees. The issues dealt with by the committees are minuted and reported at the next Board meeting.

Remuneration Committee

Prepares issues related to remuneration and terms of employment of senior executives. The Remuneration Committee consists of Eva Färnstrand (Chairman), Marie Berglund and Leif Ljungqvist.

Property Committee

Prepares issues relating to property acquisitions, management and disposals. The Property Committee consists of Sven Wird (Chairman), Annika Nordin, Johan Kuylenstierna and Sara Östh.

Audit Committee

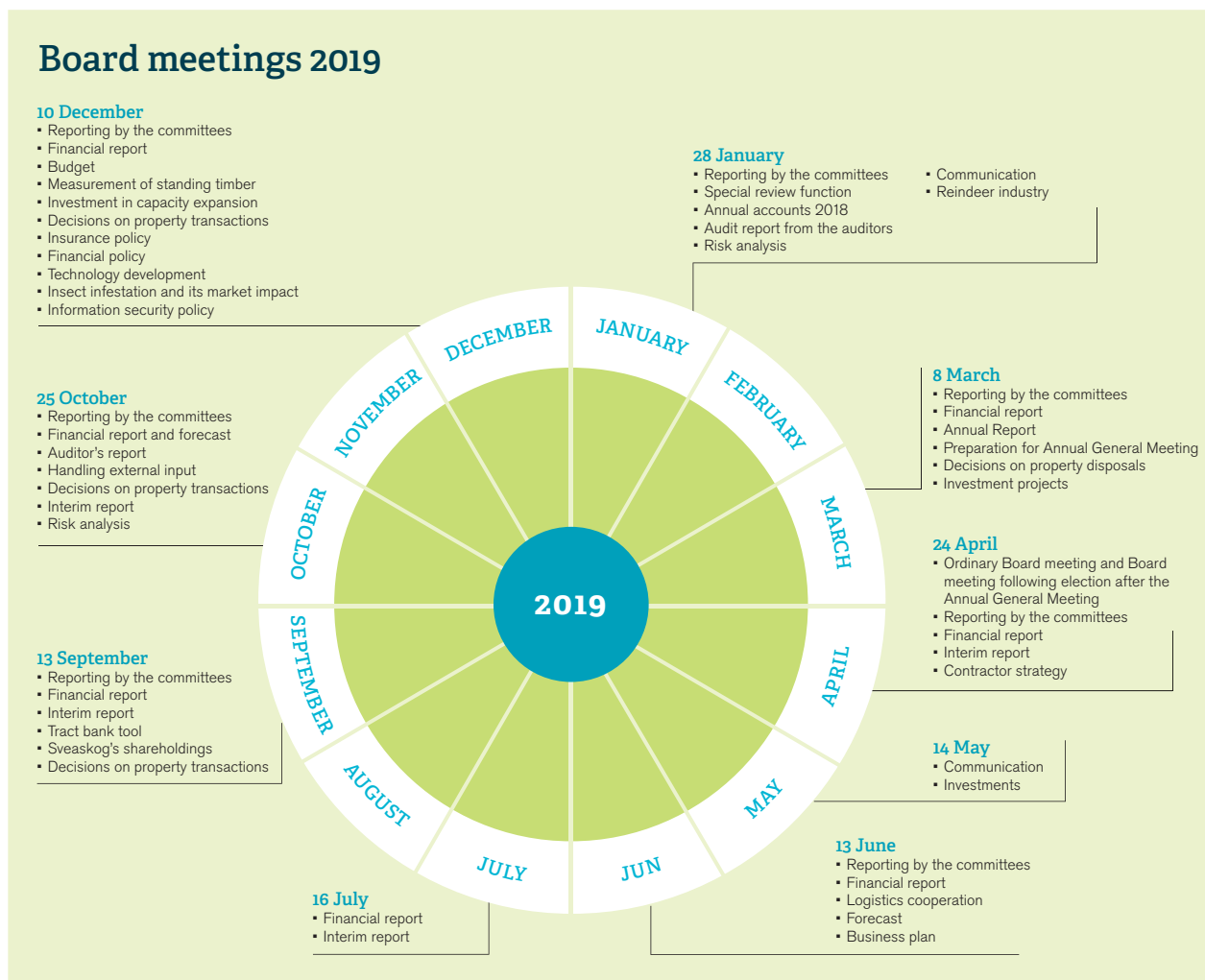
Responsibilities include preparing the Board's work on quality assurance of the company's financial reporting, regular meetings with the company's auditors in order to be informed of the direction, scope and results of audits and to discuss coordination between the external auditors and internal control activities and approach to the company's risks. The Audit Committee consists of Kerstin Lindberg Göransson (Chairman), Leif Ljungqvist, Eva Färnstrand and Kenneth Andersson.

Principles for remuneration of the Board of Directors

Fees to the Board are determined by the Annual General Meeting as are fees to members of the Board committees. In 2019, remuneration of the Board of Directors totalled SEK 1,504,999. The Board of Directors does not participate in any bonus or incentive programme. Employee representatives and the Board member employed by the Government Offices of Sweden do not receive a fee.

Corporate structure

Sveaskog's operations are organised in two geographical market areas and Svenska Skogsplantor. The division into market areas is based on forest holdings, customer structure and trade flows. The market areas have customer, production and delivery



responsibility for the wood raw material. Concessions (with the exception of hunting concessions) and property transactions are handled centrally within the Legal Affairs and Property function. Operating activities are supported by group-wide functions.

Sveaskog also owns shares in companies where there is no consolidation relationship. The holding in the wood products company Setra Group AB (publ) is the largest holding, followed by Sunpine AB.

CEO and Group Management

Sveaskog's CEO is responsible for the ongoing management of the company in accordance with the Board's instructions. The CEO gives presentations at Board meetings. The CEO's responsibilities include ongoing business issues and contacts with the company's Chairman and external stakeholders. The CEO also leads the work of the Group management. The Group management comprises six women and four men. The CEO's assistant is co-opted to the Group management. During the year, the company's CEO left the company and a new CEO took over the post. During the spring, a new HR manager joined the company but resigned shortly thereafter. A new HR manager was subsequently recruited and has taken up the post. The business area manager for Svenska Skogsplanter has left his position and an acting manager has been appointed.

Systems for internal control and risk management in financial reporting

The Board's responsibility for internal control is governed by the Swedish Companies Act and the Code. Internal control is intended to provide reasonable assurance regarding the reliability of external financial reporting in the form of financial statements, interim reports and annual reports. Control shall also include external financial reporting and that this is prepared in accordance with the legislation, applicable accounting standards and other requirements for limited companies.

Framework for internal control

A description of how internal control is organised in relation to financial reporting is provided below.

Control environment

The Board of Directors has overall responsibility for maintaining an effective system for internal control and risk management. The Board has appointed the Audit Committee to prepare matters related to risk assessment, internal control, financial reporting and audit. The Board's risk management has been given greater scope in recent years.

Responsibility for maintaining an effective control environment and day-to-day work with risk management and internal control relating to financial reporting is delegated to the CEO. Managers at different levels of the company have corresponding responsibilities within their respective areas.

The most significant parts of the control environment relating to financial reporting are dealt with in the governing documents concerning accounting and financial reporting and in the financial manual published on Sveaskog's employee intranet.

Risk assessment and control structures

The Board of Directors is responsible for ensuring that the company manages its risks correctly and that adopted policies for financial reporting and internal control are complied with. Identified risks in connection with financial reporting are loss or misappropriation of assets, unlawful benefit of another party at the company's expense and other risks relating to material misstatement in the financial statements, for example, relating to recognition and measurement of assets, liabilities, income and expenses or discrepancies in disclosure requirements.

These issues are prepared by the Audit Committee for consideration by the Board. A number of items in the income statement and balance sheet have been identified where the risk of material misstatement is significant. These risks are mainly attributable to measurement of standing timber, accruals and the IT systems that support the business.

Information and communication

The company's information and communication channels are designed to promote completeness and accuracy of financial reporting. For external communication there are guidelines designed to ensure that the company meets the owner's requirement that reporting is carried out in accordance with Nasdaq's regulations.

Monitoring

Monitoring is regulated in the Board's formal work plan and the instructions to the CEO.

Special review function

It is the Board's opinion that Sveaskog's significant risks and risk areas are covered by the risk management process applied by the company. Responsibility for risk inventories and management of the risk management processes has been delegated to the CFO unit by the CEO. The CFO unit is also responsible for a number of central controls combined with local follow-up. However, operational responsibility rests with the market areas

Mission

According to the state's ownership policy, companies owned by the state must take a long-term approach, be efficient and profitable and be given the capacity to develop. In order to promote long-term sustainable value growth in state owned companies, sustainable business is integrated into corporate governance. This means that the companies should serve as role models in the area of sustainable business and otherwise act in a manner that generates public confidence.

According to its Articles of Association, Sveaskog shall own and manage real and personal property and conduct forestry operations and forest industry as well as related activities. Its core business shall comprise forestry. Sveaskog shall also be an independent operator without major interests of its own as an end user of wood raw materials.

As part of efforts to improve the efficiency of operations, Sveaskog must also strive to adapt the structure of forest

holdings to its customer structure through the purchase, exchange and sale of forest land. According to a parliamentary decision, sales of land shall be carried out until 10% of the land area owned by Sveaskog at the time of its foundation in 2002 has been divested.

Sales shall be conducted on market terms and aimed at strengthening private forestry. Because the aim is not to reduce Sveaskog's land holdings, the mission does not preclude Sveaskog from simultaneously purchasing land. Total area 19,889 ha (of which 12,148 productive forest land). In 2019, 19,889 ha of land were sold (18,681). A total of 402,559 hectares, or 9.23%, have been sold in 2,284 transactions since the land sales programme started. No reversals were reported in the Land Sales Programme in 2019.

The owner has a stated dividend policy and clear financial targets for Sveaskog regarding yield and net debt/equity ratio.



and other operating areas. The Board of Directors considers that there is no need for a special review function in the company. The CFO unit is headed by the Deputy CEO, who is also the CFO, and comprises the finance function and IT function.

Audit

The task of the auditors is to examine, on behalf of shareholders, the company's annual accounting and accounting records as well as the administration by the Board of Directors and the CEO. A limited assurance engagement is performed in respect of the company's Sustainability Report. The Board communicates with the auditors through the Audit Committee and also through auditors being present at Board meetings at which issues ahead of the annual accounts and annual report are discussed. At least once a year, the auditors meet with the Board of Directors without the CEO or any other member of the Group management being present. The auditors participated in nine of the Audit Committee's 10 meetings.

Remuneration of auditors is described in Note 6.

Sustainable business

Sveaskog takes an integrated approach to sustainability throughout the organisation. Sveaskog's overall goals for sustainable business are broken down into strategies and business objectives that are followed up regularly. The work is supported

by a number of policies and guidelines which are available on Sveaskog's intranet and website.

Monitoring of sustainability work is performed on an ongoing basis both internally and externally. The Board of Directors issues the Sustainability Report and the Audit Committee does prepares the work on the report.

Collaboration with local contractors and suppliers is important for Sveaskog's development. The Code of Conduct, general sustainability requirements linked to the UN Global Compact and detailed requirements for contractors govern the assessment of contractors. Follow-up is takes the form of self evaluation and internal audits. Non-conformances are reported in the business management system. Follow-ups of framework agreements with external suppliers take place annually.

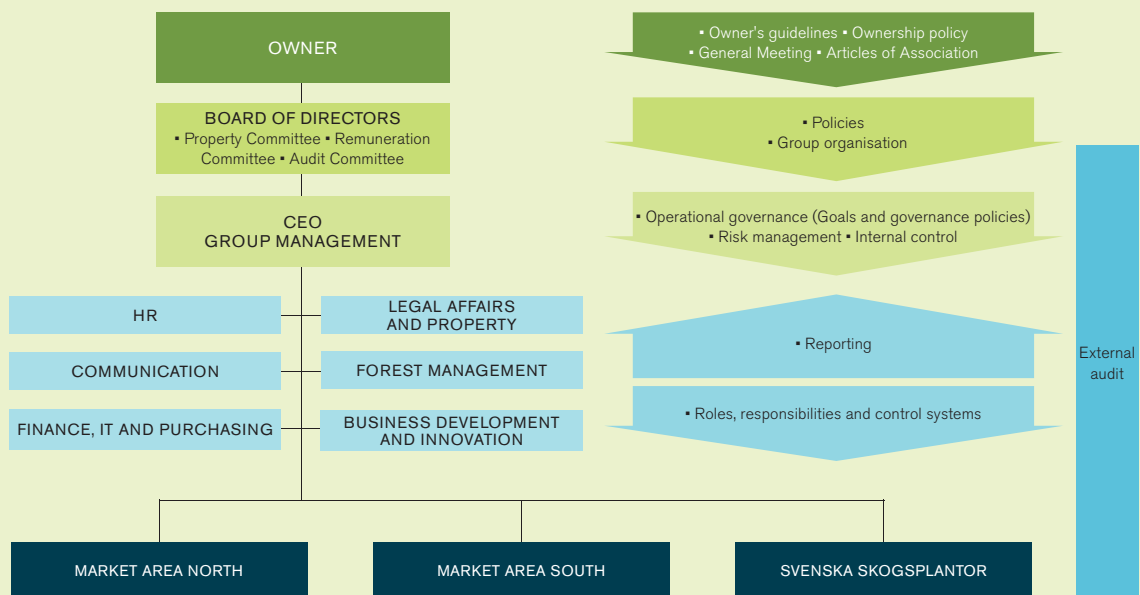
The external audit consists of the auditors examining the annual financial statements and the Sustainability Report. In addition, an internal audit in accordance with ISO 14001 is carried out of the integrated business management system. An external audit of FSC® certification is performed and regular surveys are conducted for customers, employees, contractors and suppliers and of the brand.

These provide the tools for creating an understanding of the impact of operations from a stakeholder perspective and offer support for monitoring of international frameworks such as national environmental objectives and the 2030 Agenda.

Board attendance and remuneration 2019

	Attendance Board Meetings	Attendance Remuneration Committee	Attendance Property Committee	Attendance Audit Committee	Remuneration, SEK	
					Board of Directors	Committee
Board members						
Eva Färnstrand	11/11	1/1	–	6/6	465,000	23,333
Marie Berglund	8/8	–	–	–	123,333	6,667
Johan Kuylenstierna	7/8	–	3/3	–	123,333	26,667
Kerstin Lindberg Göransson	6/8	–	–	6/6	123,333	26,667
Leif Ljungqvist	11/11	1/1	–	8/10	–	–
Annika Nordin	11/11	–	5/5	–	183,333	40,000
Sven Wird	11/11	–	5/5	–	183,333	40,000
Anna Stina Nordmark Nilsson	3/3	–	–	4/4	60,000	13,333
Thomas Hahn	3/3	–	–	4/4	60,000	6,667
Employee representatives						
Sara Östh	10/11	–	5/5	–	–	–
Kenneth Andersson	10/11	–	–	9/10	–	–
Lars Djerf (deputy)	7/11	–	–	–	–	–
Thomas Esbjörnsson (deputy)	7/11	–	–	–	–	–

Organisation and governance



Values and Code of Conduct

Sveaskog's values must permeate the corporate culture and help all employees to adopt a common approach.

Sveaskog's values are:

- Customer focus
- Innovation
- Simplicity
- Transparency

The values comprise:

- How Sveaskog conducts business
- Employees must be professional and understand customer needs, take initiative and be innovative.
- How employees should act as employees and colleagues
- Employees should be guided by the vision, goals and strategies and show respect for the integrity and knowledge of their colleagues.
- How managers and leaders take special responsibility
- Managers and leaders must create an innovative climate and an open culture with feedback.

Sveaskog has a Code of Conduct that applies to all employees. Anyone who concludes agreements with customers, suppliers, contractors and consultants must ensure and monitor that these comply with the Code of Conduct. Sveaskog's managers shall ensure that the Code of Conduct is complied with in day-to-day operations. The Code of Conduct must be read in connection with new recruitment, performance appraisals, procurement, operational follow-ups, etc. The Code of Conduct must be appended to business and cooperation agreements.

In order to ensure compliance with the Code of Conduct, there is a separate reporting system for deviations or infringements. This whistle-blower function is available through the website and provides guaranteed anonymity. The function is

external, which means that the information is processed and investigated by an external party. No reports were received via the whistle-blower function in 2019.

Under the guidance of lawyers and HR specialists, regular meetings are held in the different profit areas where questions concerning the Code of Conduct, guidelines for entertainment and other ethical issues are discussed.

To find out more:

The State's governance policy

www.regeringen.se/regeringens-politik/bolag-med-statligt-agande/sa-styrs-bolagen/

Sveaskog's Articles of Association

www.sveaskog.se/om-sveaskog/bolagsstyrning/bolagsordning/

Sveaskog's Code of Conduct

www.sveaskog.se/om-sveaskog/upporandekod/

The Swedish Companies Act

www.regeringen.se

The Swedish Corporate Governance Code

www.bolagsstyrning.se/

Nasdaq Stockholm's Rules for Issuers

www.business.nasdaq.com/list/Rules-and-Regulations/European-rules/nasdaq-stockholm/index.html