

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 and principles for companies owned by the state, 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 examined 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 shall adopt a long-term approach, be efficient and profitable and be given the capacity to develop. The companies shall serve as role models in the area of sustainable business and otherwise act in a manner that generates public confidence. The companies shall also strive to achieve the international and national climate and environmental goals, and serve as role models in their industry.

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, around 27,000 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 2020 in Stockholm. The 2021 Annual General Meeting will be held on 26 April. See page 114 for more information about the 2020 Annual General Meeting.

In accordance with the state ownership policy and principles for state-owned companies and the Articles of Association, Mem-

bers of Parliament have the right to attend and ask questions at Sveaskog's general meetings. The meetings are also open to the public. This did not, however, apply in 2020 due to the pandemic.

Nomination process

The state ownership policy and principles for state-owned companies set out a different nomination process than that proscribed 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 election of auditors is decided by the owner at the Annual General Meeting. The Board of Directors submits proposals for the election of auditors to the general meeting based on a recommendation from the Audit Committee. 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

At the 2020 Annual General Meeting, Eva Färnstrand, Marie Berglund, Johan Kuylenstierna, Leif Ljungqvist, Kerstin Lindberg Göransson, Annika Nordin and Sven Wird were re-elected, which means that after the Annual General Meeting the Board still consists of 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. 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 Group management being present.

The Board held eleven meetings in 2020. In addition to dealing with permanent items on the agenda, the Board of Directors dealt with issues regarding the company's strategic direction, insect infestations and other damage to the forest, the relationship with the reindeer industry and other stakeholders, valuation of forest assets and the governmental forest inquiry. The Board also made decisions on a number of acquisitions and sales of properties.

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 including those relating to remuneration and terms of employment of senior executives. The Remuneration

Committee consisted of Eva Färnstrand (Chairman), Marie Berglund and Leif Ljungqvist.

Property Committee

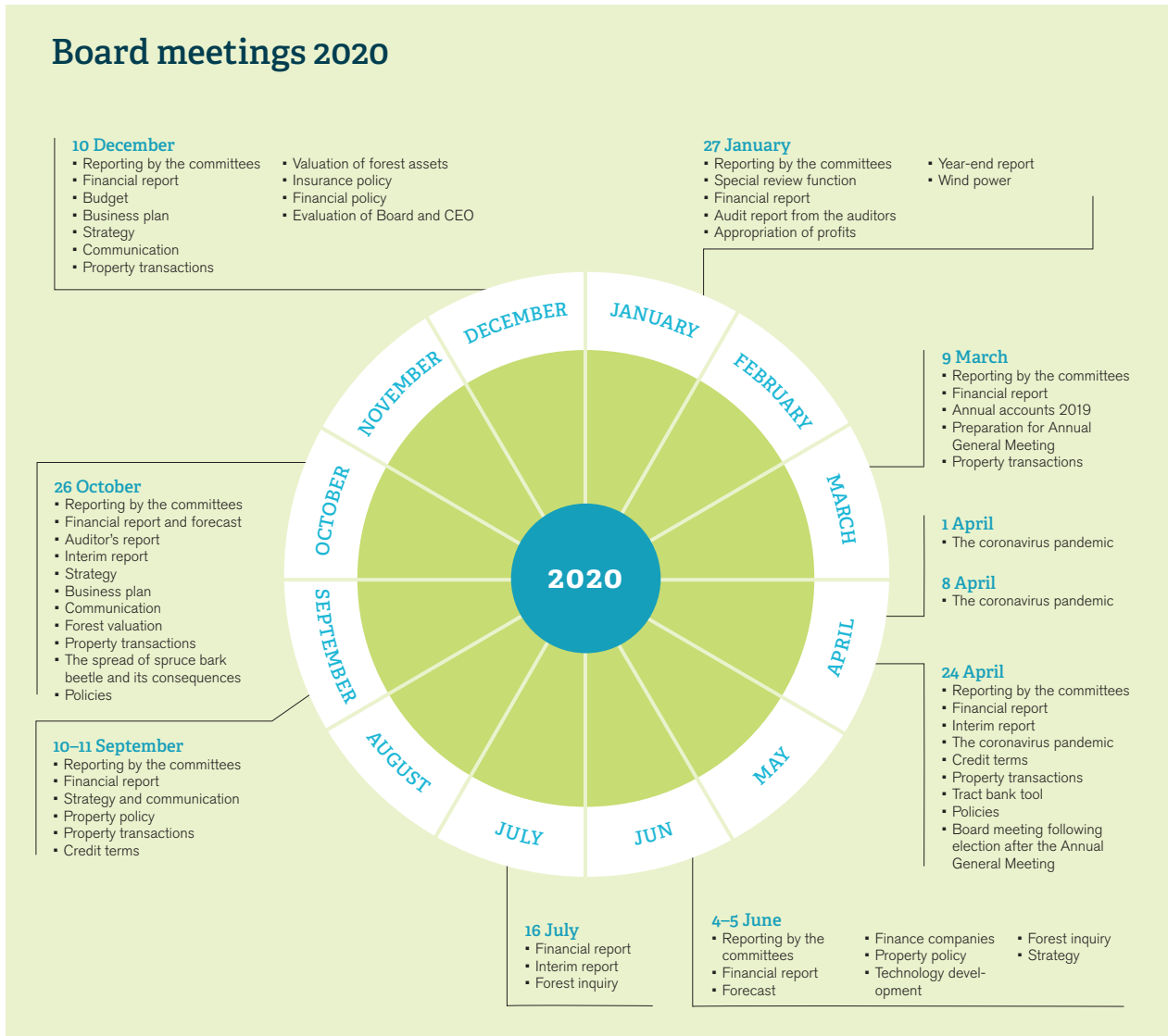
Prepares issues relating to property acquisitions, property management and property sales. The Property Committee consisted of Sven Wird (Chairman), Annika Nordin, Johan Kuylenstierna and Sara Östh.

Audit Committee

Prepares issues relating to 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 consisted of Kerstin Lindberg Göransson (Chairman), Leif Ljungqvist, Eva Färnstrand and Kenneth Andersson.

Communications Committee

The Communications Committee is a temporary committee that handles and prepares issues relating to the company's communication. The Communications Committee consisted of Eva Färnstrand (Chairman), Marie Berglund and Leif Ljungqvist.



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 2020, remuneration of the Board of Directors totalled SEK 1,595,000. 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 the business area 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 Property support unit. Operating activities are supported by Group-wide support units.

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 that is an associated company, 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. The CEO leads the work of Group management. Group management comprises eight people, six of them women and two men. During the year, the Head of Communications left the company, whereupon an Acting Head of Communications was appointed. During the year, a new CFO (Chief Financial Officer) and a CDO (Chief Digital Officer) were also appointed in the company. During the year, Sveaskog also recruited a business area manager for Svenska Skogsplantor. The Chief Legal Adviser left the company during the year.

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 accord-

ance 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 forest assets, 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

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.

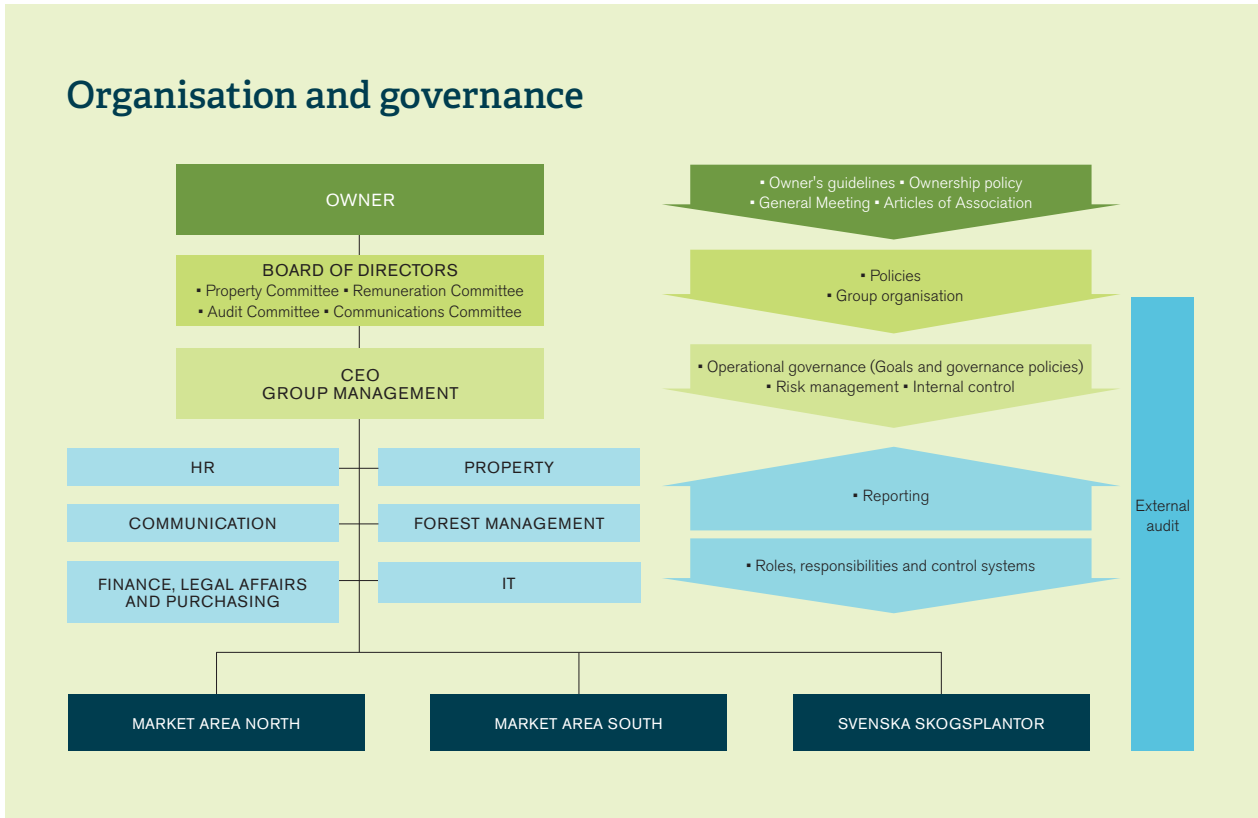
As part of efforts to improve the efficiency of operations,

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. 6,272 hectares (19,889) were sold in 2020. A total of 408,831 hectares, or 9.38%, have been sold in 2,348 transactions since the land sales programme started.

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

Organisation and governance



Board attendance and remuneration 2020

	Attendance Board meetings	Attendance Remuneration Committee	Attendance Property Committee	Attendance Audit Committee	Attendance Communications Committee	Remuneration, SEK	
						Board of Directors	Committee
Board members							
Eva Färnstrand	12/12	4/4	-	10/10	4/4	470,000	30,000
Marie Berglund	12/12	4/4	-	-	4/4	185,000	10,000
Johan Kuylenstierna	11/12	-	6/6	-	-	185,000	40,000
Kerstin Lindberg Göransson	10/12	-	-	9/10	-	185,000	40,000
Leif Ljungqvist	12/12	4/4	-	10/10	4/4	-	-
Annika Nordin	11/12	-	6/6	-	-	185,000	40,000
Sven Wird	12/12	-	6/6	-	-	185,000	40,000
Employee representatives							
Sara Östh	12/12	-	6/6	-	-	-	-
Kenneth Andersson	12/12	-	-	8/10	-	-	-
Lars Djerf (deputy)	12/12	-	-	-	-	-	-
Thomas Esbjörnsson (deputy)	12/12	-	-	-	-	-	-

designed to ensure that the company meets the owner's requirement that reporting is carried out in accordance with Nasdaq Stockholm's Issuer Rules.

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 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 led by the CFO and consists of finance, controlling, purchasing and timber finance.

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 10 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 taken 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.

Code of Conduct

Sveaskog is dependent on the outside world having confidence in the company. It is only through a high level of confidence that Sveaskog can continue to be a successful company. Sveaskog's Code of Conduct makes it clear to all employees how they should conduct themselves as business partners, employers, employees and members of society.

Sveaskog's Code of Conduct 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 2020.

Under the guidance of lawyers and HR specialists, regular meetings are held in the different profit areas at which issues 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/bilag-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/uppforandekod/

The Swedish Companies Act

www.regeringen.se

The Swedish Corporate Governance Code

www.bolagsstyrning.se/

Nasdaq Stockholm's Issuer Rules

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