HOLMEN

Holmen and its World

Sustainability Report 2009

Contents

Further reading on sustainability

The Holmen website contains further information about sustainability, including descriptions of environmental efforts in the various business areas. A glossary and links are also provided.
www.holmen.com

Reporting principles

Holmen and its World 2009 describes Holmen from the perspective of sustainable enterprise with the emphasis on social and environmental responsibility and economic development.

HOLMEN AND ITS WORLD presents a broad picture of the Holmen Group. It covers all forestry and production activities, as well as social issues, in 2009, and also describes forward-looking efforts to meet the growing demands for sustainable development.

Holmen and its World is published annually. The previous edition was distributed in March 2009.

STAKEHOLDERS AND TARGET GROUPS: Employees, customers, shareholders, business partners, authorities, analysts, schools and the general public.

THE FACTUAL BASIS comprises information reported to the authorities and data produced specifically for this report. *Holmen and its World* has not been audited by an external auditor. Holmen considers that the authorities' requirements and very good insight into the company are an adequate guarantee that the information presented is correct.

ADAPTATION TO GRI AND THE UN GLOBAL COMPACT. The object of the Global Reporting Initiative (GRI) is to ensure that companies and organisations voluntarily describe their activities from an economic, environmental and social perspective.

Holmen's method of presenting detailed economic, environmental and social information is adapted to the GRI requirements and the ten principles of the UN Global Compact. Holmen's complete GRI reporting consists of *Holmen and its World 2009*, *the Holmen Annual Report 2009*, and comments in the GRI Register on Holmen's website.

CERTIFICATION. At the beginning of 2010 the KPMG audit firm analysed the contents of Holmen and its World 2009. KPMG considers that the report meets the requirements of GRI reporting level A, which is the highest level.

COMMENTS. One of the newsprint machines at Hallsta Paper Mill was shut down in November 2008. In December of the same year operations ceased at Wargön Mill. The closure at Hallsta Paper Mill had an impact on both consumption of raw materials and emissions in 2009. As a result of the closure of Wargön Mill, Holmen has not reported data from this unit as of 2009. Previously reported figures on Holmen's total consumption of raw materials and emissions have not been revised.

One of the paperboard machines at Workington Mill was shut down in December 2009, which will have an impact on the report year 2010.

THE FINANCIAL AND MARKET INFORMATION in *Holmen and its World* is brief. The Holmen Annual Report for 2009 provides a full picture of both these areas. It also contains the Corporate Governance Report and detailed information on the Board, Senior management, auditors and Annual General Meeting.

Internal production

Holmen and its World is compiled and produced within the Group. Holmen regards internal production as a way of developing sustainability efforts in the areas concerned.

A special working group containing representatives of Holmen's Group Staffs is responsible for coordinating sustainability issues. The responsibilities of this group, which is appointed by the CEO, include *Holmen and its World.*

Contact for Holmen and its World 2009

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Magnus Hall, President and CEO:

New opportunities in our fifth century

Holmen has entered its four hundred and first year. As on several previous occasions, we do so with the aspiration to adapt to a changing world. With the renewable raw material from our forests and new lines of development, there are grounds for optimism about the future.

We are living in a time of great change. Development in the area of electronic media is both stunningly fast and in many areas completely revolutionary. This has led to a situation where the consumption of newsprint is tending to decline throughout the western world. But even though the new media are changing the way we communicate, I firmly believe that people will continue to read newspapers in the future. We can already see today how newspapers and digital media are interacting by utilising their own particular strengths.

In Holmen we are facing up to the changed market for standard newsprint by scaling back production and focusing instead on more high-quality printing paper segments. We are also continuing our commitment to consumer paperboard and stepping up our operation in the area of sawn timber.

All forecasts indicate that the demand for sawn timber, and in particular construction timber, will increase. This is a clear trend throughout the western world and is supported by national wood building programmes in several countries. Wood is a natural material that offers clear advantages over other building materials in terms of climate change. It is in this light that we should view our investment in the new sawmill in Norrköping.

LOCATING THE NEW SAWMILL directly alongside Braviken Paper Mill enables us to link the two sites to form a very efficient unit. Many functions can be combined, such as wood handling, energy supply and some aspects of administration. This also opens up future opportunities to add more operations based on forest raw material, primarily bioenergy, and in the longer term also other products. In addition, there are significant advantages in that Holmen is now becoming a buyer of all wood assortments in southern Sweden and can bring all the wood flows together in one place.

THE NEED FOR ENERGY with no impact on climate will increase in society. Bioenergy is one of the alternatives. However, the supply is failing to match the growing need. Holmen has therefore become involved in several projects to develop future production of fossil-free energy. Industrikraft AB, in which Holmen is a partner, reached agreement with Vattenfall at the end of 2009 to develop a project for this purpose. We are also continuing to invest in wind power, and anticipate being able to commission our first wind turbines shortly.

The growing need for fossil-free energy further increases the value of our involvement in hydro power. Holmen aims to phase out its use of oil, and at several of our units production will take place almost entirely without oil.

IN 2009 HOLMEN TOOK important steps in the area of biorefining, which we believe will become increasingly significant in society. The idea is that in future it will be possible for all products based on oil to be made from forest raw material. Bio-based plastic is already a reality, and intensive current research indicates great potential. We wish to take part in this interesting development with our commitment to biorefining.

THE SUSTAINABILITY APPROACH that permeates Holmen also applies to how we view our employees. Our foundation for success consists of motivated and highly trained employees. We are therefore earmarking significant resources for personnel development and leadership. We regularly take the "pulse" of the organisation in surveys in

The year in brief

Environmental responsibility

The phasing-out of oil continued. Along with more efficient use of energy, this has reduced Holmen's emissions of fossil carbon dioxide, a greenhouse gas, by 65 per cent since 2005.

An analysis shows that Holmen's operations have positive carbon footprints in the atmosphere. Carbon dioxide removals and substitution effects exceed greenhouse gas emissions.

At Iggesund Mill a treatment plant for chemical flotation entered service at the end of the year. This will ensure good status for the aquatic environment outside the mill for a long time to come.

Social responsibility

Great efforts were made to support employees who have lost their jobs as a result of the cuts in the Group in 2008 and 2009.

The results of the employee survey show that working conditions and leadership at Holmen are continuing to improve.

Sickness absence continued to decrease, while the number of industrial accidents remains at an unsatisfactory level.

The number of female managers rose further. Holmen has been taking steps to increase the proportion of women in the organisation for many years.

Financial development

Operating profit increased to SEK 1 620 million, compared with SEK 1 412 million in the previous year. The improvement is principally attributable to higher prices for newsprint and paperboard.

Demand for Holmen's products was weak. Deliveries of newsprint and paperboard declined by 14 and 9 per cent, respectively. Consumption of sawn timber also decreased.

A board machine at Workington Mill was shut down, and an overhaul of working practices and organisation was carried out at Braviken Paper Mill. The number of employees will decrease by just under 200.

which the employees give their views on issues relating to terms of employment, the working environment, development opportunities and many other issues. The latest survey was conducted in 2009, and I am pleased to note that the result marks a further improvement on the already high level in the previous survey.

THE NEGATIVE MARKET TREND in some product areas has had an impact on many employees. At Workington Mill the older of the two board machines was shut down, resulting in job losses. The workforce at Braviken Paper Mill was reduced following an overhaul of working practices and organisation. Along with previous cutbacks, this means that Holmen has reduced its total workforce by around 350 since 2008.

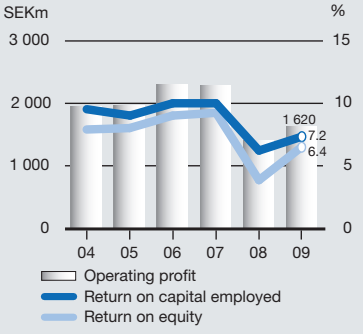
This is, of course, painful for everyone affected. But we must remember that the cuts are crucial to Holmen's long-term ability to develop further.

WHEN WE ADD THE DIRECTIONS of development in society to the Holmen of today, a picture emerges of a company with interesting opportunities. Our paperboard creates lightweight packaging that meets strict requirements for resource and energy efficiency. Our highly efficient printing paper mills provide a good basis on which to tackle the challenges in the market. Together with a renewable raw material and environmentally sound forestry, this means that Holmen is well placed to meet the increasing demands in society for sustainability.

Stockholm 17 February 2010

Magnus Hall
President and CEO

Operating profit

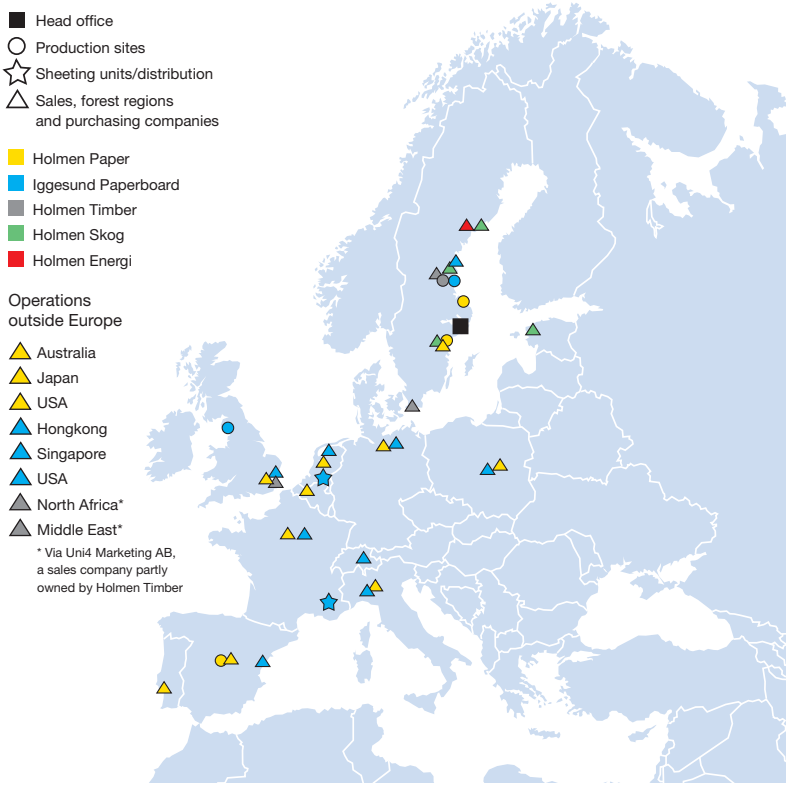


Facts

	2009	2008
Net sales, SEKm	**18 071**	19 334
Operating profit, SEKm	**1 620**	1 051
Operating profit excl. items affecting comparability, SEKm	**1 620**	1 412
Profit for the year, SEKm	**1 006**	642
Earnings per share, SEK	**12.0**	7.6
Dividend per share, SEK	**7**	9
Return on capital employed, %**	**7.2***	6.1
Return on equity, %	**6,4**	3.9
Debt/equity ratio, times	**0.34**	0.48
Investments, SEKm	**818**	1 124
Average number of employees	**4 577**	4 829

**Proposal of the Board.* ***Excl. items affecting comparability.*

Holmen in brief



Among the largest in Europe

Holmen has a total capacity to manufacture about 2.5 million tonnes of printing paper and paperboard each year. The company is Europe's fifth largest manufacturer of printing paper, with production capacity of 1 940 000 tonnes per year. With annual capacity for 530 000 tonnes of virgin fibre-based board, Holmen is the third largest producer in Europe. The company's production capacity for sawn timber is 340 000 cubic metres a year.

Holmen is a forest industry group that manufactures printing paper, paperboard and sawn timber and runs forestry and energy production operations. The company's extensive forest holdings and its high proportion of energy production are strategically important resources for its future growth.

PRODUCTS. Holmen focuses on printing paper, paperboard, sawn timber, forestry and energy. Holmen Paper and Iggesund Paperboard together account for 80 per cent of Holmen's net sales.

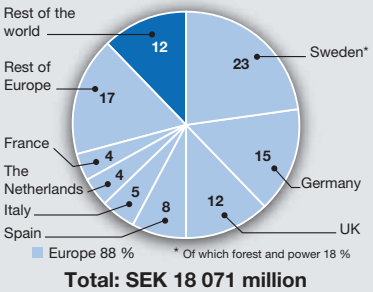
OWN FOREST PROVIDES majority of wood raw materials. Holmen's manufacturing operations are based on renewable raw materials from sustainably managed forests. The Group owns around 1.3 million hectares of land, of which 1 million are used for forestry. The company is about 60 per cent self-sufficient for its wood needs.

HYDRO POWER AND BIOENERGY. Holmen's electricity needs are met through the Group's wholly and partly owned hydro power and back pressure power as well as through purchased electricity. The company's electricity self-sufficiency is some 30 per cent. Biofuels cover a significant part of Holmen's thermal energy needs.

MANUFACTURING IN THREE COUNTRIES. Holmen has four production facilities in Sweden and one each in the UK and Spain; some finishing takes place in the Netherlands and France. The Group runs its own sales companies in several European countries and around 90 per cent of items produced are sold in Europe. Holmen has a subsidiary for wood purchasing in Estonia.

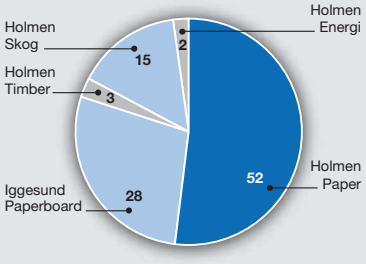
HOLMEN'S TWO CLASSES OF SHARES are listed on the Nasdaq OMX Nordic, Large Cap.

Net sales
by market, %



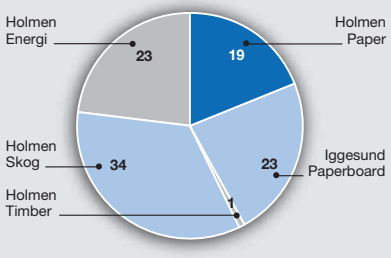
Total: SEK 18 071 million

Net sales
by business area, %



Total: SEK 18 071 million

Operating profit
by business area, %



Total: SEK 1 620 million

Raw material-oriented business areas

Holmen Skog

Operations: Responsible for managing Holmen's forests, for wood supply to the Group's Swedish units and for trade in wood.

Land holding: 1 264 000 hectares, of which 1 032 000 hectares comprise productive forestland.

Volume of wood: 119 million forest cubic metres.

Holmen Energi

Operations: Responsible for the Group's hydro power stations, coordination of its energy matters, and electricity supply to its Swedish units.

Number of wholly and partly owned hydro power stations: 21.

Number of partly owned wind farms: 1.

Production capacity/year (hydro power): 1 100 GWh.

Product-oriented business areas

Holmen Paper

Products: White and coloured newsprint as well as paper for directories/manuals, books and magazines.

Customers: Daily newspapers, retailers, book and magazine publishers, directory and manual publishers and printers.

Mills: Hallsta Paper Mill, Braviken Paper Mill and Holmen Paper Madrid.

Production capacity/year: 1 940 000 tonnes.

Number of paper machines: 8.

Iggesund Paperboard

Products: Solid bleached board and folding boxboard for consumer packaging and graphic design purposes.

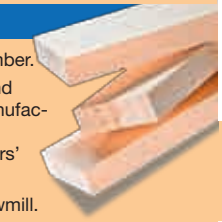
Customers: Converters of paperboard for packaging as well as printers and wholesalers.

Mills: Iggesund Mill and Workington Mill.

Production capacity/year: 530 000 tonnes.

Number of board machines: 3*.

* After the shutdown of BM1 at Workington Mill in December 2009.



Holmen Timber

Product: Pine sawn timber.

Customers: Joinery and furniture industries, manufacturers of solid flooring, planing mills and builders' merchants.

Sawmill: Iggesund Sawmill.

Production capacity/year: 340 000 cubic metres.

Holmen plans to start production at Braviken Sawmill, with an initial capacity of 550 000 cubic metres, at the turn of 2010/2011.

Products and markets

The paper is used for newspapers, magazines, directories/manuals, direct advertising and books.
Main market: Europe.

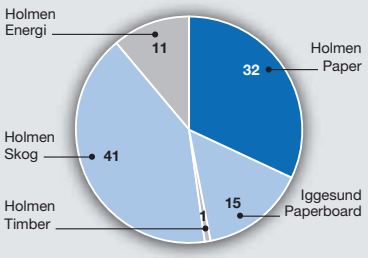
The board is used in packaging for consumer products and for graphics applications.
Main market: Europe.

Sawn timber is used to make products such as window frames, flooring, doors and furniture.
Main markets: Scandinavia, the UK, North Africa and the Middle East.

The raw material-oriented business areas Holmen Skog and Holmen Energi provide the product-oriented business areas Holmen Paper, Iggesund Paperboard and Holmen Timber with wood and electricity respectively. The overview shows how the products are made and how consumers come into contact with them.

Operating capital

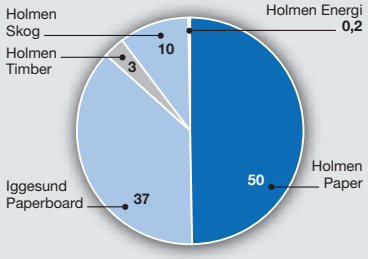
by business area, %



Total: SEK 26 929 million

Employees

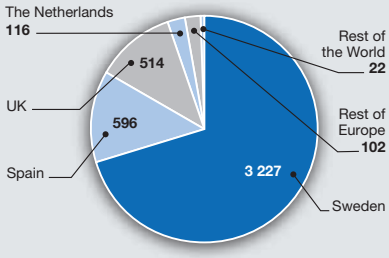
by business area, %



Total: 4 577

Average number of employees

by country/region



Total: 4 577

Strategy

Holmen's strategy is based on two concepts – an integrated approach and sustainability. Economic, social and environmental aspects are handled in a sustainable and responsible way.

HOLMEN'S OPERATION IS BASED ON the natural and renewable raw materials provided by the forests. A significant portion of the energy required comes from sustainable energy sources such as hydro power and bioenergy. The Group's products – paper, paperboard and sawn timber – can be recycled after use as both material and energy.

HOLMEN'S WORK ON SUSTAINABILITY is notable for responsibility towards stakeholders and the environmental aspects that must be borne in mind. The targets for sustainability strengthen the brand and contribute to boosting competitiveness.

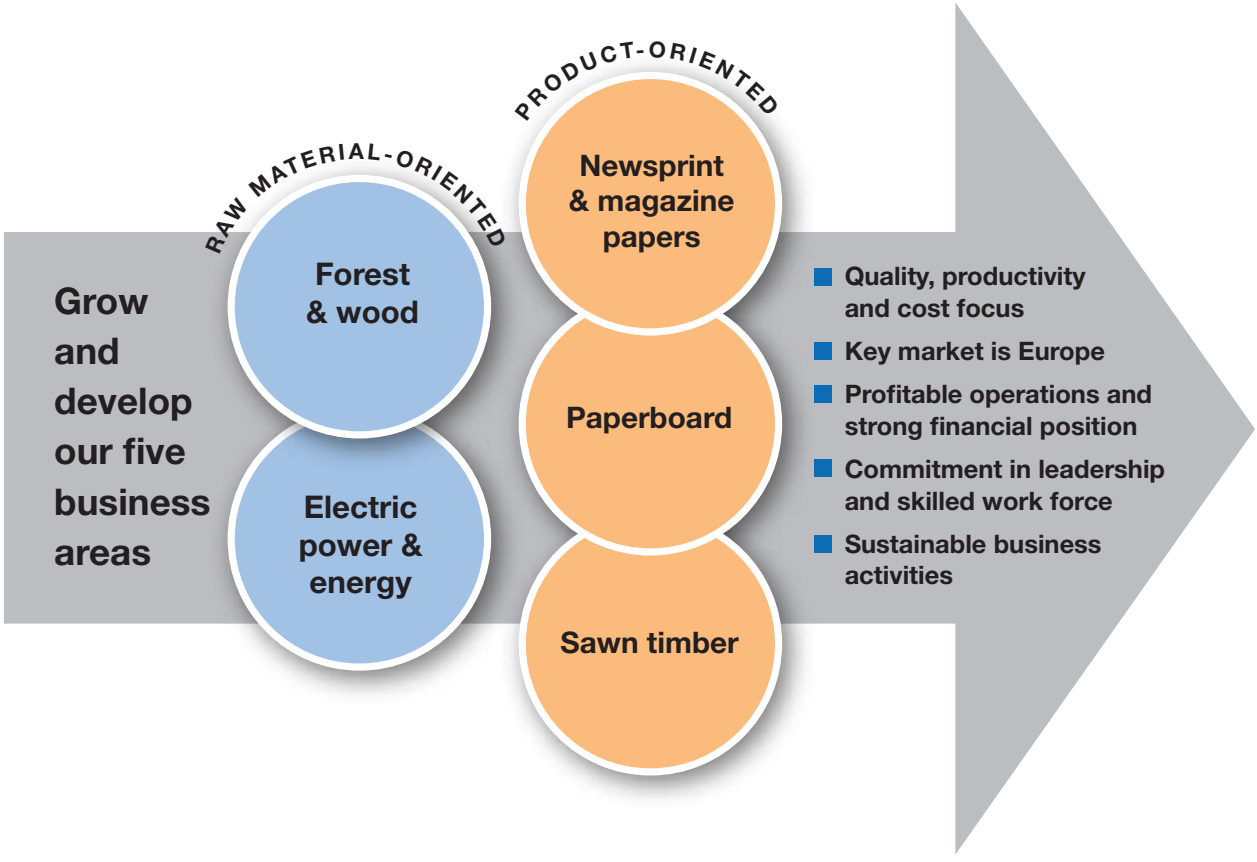
THE MATRIX ON THE NEXT PAGE describes Holmen's sustainability targets for financial development, social responsibility and environmental responsibility. A brief indication is given of the outcome in 2009 for each area. More detailed presentations of targets and outcomes are included in the relevant sections later in this report. Holmen's Board continuously monitors the financial targets.

Most of the targets for social responsibility are monitored through the employee survey conducted every two years.

The targets for industrial accidents and the number of female managers are monitored continuously.

The local environmental targets at all the units are monitored under the certified management systems applied. These targets are set in the short term, unlike the Group-wide, long-term targets.

Holmen's Group management is responsible for ensuring that the targets for social responsibility, environmental responsibility and financial development are followed up. Group management also decides whether targets need to be revised or whether new targets should be formulated.



Guidelines

Financial targets

PROFITABILITY AND RETURN will sustainably exceed the market cost of capital.

CAPITAL STRUCTURE. The financial position will be strong, with a debt/equity ratio in the interval 0.3–0.8.

PAYMENT OF DIVIDEND. Decisions on ordinary dividends will be based on an appraisal of the Group's profitability, future investment plans and financial position.

Sustainability

FINANCIAL DEVELOPMENT. Good profitability and a strong financial position will create the necessary conditions for long-term sustainable development for business partners, employees, shareholders and society.

SOCIAL RESPONSIBILITY. Holmen will respect ethical and social standards, be a good business partner and member of the community and motivate and develop its employees through committed leadership.

ENVIRONMENTAL RESPONSIBILITY. Holmen's operations will be permeated by an integrated approach including protection of the environment and efficient use of raw materials and energy.

Sustainability targets

	Targets	Outcome 2009	Comments
Financial development[1]			
Profitability and return	Sustainably higher than market cost of capital	Higher	Met for the past six years except 2008
Debt/equity ratio	0.3–0.8	0.34	
Social responsibility			
Human capital: the essential requirements for doing a good job	2009: at least 635 for the Swedish units	650, Sweden	New target for 2011: 650, applies to the whole Group (600 = good, 700 = excellent)
Leadership index	2009: at least 60 for the Swedish units	57, Sweden	New target for 2011: 61, applies to the whole Group (60 = good, 70 = excellent)
Performance reviews	2009: 100 % for the Swedish units	67 %, Sweden	New target for 2011: 80 %, applies to the whole Group
Industrial accidents with absence per 1 000 employees	2009: maximum 10	31	The target is to have fewer than 10 accidents in 2011
Proportion of female managers	2009: 13 %	16 %	New target for 2011: 19 %
Environmental responsibility			
Reduce the use of fossil fuels at the Swedish units	2020: reduction of 90 %	65 %, achieved from 2005	Base year 2005
Improve efficiency of energy use (MWh/product unit)	2020: 15 %	5.8 %, achieved from 2005	Base year 2005. Energy use increased somewhat in 2009 due to poorer utilisation of capacity
Certifiable energy management systems at all sites	Introduced before 2010	Certified at all sites except Workington Mill[2]	The energy management system at the mill in Madrid was certified in July 2009. The Group target has been met
Increase rate of growth in Holmen forests	25 % within 30 years	–	Base year 2007. Cannot yet be measured
Increase extraction/ deliveries of biofuel	2020: 1,5 TWh	1.1 TWh	Base year 2006 0.42 TWh

1) The Board has replaced the dividend target with a guideline on payment of dividend. This means that decisions on ordinary dividend will be based on a combination of the Group's profitability situation, future investment plans and financial position.

2) Certification of the energy management system at Workington Mill will take place when an international standard has been adopted.

Printing paper

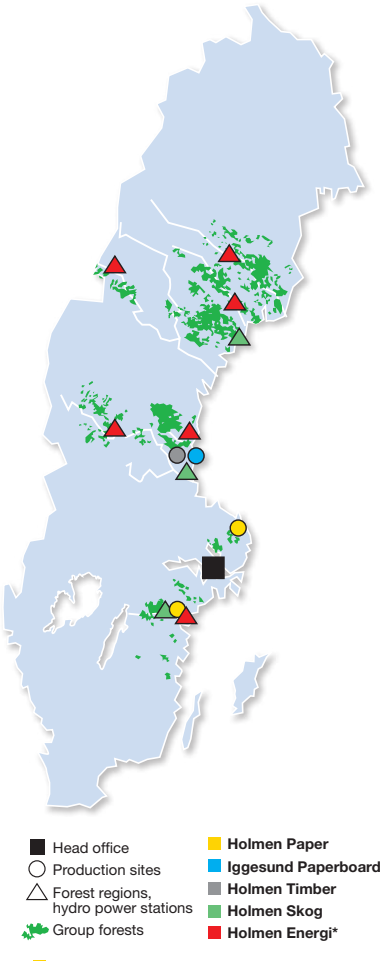

High-quality paperboard


Sawn timber


Energy


Environmentally sound forestry

Holmen's products are made here...



* Holmen has interests in 21 wholly or partly owned hydro power stations located on the marked rivers.

Holmen has production facilities in Sweden, the UK and Spain. Some further processing takes place in the Netherlands and France. The Group's forests and hydro power stations are located in Sweden.

HARVESTING IN HOLMEN FORESTS meets around 60 per cent of the wood requirements of the Group's Swedish mills. The remainder is purchased from private forest-owners, obtained through exchanges with other forest companies or imported. The proportion of imported wood is very small.

The mill in Workington uses wood that is purchased in the UK.

Braviken Paper Mill uses recovered paper, and production at Holmen Paper Madrid is based entirely on the use of recovered paper.

All the sites apply certified quality, environmental and energy management systems.

Holmen's forestry applies a certified environmental management system and is certified under the international forest standards PEFC and FSC.

PÅAB
Recovered paper in Sweden is obtained from the partly owned company PÅAB.

Carpa
Wholly owned Spanish company which in 2009 collected 460 000 tonnes of recovered paper.
Average number of employees: 203

Sheeting units
Paperboard is cut into sheets in Utrecht (the Netherlands) and Valence (France).
Capacity: 85 000 tonnes/year.
Average number of employees: 56

Skärnäs Terminal
Harbour in Iggesund handles almost a million tonnes of forest products per year.
385 ship dockings 2009.

Hallsta Paper Mill

Holmen Paper
Raw materials: Sprucewood.
Processes: TMP and groundwood pulp.
Products: Newsprint, MF Magazine, SC paper and book paper.
Production capacity: 680 000 tonnes/year.
Average number of employees: 783.

Braviken Paper Mill

Holmen Paper
Raw materials: Sprucewood, recovered paper.
Processes: TMP and DIP.
Products: Newsprint, coloured newsprint, directory paper and MF Magazine.
Production capacity: 790 000 tonnes/year.
Average number of employees: 652.

Holmen Paper Madrid

Holmen Paper
Raw materials: Recovered paper.
Process: DIP.
Products: Newspaper, MF Magazine and LWC Recycled.
Production capacity: 470 000 tonnes/year.
Average number of employees: 373.

… and this is how they are used

DAILY NEWSPAPERS. A large number of newspapers in Europe, but also in other parts of the world, are printed on paper from Holmen.

MAGAZINES, SUPPLEMENTS AND WEEKLIES. Holmen has a broad range of different grades of paper for these types of publications.

DIRECT MAIL AND CATALOGUES which generate sales both through stores and on the internet.

BOOKS. The level of consumption of books is high in Europe. Book paper is an increasingly important product for Holmen.

PACKAGING FOR FOODS, MEDICINES, COSMETICS, CONFECTIONERIES AND TOBACCO PRODUCTS. There are strict requirements for cleanliness as well as printability and runnability in paperboard for these products. It is also important that the packaging conveys the right impression about its often exclusive contents.

COVERS FOR PRINTED MATTER. Paperboard is often used for the covers of printed material of various kinds, of which this report is an example.

WOODEN INTERIORS AND CONSTRUCTION TIMBER. Holmen's sawn timber is used as visible wood in the domestic setting. With the new sawmill at Braviken, Holmen will also be able to produce construction timber.

Brand names

Holmen Paper

- Holmen Bravo
- Holmen Premium
- Holmen XLNT
- Holmen Plus
- Holmen Book
- Holmen News
- Holmen Coloured News
- Holmen Guide

Iggesund Paperboard

- Invercote
- Incada

Holmen Timber

- Monolit
- Quatrolit
- Relax

Iggesund Mill

Iggesund Paperboard
Raw materials: Softwood and hardwood pulpwood.
Process: Sulphate pulp.
Products: Solid bleached board, plastic coated board and surplus sulphate pulp.
Production capacity: 330 000 tonnes/year.
Average number of employees: 935.

Workington Mill

Iggesund Paperboard
Raw materials: Sprucewood and purchased sulphate pulp.
Process: RMP.
Products: Folding box board.
Production capacity: 200 000 tonnes/year.
Average number of employees: 483.

Iggesund Sawmill

Holmen Timber
Raw materials: Pine saw logs.
Process: Sawmilling.
Products: Redwood sawn timber.
Production capacity: 340 000 cubic metres/year.
Average number of employees: 99.

Organisation and joint action

"The key to success in work on sustainability is the long-established network of co-operation groups at Holmen," says Lars Strömberg, Director of Sustainable and Environmental Affairs.

Holmen's operations are decentralised to the business areas, mills and forest regions. The organisation includes a number of networks and specialist skills.

Board and Group management

BOARD. The Holmen Board comprises nine members elected by the Annual General Meeting. One of these is the CEO of Holmen. The union organisations appoint three employee representatives and three deputies.

The Board regularly addresses sustainability issues. Employees of the company attend Board meetings to present reports. Information on the members of the Board can be found on pages 36–37 of the *Holmen Annual Report*.

GROUP MANAGEMENT. Holmen's Group management consists of the CEO and the heads of the five business areas and the five Group staff units.

Group management attends to issues relating to the development of the business and financial results, reports ahead of and following Board meetings, business planning, budgets, investments and personnel and environmental issues. Information on the composition of the Group management is included on page 38 of the *Holmen Annual Report*.

INTERNAL CONTROL PROCESSES. The Group operates with rolling three-year business plans. Goals and strategies are broken down into action plans and activities which are possible to measure and evaluate. The business plans are important to the long-term, strategic control of the Group.

Sustainability

THE GROUP'S CEO is ultimately responsible for sustainability issues in Holmen. A separate working group including representatives of the Group staff units Technology (environment/sustainability), Human Resources, Legal Affairs, Finance and Public Relations among its members, works on sustainability issues. The Group's CEO appoints the group, which has various responsibilities such as the sustainability report *Holmen and its World*. Holmen's Director of Sustainable and Environmental Affairs chairs this group.

Social responsibility

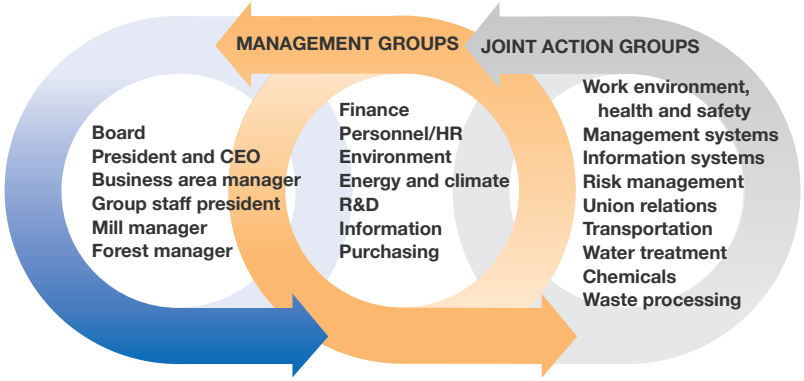
PERSONNEL ACTIVITIES AT HOLMEN are carried out in accordance with the Group's personnel policy. They are coordinated by a management group for Human Resources (HR), which comprises the personnel managers of the busi-

Organisation and joint action

The Group's Board, CEO and Group staff presidents, the presidents of the five business areas and mill and forest managers are responsible for their organisational level.

Management groups. Functional management groups deal with policies and strategies, as well as exchanging experiences.

Joint action groups. In areas where more detailed work is important, joint action groups that include specialists have been set up. These groups are involved in competence development and the transfer of expertise and experience in their respective subject fields.



ness areas and is chaired by the Group's Director of Human Resources. For specific HR issues, working groups are formed in which union representatives also take part. The larger units have their own personnel managers and HR specialists.

HR ACTIVITIES are directed towards strategic goals for working climate, leadership, performance reviews, number of industrial accidents and proportion of female managers.

UNION CO-OPERATION. The union organisations meet regularly in the Holmen European Works Council and in consultation groups at each unit.

Environmental responsibility

ENVIRONMENTAL ACTIVITIES are conducted in accordance with Holmen's environmental policy.

ENVIRONMENTAL RESPONSIBILITY. The Group Board, the CEO and the heads of the business areas have overall responsibility for the environment. Operational responsibility for the environment is borne by the mill and forest managers.

Holmen's Director of Sustainable and Environmental Affairs chairs Holmen's environmental council, monitors developments in the field, follows activities relating to the Group's environmental goals and runs Group-wide joint action groups.

ENVIRONMENTAL MANAGEMENT SYSTEMS. All units at Holmen, including Holmen's forestry operations, apply certified environmental management systems. There are certified energy management systems at all the units except Workington, which applies a certifiable system.

FOREST CERTIFICATION. Holmen's forestry is certified in accordance with the international PEFC and FSC forest standards.

Information

FINANCIAL INFORMATION. Holmen publishes an annual report which is audited by external auditors. The magazine *Holmen Business Report*, which contains information such as year-end and interim reports, is published four times a year. Financial information is also published on Holmen's website.

PRODUCT AND SECTOR INFORMATION. Holmen Paper, Iggesund Paperboard and Holmen Skog publish their own magazines for customers, forest owners and politicians at both national and local level.

INFORMATION FOR PERSONNEL. *Holmen Insikt*, the magazine for Holmen personnel, is published four times a year and reflects the Group's activities from the point of view of its employees.

Production manager Morgan Andersson and operators Leif Nordqvist and Elise Äng at work on one of the paperboard machines at Iggesund Mill.

There are local personnel magazines at several units. The intranet *Online*, on which information is published in Swedish, English and Spanish, covers all units in the Group.

Finance

FINANCIAL ACTIVITIES AT HOLMEN are largely decentralised to business area, mill and forest region level. Group Finance has responsibility for co-ordinating financial activity in the Group, with functions for financing, controlling, accounting and reporting, taxes and insurance.

Holmen has working groups in key areas of co-operation such as financial management activity, Group reporting and internal control.

Purchasing

THE PURCHASE OF GOODS and services is co-ordinated at Holmen with the aim of reducing total costs. As of 2009 a new purchasing policy has applied which also clearly emphasises quality and sustainability requirements. Supplier assessments, linked to the goals in the purchasing policy, have been made since the start of 2010.

Risk management

RISK MANAGEMENT ISSUES are coordinated by a Group-wide body. Extensive risk analyses provide the basis for loss prevention measures and the procurement of insurance. The aim is for Holmen's major facilities to be classified as having the best possible fire safety standard. Holmen has insurance cover for property damage and loss of contribution margin due to damage to property.

The Group's forest holdings are not insured because they are dispersed over large areas of the country, which reduces the risk of simultaneous damage.

Policies and guidelines – code of conduct

Sustainable development

Sustainable development is an overarching goal at Holmen. According to the Group's strategy, the business is to be characterised by an all-embracing approach in which the environment is protected, raw materials and energy are used efficiently and ethical and social norms are respected.

Holmen's policies and guidelines together make up the code of conduct which steers the business in the direction of sustainable development. Policies and guidelines more than three years old are reviewed and revised as necessary.

All production takes place in the EU

Holmen's production takes place in the EU, where the majority of the products are also sold. There are some sales to the United States and countries in Asia.

In all countries, Holmen operates in accordance with local laws and agreements, and observes good business practice. Holmen also endeavours to ascertain how the Group's stakeholders deal with issues relating to the environment and personnel.

Holmen's policies and guidelines represent a guidance tool – code of conduct – focused on sustainable development. Together with the legislation in each country it provides the framework and govern Holmen's actions in different areas.

Environmental responsibility

THE ENVIRONMENTAL POLICY contains general principles for the Group's environmental activities. It covers the environmental aspects to which Holmen and its stakeholders accord priority.

GUIDELINES FOR PURCHASING OF WOOD. Holmen requires the wood the company obtains to be harvested in accordance with applicable laws and to satisfy specified environmental requirements.

HOLMEN'S GUIDELINES FOR SUSTAINABLE FORESTRY indicate how the forests are to be managed from the points of view of both production and the environment. The requirements in the PEFC and FSC forest standards are incorporated into the 60 guidelines contained in this document.

Social responsibility

THE PERSONNEL POLICY reflects the Group's stance on what constitutes sound human resources policy. It highlights the joint responsibility of management and staff for maintaining a good work and development climate. The policy also clarifies the requirements to be met by good managers.

THE EQUAL OPPORTUNITIES POLICY expresses the Group's endeavour to achieve a more even balance of female and male employees and to increase the number of women in managerial positions. Holmen considers it natural to combine parenthood and work. The policy is being revised in 2010.

WORKING ENVIRONMENT. The policy, which was introduced in 2009, covers ergonomics, protection, safety, discrimination, stress, rehabilitation and alcohol and drug abuse.

BRIBERY AND CORRUPTION. The policy, which was introduced in 2009, makes it clear that in their dealings with customers and suppliers, employees must give careful consideration to the implications and purpose of any form of favour offered.

THE PAY POLICY clarifies the Group's view of what should govern pay-setting.

INTERNAL LABOUR MARKET. This policy supports employees wishing to change jobs within the Group. Holmen regards internal mobility as a way of developing its employees.

Principal union safety representative Lars-Göran Paulsson and operator Emilia Larsson at Iggesund Mill check a machine part.

UNION CO-OPERATION AGREEMENTS between management and the union organisations focus on health, equality of opportunity and development of skills.

Financial development

GUIDELINES FOR FINANCIAL REPORTING state the goals for the Group's external financial reports and contain detailed guidelines on internal reporting.

THE INFORMATION POLICY regulates how the company is to manage internal and external information. It follows the recommendations of the Stockholm Stock Exchange.

THE COMPETITION POLICY aims to ensure that employees are aware of and comply with the rules that are applicable where the Group operates. The rules are based on EU Competition Law. This policy is being revised in 2010.

Other policies

THE PURCHASING POLICY states that Holmen is obliged to apply and maintain good business ethics and to take account of sustainability aspects. The policy was revised in 2009. The requirements in the areas of environmental and social responsibility were some of the details that were clarified.

THE IT SECURITY POLICY defines the responsibility of employees for the requisite approach to safety aspects.

THE TRAVEL POLICY expresses the Group's endeavour to bring about cost-effective, environmentally sound and safe travel. The policy was revised in 2009.

LOCAL GUIDELINES apply in several areas and are adapted to the specific unit.

For further information about policies go to: **www.holmen.com**

Human rights

Holmen is a member of the UN Global Compact. As such, the Group has taken a clear stance on issues related to human rights, social conditions, the environment and the right to establish trade unions.

Holmen is a member of the international organisation Global Compact and also, as of 2009, its Nordic network. As such, the Group supports the ten principles listed below.

There is little risk of anything in Holmen's operations conflicting with the UN Declaration on Human Rights, because all production takes place in the EU, where such matters are closely regulated. Holmen does, however, continuously monitor the issue. Holmen annually reports the results of its studies to the Global Compact.

In 2009 Holmen launched an analysis of whether any of its suppliers or customers in countries where risks exist are failing to comply with the requirements of the Global Compact. This analysis is continuing in 2010.

The ten principles of the Global Compact		Comments
	Companies shall:	
Human rights	1. Support and respect protection of internationally proclaimed human rights in the sphere that the company is able to influence.	1–5. *Holmen only has production in the EU, where these matters are regulated by EU legislation. Major customers and suppliers outside the EU have been analysed, and no suspect cases have been identified.*
	2. Make sure that they are not complicit in human rights abuses.	
	3. Uphold the freedom of association and recognise the right to collective bargaining.	3. *EU legislation regulates the issue of freedom of association in union co-operation agreements.*
	4. Eliminate all forms of forced labour.	
	5. Eliminate child labour.	
	6. Eliminate discrimination in respect of employment and occupation.	6. *Holmen applies the EU's anti-discrimination laws, and by conducting regular employee surveys discovers whether any form of discrimination has arisen in the Group. A policy of zero tolerance is followed. See page 50.*
Environment	7. Support a precautionary approach to environmental challenges.	7. *Holmen's operations require environmental permits from the authorities, and the requirement for a precautionary approach is therefore met.*
	8. Undertake initiatives to promote greater environmental responsibility.	8. *EU legislation is the cornerstone for the environmental conditions set by the authorities, which are regularly reviewed. Certified environmental management systems are applied at the mills and in the forestry operations. The forests are also managed in accordance with the PEFC and FSC forestry standards. Energy management systems are in place at all units as of 2009.*
	9. Encourage the development and diffusion of environmentally friendly technologies.	9. *Environmental activities and technical development in the environmental area are mainly carried out together with other companies in the sector. In most cases the results are published in reports and at seminars. Holmen is open to the exchange of information and dissemination of knowledge regarding environmental issues.*
Corruption	10. Combat all forms of corruption, including extortion and bribery.	10. *In 2009 Holmen introduced a new policy against bribery and corruption that draws attention to the stringency of the legislation in this field. The policy makes it clear that employees must consider very carefully the meaning and purpose of any favours offered in their contacts with customers and suppliers.*

THE GLOBAL COMPACT
WE SUPPORT

Global Compact

The Global Compact is based on:

- The UN Declaration on International Human Rights
- The OECD (Organisation for Economic Cooperation and Development) draws up principles and standards that governments apply to multinational enterprises to enable them to engage in business on a responsible and sustainable basis
- The International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on the Environment and Development.

www.unglobalcompact.org

Holmen in society

Stakeholders

Holmen conducts a continuous dialogue with its stakeholders, which raises the Group's awareness of what the stakeholders expect from it, and vice-versa. This in turn represents an important basis from which to identify strengths and weaknesses and enhance sustainability efforts.

International business indices continuously evaluate Holmen's sustainability efforts with the aim of identifying companies that have a good method of working on sustainability issues. Holmen takes a positive view of this and regards open communication on sustainability efforts as a means of strengthening the Group's brand name. It also helps in generating value for Holmen and its stakeholders.

The most important groups of stakeholders and a selection of recurrent issues are described below.

Shareholders, investors and analysts

Holmen endeavours to convey a true picture of the Group from the point of view of sustainability. Holmen shareholders, investors and analysts are informed about economic, environmental and social issues in the Group through channels such as the shareholders' magazine *Holmen Business Report*, analyst meetings and the website. Shareholders have an opportunity to put questions to the Board and company management at the Group's Annual General Meeting.

Holmen regards it as natural that it should be scrutinised in relation to economic and sustainability issues and it takes part in a large number of surveys and interviews every year. The Group finds this scrutiny valuable in identifying strengths and weaknesses.

Customers and business partners

Holmen attaches a great deal of importance to long-term relations with its business partners.

Customers have expectations of Holmen with regard to products and services, good business practice and the way in which the company deals with key sustainability issues. Holmen has the same expectations of its suppliers of input materials and services.

Holmen regularly monitors what customers, wood suppliers and buyers of seedlings think about the company through customer

Valuable review

Holmen and its World 2008 was analysed at the beginning of 2010 by students at the University of British Columbia in Canada under the direction of Professor John Innes. The analysis was done under the Global Reporting Initiative's (GRI) *Matchmaker* programme, which links companies who publish sustainability reports with university students.

The outcome was a number of valuable comments which are taken into account in this edition of *Holmen and its World* and will also be reflected in future editions.

Holmen regards such reviews as valuable, because they contribute to enhancing work on sustainability issues and the way in which these issues are reported. At the same time, the students learn about how companies work on sustainability.

Holmen's packaging board is resource-efficient and is made from renewable raw material. Trade fairs are one of the channels used to inform customers of the many sustainability advantages of paperboard.

Holmen's view is that many of the conflicts of interest that have long been a feature of relations between forestry and reindeer herding can be overcome through consultation and better knowledge of each other's circumstances.

and supplier surveys. The results are converted into action plans. In the past few years, many questions from customers have been concerned with climate change, carbon dioxide, Carbon Footprint, forest certification and traceability of wood.

Society

Holmen's forestry and industrial operations have an impact on the public and other interests in society. Holmen maintains close and regular contact with authorities, other land users and the rest of the business community. Holmen endeavours to provide the public, the media and opinion leaders with a true picture of the Group's activities.

Permit appraisals of the Group's operations are made continuously. Where appropriate, matters relating to soil pollution at discontinued industrial sites are also dealt with. All investigations and actions are carried out in consultation with the environmental authorities.

Local residents are consulted in cases where Holmen's industrial sites are located close to communities.

Large parts of Holmen's land in northern Sweden overlap Sami winter grazing land for reindeer. Holmen consults the Sami communities to arrive at solutions that meet both parties' requirements as fully as possible.

Present and future employees

Holmen has a clear aspiration to be an attractive and responsible employer by offering motivating and challenging work.

When changes or closures occur at industrial sites affecting the size of the workforce, Holmen endeavours to take clear social responsibility in order to mitigate the problems faced by those affected.

Holmen conducts a range of different activities for schools and universities.

The company also co-operates on the projects of doctoral and licentiate students, welcomes students working on degree projects and offers a large number of summer jobs.

Employee surveys are conducted every two years and provide a basis for improvements. Holmen's aspiration is that its employees should feel a sense of participation in the business through personnel meetings, internal media and dialogue with employees and unions.

Sara Abrahamsson is studying for an industrial doctorate at Holmen Skog. Her research is focused on better plant material.

Local significance and involvement

Holmen's operations are of great significance to employment in the places where the company is active. The closures in 2008 and 2009 also have consequences for the rest of the labour market in the affected communities.

Holmen endeavours to make closures and workforce reductions as "gentle" as possible, both for individual employees and for the communities affected.

Foundations associated with Holmen

The Kempe Foundations support research and education in the natural sciences in the counties of Västernorrland, Västerbotten and Norrbotten. In 2009, the Foundations donated SEK 53 million, most of it to Umeå University, the Luleå Institute of Technology, the National University of Agricultural Sciences in Umeå, and the University of Mid Sweden and related research in Örnsköldsvik.
www.kempe.com

Karl Erik Önnesjö Foundation. In 2005 a professorship in paper electronics was instituted at the University of Linköping's Norrköping Campus. It will receive funding of SEK 1 million per year for 15 years from the Foundation.
www.onnesjostiftelsen.se

FOR SOME YEARS, HOLMEN HAS BEEN MEASURING the effect the company has on local employment. Holmen Skog's role as an employer in regions where it operates is also calculated. The income earned by forest owners on sales of wood to Holmen also translates into jobs.

Holmen has a total of around 3 200 employees in Sweden. However, the total number of jobs generated by the Group is far higher. Through a ripple effect, further jobs are created at suppliers. Jobs are also created elsewhere in the business community and in public services as a consequence of the purchasing power these jobs provide.

The studies carried out by the Group show that the average Holmen employee generates a further 2.5 jobs elsewhere in the community.

A total of around 11 200 jobs were created in Sweden, approximately 1 300 down on the previous year.

THE CLOSURES in Vargön and Hallstavik in 2008 and Workington in 2009 will not have an impact on the statistics until 2011. The reduced workforce at Braviken Paper Mill in Norrköping is offset by new jobs at the new sawmill which will be operational as of early 2011.

Holmen aims to make the closures as "gentle" as possible for both individual employees and the communities affected (see also page 54). This means, for example, assistance in finding new jobs, early retirement and training. At Wargön Mill extensive measures have been taken to prepare the former industrial site for new activities. The measures include demolishing most of the buildings and identifying and remediating any soil pollution. All measures are carried out in consultation with the environmental authorities and external experts. Holmen anticipates that it will be possible to hand over the property during the course of 2010 so that it can accommodate other activities and thus provide new jobs in the longer term.

Local involvement

As a major employer, Holmen takes part in local activities in many locations. This participation ranges from representation on various research councils and municipal marketing companies to scholarship activities.

In some locations surplus heat from the mills is utilised for municipal district heating systems. Holmen also operates ports and lets housing.

Sponsorship

Holmen supports the MODO Hockey ice hockey team and the IFK Norrköping soccer team, as well as the Paralympic athlete Jonas Jacobsson. It also sponsors a number of local sports clubs on a smaller scale.

The Group is involved in cultural and humanitarian sponsorship in various locations, including the SOS Children's Villages and the Swedish Brain Foundation.

Consultation with Sami people

Holmen's forest land in northern Sweden largely overlaps the reindeer winter grazing land of Sami communities. There are thus two users of the same land with different requirements and circumstances, which has led to a number of conflicts over the years. These primarily concern the reindeers' need for lichen-dominated land when they are in the forests, but fertiliser application and contorta pine are other issues raised.

Holmen's view is that many of the conflicts that have occurred to date can be eliminated. By reconciling forestry plans and reindeer management plans it is possible to resolve many issues at the planning stage. It is particularly important for both parties to learn more about each other's industries and the conditions that apply.

Social assets of the forests

Forests represent significant social assets, which a large number of people enjoy in their leisure time. All Sweden's forests are open to the general public under the Swedish right of common access.

HUNTING can almost be termed a popular movement. In all, no less than 330 000 people go hunting in Sweden, and 5 500 of these are registered to hunt on Holmen land. Each year these hunters fell 3 500 moose with a total slaughter weight of almost 500 tonnes and a utility value of SEK 25 million, at a conservative estimate.

Holmen welcomes hunters onto its land and supports local hunting interests in various ways, such as by organising hunting events for young people and women in a few locations. There is strong interest in these events, resulting in an increasing number of hunters on the company's land.

ANGLING takes place in lakes and rivers on the Group's land. It is not known how many anglers there are, but they easily outnumber hunters. One in four Swedes state that they go fishing at least once a year.

HEALTH AND WELL-BEING. Recent research demonstrates clearly that forests have a beneficial effect on people's physical and mental health. The motor skills and ability to learn of both children and adults is improved by spending time in nature. Consequently, many municipalities have taken steps to make forests near to urban areas more accessible to the public.

FORESTS, NATURE AND YOUNG PEOPLE. Few young people today have any natural contact with "the forests". It is therefore important to emphasise the recreational assets offered by forests and nature to young people. Holmen takes part in the activities run by the *Skogen i Skolan* (Forest in School) organisation in all parts of Sweden, for instance by arranging study visits to the forests.

Forests have a beneficial effect on people's physical and mental health.

NATURE TOURISM is a growing sector in Sweden, attracting many visitors from the densely populated urban regions in central parts of Europe. Holmen has an extensive network of roads in its forests, which are also open to the general public.

WETLANDS. Holmen has been taking active measures with the Swedish Wetlands Fund since the late 1990s to restore wetlands. To date, thirty wetland areas have been restored. The primary purpose is to benefit the birds that depend on wetlands for breeding. But wetlands also fulfil a social function for people who are interested in birds.

One of Holmen's priority environmental targets is to create or restore at least one wetland per year on the Group's land. The wetlands should be functional and be made accessible to the public through signposting, notices and lookout towers.

Holmen's community study

was carried out by Ömalm Consulting AB, Örnsköldsvik, in close co-operation with Holmen and each municipality concerned. For detailed descriptions of Holmen's community studies, go to:
www.holmen.com

Holmen creates numerous jobs in the community

No. of annual job opportunities in 2009	Holmen Skog	Norrköping	Hudiksvall*	Hallstavik**	Workington
Direct jobs	400	766	1 167	779	478
Indirect jobs and forest owners	1 519	189	652	62	243
Total direct and indirect jobs	**1 919**	**955**	**1 819**	**841**	**721**
Jobs in trade and services	750	475	568	321	392
Total including trade and services	**2 669**	**1 430**	**2 387**	**1 162**	**1 113**
Municipal and county council jobs	785	339	735	242	234
Public sector employees' share of service industry	306	170	236	93	129
Public sector employees' direct and indirect share of own sector	327	121	299	70	76
Total	**4 087**	**2 060**	**3 657**	**1 567**	**1 552**
Share of annual jobs in each town, %	–	4	18	56	5

* Hudiksvall and Nordanstig municipalities ** Häverö-Singö, Edebo and Ununge municipalities.

Raw materials

Own forests for strength in the future

There is an increasing need for renewable raw materials in society to enable us to tackle climate change. Holmen's forests have an important role to play in this development. But there are additional reasons why Holmen regards its forests as a resource of ever increasing importance.

Growth in Holmen's forests comfortably exceeds annual removal of wood. The aggregate stock of wood in the forests is therefore steady increasing. This trend has been in progress ever since the first half of the 20th century and will continue until the mid-21st century. At that time it will be possible to fully utilise the production capacity of the land, so that just as much wood can be harvested each year as is simultaneously added through growth.

AS A RESULT OF the aspirations of society to combat climate change, a switch is currently taking place in favour of renewable and sustainable raw materials. The forests have a key role to play in this trend. They represent a biological production apparatus that can produce wood and energy infinitely, with the aid of sun, air and water. The forests and their products thus play a clear part in the sustainable society of the future. Realisation that this is the case and the increasing shortages of finite raw materials help to strengthen the position of products made of renewable raw materials.

Holmen is making a commitment to sawn timber…

The new sawmill Holmen is building alongside Braviken Paper Mill in Norrköping is part of the Group's effort to strengthen its position in the expanding market for construction timber.

This is the first stage in the transformation of Braviken into a bio co-location similar to Holmen's existing facility at Iggesund. There are significant synergies; the paper mill will source much of its raw material from the sawmill in the form of chips. By gathering all fibre flows together in one place it will become possible to add other operations in the longer term. Pellets, district heating and generation of electricity are a few of the interesting options.

… and is studying biorefining

Holmen is examining the feasibility of manufacturing additional products, besides traditional ones, from forest raw materials. These may include chemical products, fuels and entirely new materials. Holmen has strengthened its organisation in this area and has very interesting future opportunities.

Consideration for nature in managed forests

The nature conservation methods applied in Holmen's forests are resulting in a steady improvement of the biological quality of these forests.

In the future there will be more ancient and dead trees in the forests and at the same time a higher proportion of deciduous trees. Such features are important to many species that live in the forests. Holmen's forestry is managed with the aim of preserving the natural species diversity of the forests. This is done in two main ways:

1. **Forests where no forestry takes place.** Of Holmen's 1 160 000 hectares of land covered in forest, 965 000 hectares are used for forestry. The proportion of land covered in forest on which no forestry is undertaken at all, for nature conservation reasons, is 17 per cent.
2. **Nature conservation in forests where forestry is undertaken.** Methods adapted to nature are employed in the management of forests used for forestry.

While most of the trees are felled at intervals of 70–110 years, buffer zones and small biotopes as well as what are known as eternity trees are left inside the forest stands used for forestry.

For nature conservation reasons, Holmen leaves around 5 per cent of the acreage in its forests used for forestry.

A fifth of the forests are excluded. If we add the acreage of forest in which no forestry takes place at all to the acreage left for nature conservation reasons in forests where forestry is carried out, around 22 per cent – just over a fifth – of Holmen's forested land is excluded from forestry for nature conservation reasons.

An even financial return

Forestry is little affected by economic fluctuations. The results from Holmen's own forests vary only moderately over time – irrespective of whether the economy is heading up or down. The Group's own forests consequently have a stabilising effect on its financial results. Forestry also requires relatively small investments.

Important raw material base

Holmen is approximately 60 per cent self-sufficient in wood. Most of the Group's forests are located in northern Sweden, where Holmen does not have any industrial sites of its own. In the past, the wood from these forests was mainly sold to local buyers. As a result of logistic and swap arrangements, Holmen is increasingly using this wood at its own industrial sites. This has made it possible to reduce imports of wood to a very low level.

Development

INCREASED FOREST GROWTH. Under the forest stewardship programme which was introduced in 2006, Holmen will be able to increase the growth rate in its own forests by about 25 per cent within 30 years. This will be done through a number of well-established measures which together have a great impact.

Increased forest production is consistent with the aspirations of society to combat climate change. It enhances opportunities of manufacturing substitutes for products with an impact on climate and for fossil-based energy sources.

IMPROVED NATURE CONSERVATION METHODS. Alongside its aims to increase growth and wood production, Holmen is making efforts to raise the biological quality of the forests. The underlying strategy is not just to cultivate forest that produces a large quantity of wood, but to create the necessary conditions for greater biodiversity through targeted measures.

How Holmen will increase growth in its forests

Action	Effect, %
More effective regeneration	approx. 5
Cleaning of forest ditches	2–3
Forest fertilisation	approx. 2
Selected seedlings	3–4
More effective root rot treatment	approx. 2
Contorta pine on suitable land	3–4
More effective clearing, reduced moose population, selected seed stock etc.	6–7

Holmen is a partner in a number of nurseries where trees with particularly favourable characteristics produce seed for the Group's own nurseries. Osman Burgas picks out seeds at the seed orchard in Gnarp.

Wood procurement

Holmen's own forests meet around 60 per cent of the Swedish units' annual need for wood. The remainder is bought in, mainly from private forest owners. Holmen imports only a small volume of wood into Sweden.

Holmen's guidelines for purchasing wood

Holmen has been applying guidelines for the purchasing of wood since 1998. These guidelines include a definition of the types of wood the Group does not buy.

www.holmenskog.com

Traceability (Chain of Custody)

All wood for Holmen mills is procured from Holmen Skog, which holds traceability certification under the FSC standard Controlled Wood and the PEFC traceability standard Non-Controversial Wood.

Iggesund Mill, Iggesund Sawmill, Hallsta Paper Mill and Braviken Paper Mill have their own chain-of-custody certifications under both FSC and PEFC.

Workington Mill holds traceability certification under FSC.

Hallsta Paper Mill and Braviken Paper Mill hold a joint certificate for FSC Mixed for the production of printing paper based on both virgin fibre and recovered paper.

Wood procurement in Sweden

Most of Holmen's forests are located in northern Sweden, while its mills are in the southern and central parts of the country.

The mills consequently largely source their wood through purchases from private forest owners in those parts of the country.

In the past, almost all the wood from Holmen's forests in northern Sweden was sold to local buyers. Holmen also increasingly uses this wood for its sites in central Sweden through logistic and exchange arrangements.

Holmen's Swedish mills used 4.1 (4.4) million cubic metres of wood in 2009.

The volume harvested in Holmen's forests was 2.9 (2.6) million cubic metres, equivalent to more than 60 per cent of the Group's wood requirements.

ENVIRONMENTAL CERTIFICATION IN SWEDEN. All the large Swedish forest companies, and some private forest owners, are certified in accordance with FSC (Forest Stewardship Council). Holmen, like some other companies and a large proportion of the private forest owners, is also certified under PEFC (Programme for the Endorsement of Forest Certification schemes).

Holmen offers its wood suppliers group certification under PEFC and FSC. Over half of Sweden's forests are certified under FSC and/or PEFC. See also page 41.

Niklas Gustafsson is a production manager in Holmen Skog's Västmanland district.

Imports

In 2009 Holmen imported 150 000 cubic metres of wood, which is a historic low level. Most of this volume was delivered to Iggesund Mill. Smaller volumes also went to Hallsta Paper Mill and external buyers. Virtually all the imported wood came from Estonia.

Wood procurement in Estonia

Holmen's wholly owned subsidiary Holmen Mets buys and transports wood to its own terminals.

Almost all the wood is bought from private forest owners. Holmen Skog's guidelines for purchasing of wood are complied with.

Environmental certification in Holmen Skog

PEFC – forest stewardship. Holmen's forests are managed in accordance with the Swedish PEFC standard.

PEFC – group certification. Holmen can also PEFC-certify private forest owners and contractors.

PEFC – traceability. Holmen can trace all wood bought in Sweden back to its origin.

FSC – forest stewardship. Holmen's forests are managed in accordance with the Swedish FSC standard.

FSC – group certification. Holmen can also FSC-certify private forest owners.

FSC – traceability. Holmen has routines enabling Swedish and imported wood to be traced back to its origin.

FSC – Controlled Wood. Non-certified wood is also verified under the FSC rules on wood procurement.

ISO 14001. Holmen Skog complies with the environmental management standard ISO 14001 in its environmental work.

Verification. The international certification bodies DNV (Det Norske Veritas) and SSC (Svensk SkogsCertifiering), which are accredited by FSC and SWEDAC (PEFC and ISO) verify compliance with the requirements of the environmental certifications.

HOLMEN METS has been certified under the FSC standard for Controlled Wood since 2006 and has procedures and systems in place to trace all wood to its origin.

Holmen considers the systems for traceability now in use in Estonia to meet exacting requirements.

The return of land confiscated after the Second World War has now been largely completed. There are consequently fewer forests now whose ownership is unclear, which makes it easier for the authorities to verify the origin of wood.

ENVIRONMENTAL CERTIFICATION IN ESTONIA. State-owned forests, which account for around half the total acreage of forest land in Estonia, are certified under FSC. The proportion of certified, privately owned forests is relatively small.

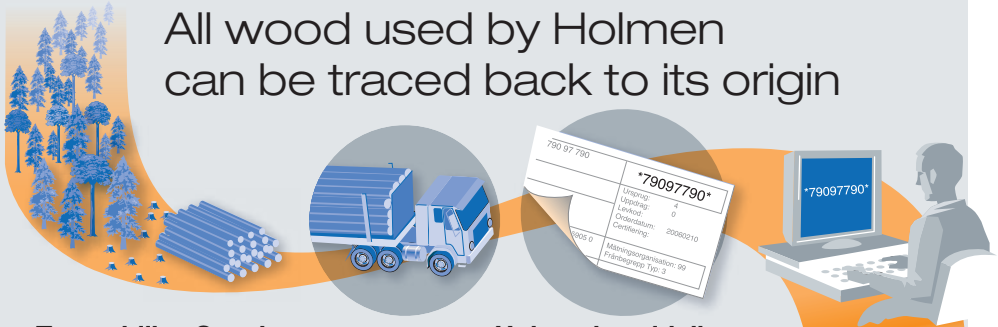
Wood procurement in the UK

The paperboard mill in Workington uses around 400 000 cubic metres of spruce wood and sawmill chips annually. Most of the wood comes from state-owned forests, mainly in south-west Scotland and northern England. A small proportion is sourced from private forest owners. Holmen does not own any forests in the UK.

The shutting-down of a paperboard machine at Workington Mill at the end of 2009 reduces the mill's annual need for wood to around 320 000 cubic metres.

ENVIRONMENTAL CERTIFICATION IN THE UK. All state-owned forests and most of the privately owned forests are certified under FSC.

All wood used by Holmen can be traced back to its origin



Traceability, Sweden

Holmen can trace all wood back to the site where it was harvested. Each consignment of wood is given an ID number, which accompanies it from the harvesting site until it passes into Holmen's possession.

Traceability, Estonia

Holmen Mets holds traceability certification under the FSC standard Controlled Wood.

The authorities today have a good knowledge of who owns the forests and continuously verify compliance with laws and regulations.

Holmen Mets carries out spot checks on the wood bought. Holmen's routines in turn are verified by the quality assurance body Smartwood, which is accredited by FSC.

Wood procured under this scheme is labelled FSC Controlled Wood. This provides assurance that the wood:

- has not been harvested illegally
- has not been harvested in violation of the rights of indigenous peoples
- does not come from controversial sources
- is not genetically modified
- does not come from natural forests that have been converted to plantations.

Holmen's guidelines for purchasing wood

Holmen has applied clear guidelines for purchases of wood since 1998. These contain environmental requirements and define types of forest from which the Group *does not* buy wood.

If the guidelines are not followed, for example if information supplied on origin is incorrect, Holmen has the right to terminate the deal without compensation.

Statutory requirements, Sweden

All harvesting of stands more than half a hectare in area must be reported to the Swedish Forest Agency. This notification must also specify how regeneration will take place. The Swedish Forest Agency verifies how the work is performed.

Statutory requirements, Estonia

The Estonian forest management authority verifies in the same way as the Swedish authority that harvesting and regeneration are carried out correctly.

For further information about forests and wood, go to:
All the facts, page 59 and **www.holmen.com**

Recovered paper

Producer responsibility for newsprint

A law on producer responsibility for recovered paper was introduced in Sweden in 1994. This regulates the duty of newsprint manufacturers to collect and deal with recovered paper. The target to reach a collection rate of 75 per cent has long been met. The figure for 2008 was 89 per cent.

A joint company, Pressretur, has been set up by the largest newsprint producers in Sweden, including Holmen, to handle the practical aspects of producer responsibility.

Good for many – but not all – types of paper

Recovered paper is a good raw material for newsprint, some grades of printing paper, tissue paper, corrugated board and some types of packaging board.

However, recovered paper is not suitable as a raw material for high-quality board or for packaging in direct contact with foodstuffs, for which cleanliness requirements are very strict.

Holmen uses recovered paper in the form of collected newspapers, magazines, catalogues, directories and manuals at Braviken Paper Mill and Holmen Paper Madrid.

BRAVIKEN PAPER MILL. Recovered paper is used in the production of newsprint and directory paper. The proportion varies between 30 and 60 per cent in different grades of paper.

HOLMEN PAPER MADRID. Production is based entirely on the use of recovered paper.

HALLSTA PAPER MILL. Recovered paper has no longer been used at the mill since one of the paper machines was shut down at the end of 2008.

Purchasing, Sweden

Recovered paper for Holmen's Swedish mills is purchased by the partly owned company PÅAB. Just over half the volume comes from within the country, and the rest is imported from the UK, Norway and Denmark. The paper from the UK is carried on return journeys by the ships used to take paper products to the UK.

The closing-down of a paper machine at Hallsta Paper Mill led to a reduced need for imported recovered paper.

Purchasing, Spain

Much of the recovered paper used at Holmen Paper Madrid comes from CARPA, a wholly owned paper recovery company, and from partly owned companies. Most of it is purchased in Spain. Other volumes are imported from Portugal, southern France and the UK.

Recovered paper collection

In Sweden 77 per cent of all the paper and board used in the country was recovered. In Spain the corresponding figure is 69 per cent and for Europe as a whole it is 67 per cent. All these figures relate to 2008, the latest year for which comprehensive statistics are available. Despite consumption of paper and board decreased in both Sweden and Spain in 2008, undiminished quantities of recovered paper were collected. This signifies that the collection rate rose.

As the supply of recovered paper in Sweden did not cover the need, 0.4 million tonnes were imported (net). The volume imported into Spain was also 0.4 million tonnes.

In 2008 there were (net) exports of 10.4 million tonnes of recovered paper from Europe, mainly to countries in Asia, particularly China. This is an increase of 25 per cent compared with 2007.

Certification of traceability

Braviken Paper Mill and Hallsta Paper Mill hold a joint certificate for FSC Mixed for the production of printing paper based on both virgin fibre and recovered paper.

Facts about recovered paper

Recovered paper collection 2008*
Share of collected paper (paper/board) in relation to total consumption in the area.

	Share, %	Million tonnes
Sweden	76,8	1,6
Spain	68,8	5,0
Europe	67,1	59,0

* The latest year for which comprehensive statistics are available.

Use of recovered paper 2008*
Share of recovered paper in relation to total amount of paper/board produced in the area and at Holmen Paper.

	Share, %	Million tonnes
Sweden	17,3	2,0
Spain	84,8	5,4
Europe (CEPI)	49,1	48,6
Holmen Paper (2009)	47,4	0,8

Recovered paper at Holmen
Use, '000 tonnes

	2009	2008	2007
Braviken Paper Mill	**340**	370	373
Hallsta Paper Mill	**–**	70	105
Holmen Paper Madrid	**473**	559	562
Holmen, total	**813**	999	1 040

Water

The volume of water used in production is steadily declining following the adoption of increasingly efficient methods and equipment. As of 2011, the mill in Madrid will only use recycled water.

In Sweden and the UK there are ample supplies of surface water. Precipitation levels are high, so watercourses are well filled throughout the year.

The Holmen installation in Madrid is not located on any watercourse. Municipal fresh water has therefore been used so far in the process.

How Holmen tackles water issues

Holmen continuously monitors the status of recipient aquatic environments in close co-operation with the environmental authorities. At each mill there are local environmental targets for water use and emissions. The conditions in the environmental permits regarding type of wastewater treatment are based on the unique water conditions in the vicinity of each mill.

HOLMEN PAPER MADRID. Following a series of efficiency measures, the mill's specific water consumption is now among the lowest in Europe. To further reduce the need for fresh water, the mill, in cooperation with the water supplier, has developed advanced technology to use treated municipal wastewater. As a result, in spring 2011 the mill will be able to replace all fresh water for the process with recirculated water. This will be "recycled water" which is treated in accordance with very exacting requirements. The fresh water "released" in this way is equivalent to the annual need for 80 000 households.

Holmen Paper Madrid will consequently have the first mill in Europe to manufacture paper based totally on recovered paper and totally on recycled water.

BRAVIKEN PAPER MILL. Specific water consumption (process water, m^3/tonne paper) at the mill decreased by just over 10 per cent in 2009. This is partly thanks to investments and measures implemented on pipes and pumps, but also to an increased focus on how water is heated and re-used.

IGGESUND MILL. An installation for chemical flotation of wastewater was commissioned at the end of 2009. This means that a further stage of treatment has been added to the existing treatment plant (mechanical and biological treatment). This will ensure good status in the aquatic environment outside the mill for many years to come.

Holmen received the 2009 Queen Kristina Award for its efforts on environmental issues, in particular for its work in reducing the use of water at the mill in Madrid. King Juan Carlos I of Spain presented the prize to Arne Wallin, head of Holmen Paper.

Statutory requirements

The EU's Water Framework Directive is being implemented. Its objective is to attain good status for all water in Europe by 2015. Industrial companies may consequently face new requirements to take measures so that all watercourses attain good water quality.

The Group participates in local water conservation associations, which are expected to play a key role when the Framework Directive comes into effect.

Holmen is well placed to satisfy the requirements of the EU Directive with the measures being taken to reduce both water consumption and emissions.

Water Footprint

In line with increased awareness of the sensitivity of nature to climate change, there has been increasing focus on the availability of fresh water around the world. Methods are therefore now being developed to enable calculation of the Water Footprint of companies and products, that is, water consumption from a lifecycle perspective.

A sector-wide project to describe the use of water at the industrial sites and water flows in forestry was started in Sweden in 2010. Holmen is taking part and will compile detailed information on water flows so that it can establish Water Footprints for its operations and products.

Water – an important raw material for Holmen

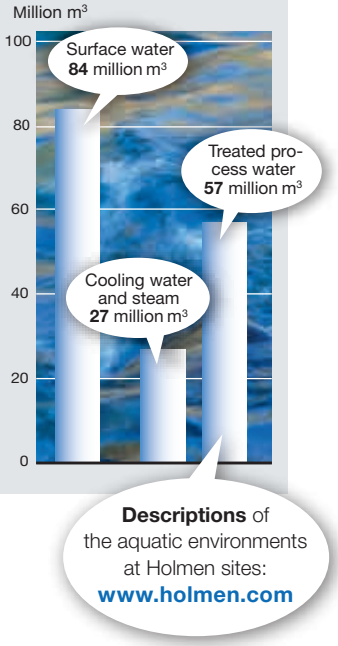
Holmen uses water to transport and wash fibres at the mills. Water is also used for other operations, such as cooling and steam production.

The water used is almost entirely surface water, that is to say water taken from lakes and watercourses.

Holmen is endeavouring to reduce its use of water, which has led to a decrease of about 20 per cent in specific need over the past ten years (in terms of cubic metres of water per tonne of final product).

The same water is often used several times. Polluted water from the process is treated in several stages before it is released. At Holmen sites this involves various combinations of mechanical, biological and chemical treatment. Flowing water is utilised to generate electricity at Holmen's hydro power plants.

Water – in and out



Descriptions of the aquatic environments at Holmen sites: **www.holmen.com**

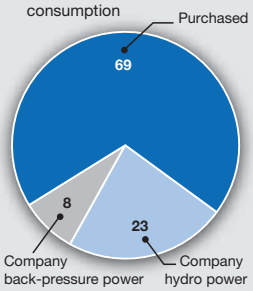
Energy

Holmen uses large amounts of energy. The manufacturing of thermo-mechanical pulp is particularly heavy on electricity. Good access to electrical energy at competitive prices is therefore a key issue for the Group.

Energy supply in Holmen 2009

Electric energy

% of Holmen's total consumption



Holmen owns, wholly or partly, 21 hydro power stations. Back-pressure power is produced at the mills. The electricity that is purchased in Sweden is mainly produced at hydro or nuclear power stations.

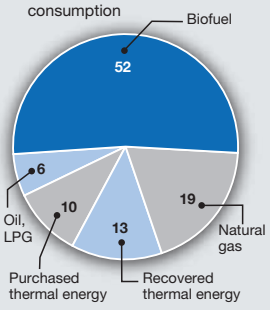
Electric energy

% of Holmen's total consumption

	2009	2008	2007
Purchased electricity	**69**	69	69
Company hydro power	**23**	22	23
Company back-pressure power	**8**	9	8

Thermal energy

% of Holmen's total consumption



At Iggesund Mill thermal energy is produced by the incineration of wood-containing liquors. At Hallsta and Braviken surplus heat is recovered from the TMP-process. Thermal energy is also generated through burning bark. Natural gas is used at the mills in Workington and Madrid.

Thermal energy

% of Holmen's total consumption

	2009	2008	2007
Biofuel	**52**	48	46
Recovered thermal energy	**19**	15	14
Natural gas	**13**	15	14
Oil, LPG	**6**	12	16
Purchased thermal energy	**10**	10	10

Increased energy costs and the relationship between energy use and climate change have resulted in an increased focus on energy uses in the Group. It is crucial to Holmen's long-term profitability to keep energy consumption and costs as low as possible.

Company-generated electricity meets one-third of requirements…

Holmen wholly or partly owns 21 hydro power stations located on the Umeälven, Faxälven, Gideälven, Iggesundsån, Ljusnan and Motala Ström rivers. These meet between 25 and 30 per cent of the Group's annual electricity needs. Combined with the company's own back-pressure power production, this means that Holmen is approximately one-third self-sufficient in electricity. Production in the hydro power plants in 2009 totalled 1 090 GWh, in line with a normal year.

Holmen is a partner in the BasEl wind power company VindIn. The first wind turbines entered service at Skutskär at the end of 2009. Holmen's share of the electrical energy they produced was just under 1 GWh.

…the rest is purchased

Most of the electricity needed at Holmen's mills is purchased externally, making the Group one of Sweden's largest buyers of electricity. In order to manage the associated risks, Holmen hedges prices by entering into long-term agreements with electricity suppliers. The prices of its purchased electricity in Sweden have been fully hedged up to 2012 and 85 per cent has been hedged for the following years up until 2015.

Bioenergy meets half the need for thermal energy

Biofuels, mainly in the form of bark and wood-containing liquors, meet approximately half of Holmen's thermal energy requirements. Combined with recovered thermal energy, this means that almost two-thirds of the thermal energy needed is produced internally. The new pulp line at Braviken Paper Mill means that the amount of thermal energy recovered is increasing. Remaining quantities of heat are produced at the mills using natural gas, oil and LPG or are purchased from external suppliers.

A new power station entered service in Iggesund in October 2009. It replaces three older plants.

Surplus heat delivered externally

Iggesund Mill and Hallsta Paper Mill are located close to built-up areas. The surplus thermal energy is delivered to the municipal district heating networks in Iggesund and Hallstavik.

More energy-efficient production

In the autumn of 2008 Holmen Paper started up a new line for energy-efficient production of thermomechanical pulp at Braviken Mill. The investment totalled around SEK 500 million, of which the Swedish Energy Agency contributed around SEK 40 million. Compared with the previous pulp line, the energy need has been reduced to date by between 15 and 20 per cent. In addition, the quality of the paper pulp is greatly superior.

Three Ph.D thesis projects are now focusing on achieving a 30 per cent reduction through further measures.

Phasing out oil

Measures were taken at Hallsta Paper Mill which reduced the need for oil. The need for oil has declined by around 75 per cent since 2005.

The possibility of reconstructing the oil-fired boiler at Braviken Paper Mill so that it can burn biofuel is being investigated. Several projects are focused on saving energy, principally by increasing heat recovery at the TMP plant. The proportion of TMP pulp in production will also be increased as part of this effort. The need for oil at the mill has decreased by 40 per cent since 2005.

Investments are also being made at Iggesund Mill to reduce oil use. The mill's use of oil has decreased by 65 per cent since 2005.

More hydro power produced in-house

Holmen built a new and more efficient power plant on the Iggesundsån river in 2009 to replace three older ones. The power plant entered service at the end of the year.

The Group is also exploring the possibility of making cautious use of undeveloped waterfall rights.

Higher proportion of internally generated energy

Holmen aims to increase the share of internally generated energy. This mainly involves making more efficient use of energy and greater use of waste heat, as well as increasing the proportion of bioenergy.

Energy management systems

The Group's Swedish mills have certified energy management systems. Workington Mill has been operating under a certifiable energy management system since the start of 2008. Holmen Paper Madrid introduced an energy management system which was certified in 2009.

Preparations for wind power

Preliminary studies into the construction of wind farms on Holmen land outside Örnsköldsvik and near Hallstavik and Norrköping are in progress. All the sites being studied are on forest land. If the outcome of the studies is favourable, the intention is to build large wind farms on these sites.

More biofuel

Holmen is gradually increasing the extraction of biofuel from its own forests and has become more active as a buyer and seller on the biofuel market.

Holmen's long-term forest stewardship efforts are increasing the total stock of wood in its forests. By applying further measures to stimulate growth it will therefore eventually be possible to significantly increase the volumes of wood and biofuel extracted.

Waste

Work is in progress in the Group to improve the prospects of extracting energy from waste.

Peat land

Holmen is investigating the possibility of harvesting peat on the Group's land. To gain experience, peat cutting began on land near Örnsköldsvik in summer 2009. The first delivery of peat was made in the autumn.

Industry-wide measures

Holmen has formed BasEl i Sverige AB along with other electricity-intensive companies. BasEl aims to increase access to electricity at competitive prices.

BasEl's wind power company, VindIn, commissioned the first wind turbines in Skutskär in 2009. The next project consists of a larger wind farm with around 30 turbines at Trattberget in the municipality of Örnsköldsvik.

Holmen and four other companies have begun discussions with Vattenfall to safeguard future baseload power that is free of carbon dioxide.

VindIn, part owned by Holmen, started up its first wind farm during the autumn 2009.

Different papers – different energy needs

Sulphate pulp is produced at Iggesund Mill. The wood is cooked in liquor, so that the cellulose fibres are released intact and undamaged and without any loss of strength. Approximately half the content of the wood is cellulose fibres which can be turned into paper. The rest of the wood substances are collected and used as biofuel.

Mechanical pulp is produced at Hallsta and Braviken Paper Mills (both TMP) and Workington Mill (RMP, Refiner-Mechanical Pulp). The wood is broken down mechanically in what are known as refiners. Large quantities of electrical energy are required to drive the refiners. In return, the entire contents of the wood can be utilised. The heat generated in the refiners is recovered and utilised elsewhere in the process. Bark and wood residues are used as bioenergy.

De-inked pulp (DIP). De-inked recovered pulp is an excellent raw material for newsprint, among other uses. Production at Holmen Paper Madrid is entirely based on DIP. At Braviken Paper Mill, DIP makes up around 25 per cent of the raw material.

Unlike the production of sulphate or mechanical pulp, no surplus heat is generated, nor are there any bark or wood residues. External energy sources are therefore required when the paper pulp needs to be dried to paper.

Climate and sustainability

The forests play an important role in climate efforts

Forestry and use of products from forests, instead of other products and sources of energy with a climate impact, together represent the most important role of forests in efforts to tackle increasing global warming.

Emissions of carbon dioxide and other greenhouse gases must be reduced in order to curb the change taking place in the Earth's climate. The UN climate conference in Copenhagen in December 2009 made it clear that the current, highly negative trend must be brought to a halt. Forests have an important role to play in these efforts. They provide raw materials and bioenergy which, unlike those based on oil, do not add new quantities of greenhouse gases to the atmosphere. Society is therefore increasingly turning its attention to forests, which are regarded as part of the solution to the problem of climate change.

Climate change

Causes

1. The unrestrained use of oil and coal up to the present day has released carbon dioxide, which had been locked up in the Earth's crust as carbon for several million years.
2. Deforestation in tropical countries has two negative effects: deforestation releases carbon dioxide and reduces the ability of nature to remove carbon dioxide.

Measures

1. Reduce the use of products and energy based on oil and coal.
2. Engage in active forestry adapted to nature in order to produce wood that can replace materials and energy sources that have a harmful impact on climate.
3. Halt deforestation in tropical countries.

The concept of carbon sink

The carbon stored in living forests and forest products such as wood and paper will sooner or later be released again as carbon dioxide. It is therefore partially true to regard forests and forest products as "carbon sinks".

On the other hand, a carbon sink can be said to exist if the quantity of forests on Earth is lastingly increased, or if society increases its use of wood-based products in a likewise lasting manner. The difference between present-day levels and the new ones constitutes a carbon sink, because more carbon dioxide is constantly being bound in either living trees or wood products.

Both storing and replacing

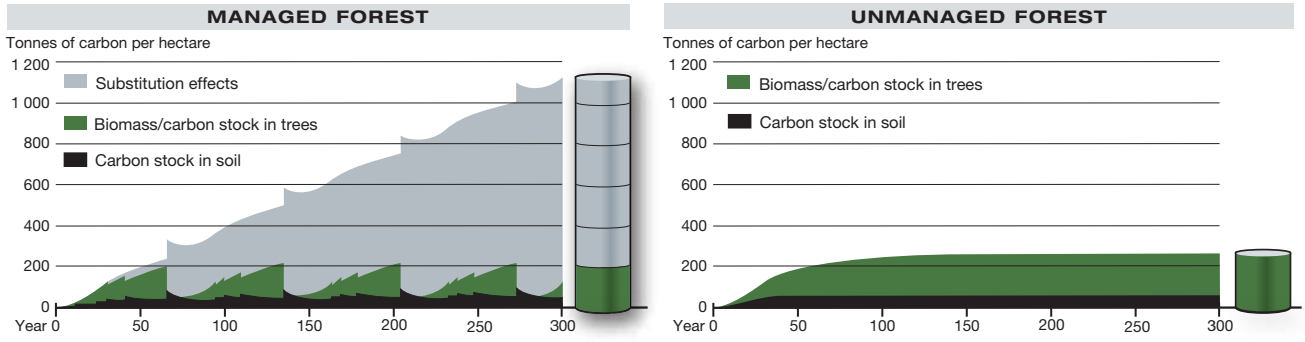
One cubic metre of construction timber:

- **stores** 0.9 tonnes of carbon dioxide that the tree once removed from the air.
- **replaces** building materials with a climate impact that emit 1.1 tonnes of carbon dioxide.

The combined effect of storage and replacement (substitution) thus totals 2 tonnes of carbon dioxide per cubic metre of construction timber.

Source: Frühwald et al 2003. "Comparison of wood products and major substitutes with respect to environmental and energy balances."

Why a managed forest is better for the climate than an unmanaged one



Basic conditions:

Managed forest. Planted, cleaned, thinned and harvested at regular intervals over 300 years.

In the managed forest a stock of wood is built up over a period of 70 years which is then mostly harvested. Wood and biofuel are used to replace other materials and sources of energy with an impact on the climate.

Unmanaged forest. Allowed to develop freely over 300 years.

In the unmanaged forest the stock of wood is built up once – and then changes insignificantly over time. The trees act as a carbon sink, but in the unmanaged forest the substitution effect is completely lost.

The comparison is based on the research report "*Integrated carbon analysis of forest management practices and wood substitution*". Eriksson et al, NRC Research Press Web 2007 (National Research Council Canada).

Six basic facts about forests and climate

Forests absorb carbon dioxide and store it as carbon in the trees and soil.

The carbon present in the trees forms part of the atmosphere's natural carbon cycle.

The better the forest grows, the more wood and biofuel it produces and the greater its benefit to the climate.

Just as much carbon dioxide is released whether biofuel is burnt or the same quantity of wood and tree parts are left to rot in the forest.

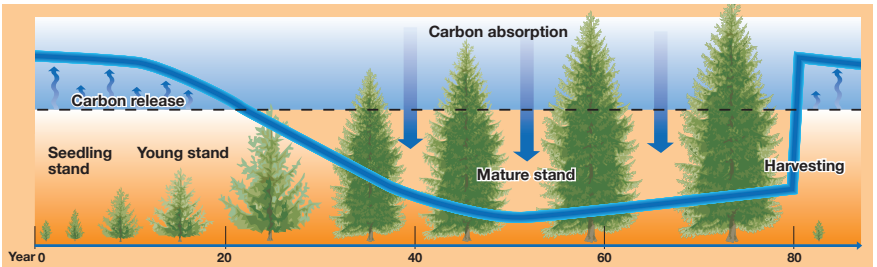
By using wood and biofuel instead of materials and sources of energy with an impact on the climate, greenhouse gases are reduced to an equivalent extent.

The same quantity of carbon dioxide as is released when biofuel, used cellulose fibres or wood from demolition is burnt can build up the same quantity of wood in the trees again.

The age of the forest decides the absorption of carbon dioxide

A forest's ability to absorb carbon dioxide is related to a number of factors: the age of the trees, how the forest is managed, the local climate, the nutrient content of the soil and the level of precipitation.

The forests in southern Sweden absorb more carbon dioxide in a shorter time than the forests in the northern parts of the country. Conversely, more carbon dioxide is released from forest land in southern Sweden than in northern Sweden. This is because the rate of decomposition is faster in the south owing to the higher annual mean temperature.



The age ranges indicated are approximate and vary for different parts of the country, as well as with height above sea level. The colder the climate and the higher above sea level, the more slowly the forest grows.

Seedling and young stands – 1 to 20 years old. Forest land releases carbon dioxide after harvesting due to increased penetration of sunlight, which speeds up the rotting process in the soil layer. The trees are still too small to make up for the release of carbon dioxide.

Younger and middle-aged stand. The trees grow fastest during this period and absorb far more carbon dioxide than the soil releases.

Older forests – 80 years and older. The trees' growth and ability to absorb carbon dioxide declines as they become older. At the same time the forces of decomposition start to act. Branches fall to the ground and some trees die, which increases the release of carbon dioxide.

Carbon analysis of Holmen's forest operations

Holmen's forestry has positive effects in relation to climate change. This is because of a steadily increasing volume of wood that binds more and more carbon dioxide in the trees and the fact that wood and bioenergy are replacing products and sources of energy that have a climate-changing impact. In the longer term this positive climate impact can be further strengthened.

The combined volume of wood in the trees that grow in Holmen's forests is increasing. This trend has been underway for a long time. There is twice as much wood per hectare today as there was in the 1950s. This trend will continue for at least another fifty years. At the same time, nature conservation methods are being improved in accordance with the long-established objective that all forest-living species should be able to survive in viable populations.

THERE ARE SEVERAL REASONS FOR the rising volume of wood in Holmen's forests. The most important one is that a significant portion of growth is taking place in young forests which are not yet sufficiently mature for harvesting. Holmen therefore only removes just over 80 per cent of annual growth. As these younger forests grow to a harvestable age, it will become possible to increase the removal of wood to bring it on a par with growth.

Holmen's forest stewardship also contributes considerably to the increasing volume of wood. As a result, forest growth is constantly improving, which in turn makes it possible to gradually harvest more wood.

THE INCREASING VOLUME OF BIOMASS BINDS more carbon dioxide in the forests. More wood also creates opportunities to make more products capable of replacing those that have an adverse impact on climate. The quantity of bioenergy – which can replace fossil-based energy sources – is increasing to the same degree. There is strong justification for concluding that Holmen's positive impact on climate will increase.

Background information

The figures for growth and harvesting are an average for 2005–2009 and are stated as total volume over bark (m^3sk), that is, the complete volume of the trees, including bark and tops, and in this case branches and needles as well.

Holmen's forests

Total land acreage: 1 264 000 hectares, of which land covered in forest totals 1 162 000 hectares.

Annual growth: 3 950 000 m^3sk.

Annual average harvesting: 3 240 000 m^3sk (82 per cent of growth).

Annual average increase in stock: 700 000 m^3sk.

Two "types" of carbon dioxide

Carbon dioxide is carbon dioxide – but there is good reason for making a distinction according to its source.

Biogenic carbon dioxide, which is released when biofuel and wood-based products are burnt, is equivalent to the quantity that would have been released had the trees instead been left to rot in the forest.

Biogenic carbon dioxide is already part of the carbon cycle in the atmosphere, and does not contribute to the greenhouse effect.

Fossil carbon dioxide, which is released when oil and coal are burnt, adds new quantities of carbon dioxide to the atmosphere. Both oil and coal have been stored in the Earth's crust for millions of years.

Fossil carbon dioxide is the villain of the piece in climate change.

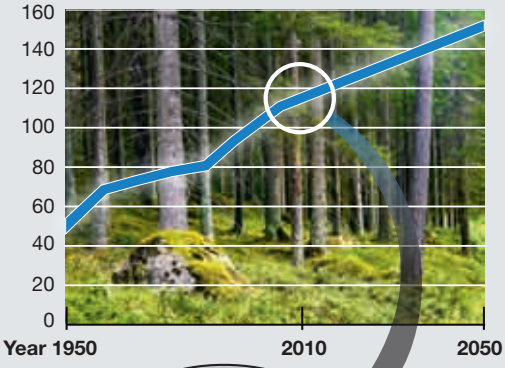
Substitution – the most important role of the forests

Forests play their most important role with regard to climate when wood is used as a substitute for materials and sources of energy that have a detrimental effect on climate. There is a dual effect:

1. **Greenhouse gas emissions** from the production and use of materials and sources of energy with a harmful climate impact are avoided.
2. **Used forest products** make excellent biofuels, replacing oil and coal.

Holmen's forests have positive effects on the climate

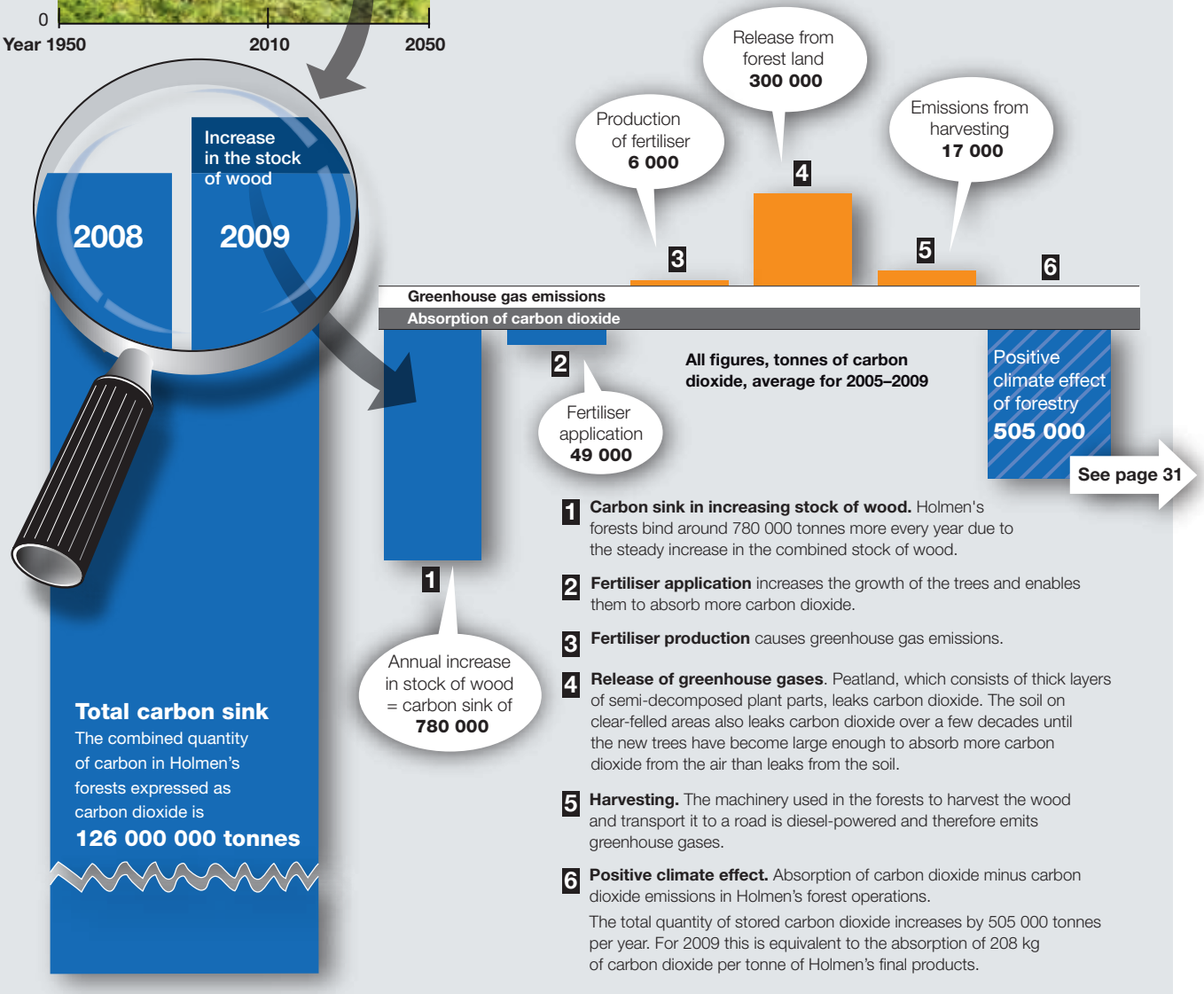
Development of the stock of wood, total volume over bark (m^3sk) per hectare



The trees in the forest capture carbon dioxide and store it as carbon in their biomass. The better the trees grow, the more carbon dioxide they absorb.

Increasing stock of wood a carbon sink

Holmen's forests have long been managed in such a way that they contain a greater quantity of wood every year. There is twice as much wood on the same acreage today as there was 60 years ago. They also contain twice as much carbon. The stock of wood will continue to increase.



See page 31

1 **Carbon sink in increasing stock of wood.** Holmen's forests bind around 780 000 tonnes more every year due to the steady increase in the combined stock of wood.

2 **Fertiliser application** increases the growth of the trees and enables them to absorb more carbon dioxide.

3 **Fertiliser production** causes greenhouse gas emissions.

4 **Release of greenhouse gases**. Peatland, which consists of thick layers of semi-decomposed plant parts, leaks carbon dioxide. The soil on clear-felled areas also leaks carbon dioxide over a few decades until the new trees have become large enough to absorb more carbon dioxide from the air than leaks from the soil.

5 **Harvesting.** The machinery used in the forests to harvest the wood and transport it to a road is diesel-powered and therefore emits greenhouse gases.

6 **Positive climate effect.** Absorption of carbon dioxide minus carbon dioxide emissions in Holmen's forest operations.

The total quantity of stored carbon dioxide increases by 505 000 tonnes per year. For 2009 this is equivalent to the absorption of 208 kg of carbon dioxide per tonne of Holmen's final products.

Carbon footprints reveal the climate impact of products

Greenhouse gases

Greenhouse gases is the collective name for a number of gases that contribute to the ongoing warming of the Earth's climate. They accumulate in the atmosphere and allow sunlight through but prevent heat from escaping into space. In doing so they act in the same way as the glass in a greenhouse.

The most important greenhouse gases are fossil carbon dioxide, nitrous oxide and methane.

Holmen's carbon footprint

Holmen has started work on calculating the climate impact of its operations by establishing:

1. The greenhouse gas emissions caused by the production.
2. The products' absorption of carbon dioxide.
3. The ability of the products to replace materials and sources of energy that have an impact on climate and the greenhouse gases that are consequently avoided.

The calculations are made in accordance with the guidelines issued by CEPI, the European industry association.

New sawmill is built of wood

The new sawmill Holmen is now building at Braviken Paper Mill has beneficial effects of its own on the climate. The carcass is made of laminated timber, while the walls are of solid wood. There will also be a strong sense of wood in the interior. Altogether the buildings will contain 4 500 cubic metres of wood equivalent to a temporary carbon sink of 3 600 tonnes of carbon dioxide. Using wood to construct the buildings, instead of other materials with a climate impact, means that carbon dioxide emissions equivalent to around 5 000 tonnes are avoided. The sawmill buildings have aggregate positive climate effects equivalent to 8 600 tonnes of carbon dioxide.

The Holmen Group does not add new quantities of greenhouse gases to the atmosphere. On the contrary, its forests and products contribute to capturing carbon dioxide and reducing the greenhouse gas emissions made by society.

A carbon footprint reveals the quantity of greenhouse gases that a product generates during its entire lifecycle. The calculation begins with the raw material and ends with the disposal or recycling of the product. The carbon footprint can thus be said to be a measure of the product's climate benefit/climate impact. More and more customers are demanding such information, and Holmen will therefore present carbon footprints for most of its products in 2010.

HOLMEN'S CARBON FOOTPRINT have principally been calculated to show what components are included, as well as to provide a picture of their combined effects.

Most of the information is based on the facts and figures presented at the end of this report. Some of it is based on calculations made specifically for this purpose. The calculations clearly indicate that Holmen's operations have positive effects in relation to climate change. Carbon dioxide absorption and the effects of substitution are greater than the greenhouse emissions caused by Holmen.

THIS POSITIVE EFFECT ON CLIMATE will be gradually strengthened through four of Holmen's sustainability goals: *Reduced use of fossil fuels* and *more efficient use of energy* reduce Holmen's greenhouse gas emissions.

Increased growth in Holmen's forests means that the forests can absorb more and more carbon dioxide, which in turn also results in more sawn timber, which can replace products with a climate impact. *Increased extraction of biofuels* makes it possible for society to phase out more fossil fuels.

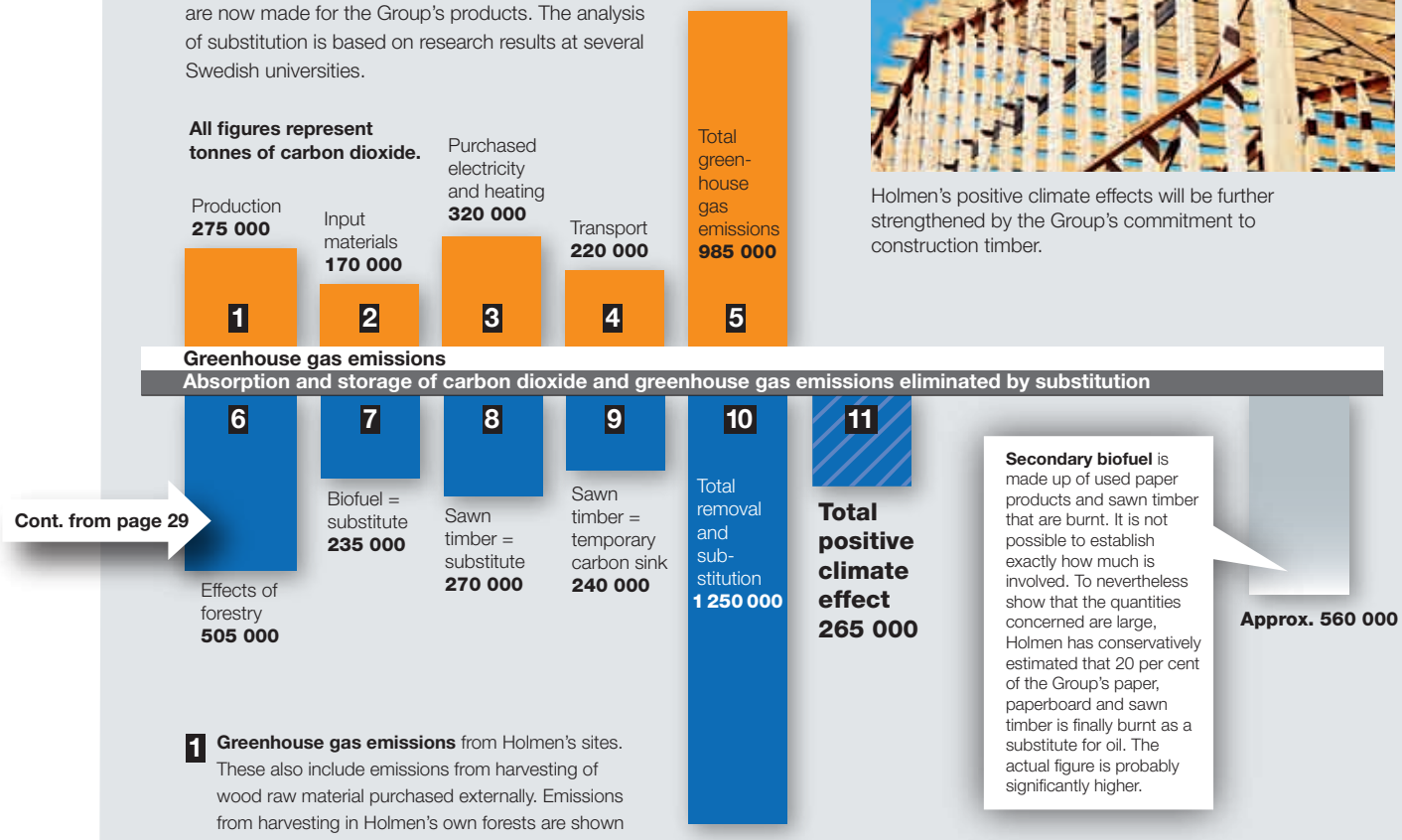
The Group's production of sawn timber will increase sharply with the start-up of the new sawmill at Braviken in the beginning of 2011. This will more than double the substitution effect of the sawn timber and increase the quantity of carbon dioxide held in temporary storage.

The carbon footprints of the Holmen Group

By adding together absorption/substitution of carbon dioxide and greenhouse gas emissions, it can be seen that Holmen's operations have positive climate effects.

The figures quoted are based on the facts section of this report and the calculations of carbon footprints which are now made for the Group's products. The analysis of substitution is based on research results at several Swedish universities.

Holmen's positive climate effects will be further strengthened by the Group's commitment to construction timber.



1 **Greenhouse gas emissions** from Holmen's sites. These also include emissions from harvesting of wood raw material purchased externally. Emissions from harvesting in Holmen's own forests are shown on the previous spread.

2 **Principally greenhouse gas emissions** from the production of the chemicals used by Holmen.

3 **Greenhouse gas emissions** in the production of electricity and heating purchased externally.

4 **Transporting of wood** and input materials to – and products from – Holmen's mills.

5 **Total emissions** (1–4) of greenhouse gases caused by Holmen's operations.

6 **Positive climate effects** of Holmen's forestry. See previous spread.

7 **Biofuel originating** in Holmen's forests is an important substitute for oil. This also includes the biofuel which some mills sell externally. The effect is calculated as the quantity of greenhouse gases avoided.

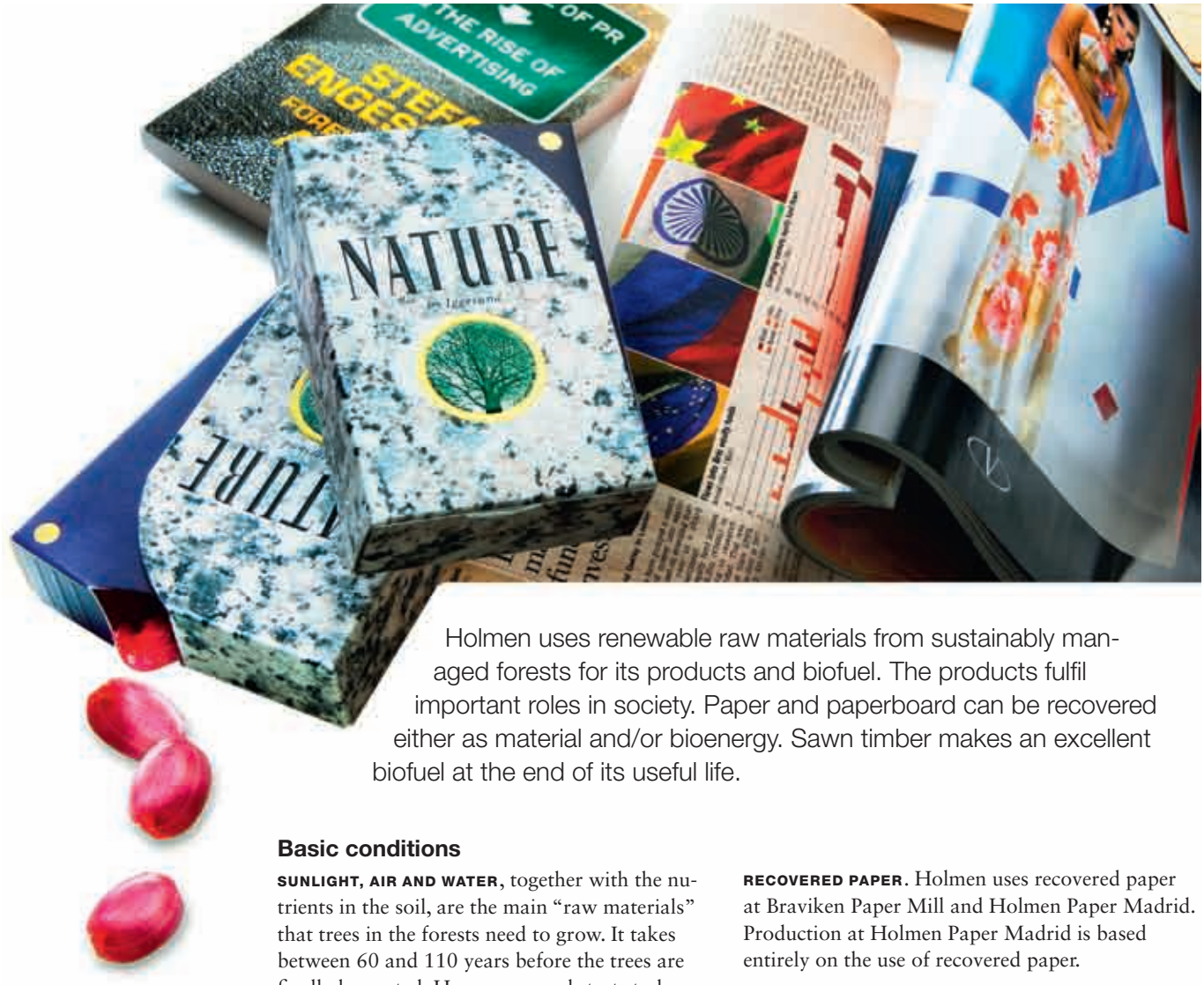
8 **Holmen's sawn timber** in many cases is a substitute for other materials with an impact on the climate. The effect is calculated as the quantity of greenhouse gases avoided.

9 **Holmen's sawn timber stores carbon dioxide** for as long as it is used, and thus acts as a temporary carbon sink.

10 **Total positive climate effects** (6–9) of Holmen's operations.

11 **Positive climate effects** minus total greenhouse gas emissions. The effect of the secondary biofuels is not included.

Products from a sustainability perspective



Holmen uses renewable raw materials from sustainably managed forests for its products and biofuel. The products fulfil important roles in society. Paper and paperboard can be recovered either as material and/or bioenergy. Sawn timber makes an excellent biofuel at the end of its useful life.

Basic conditions

SUNLIGHT, AIR AND WATER, together with the nutrients in the soil, are the main "raw materials" that trees in the forests need to grow. It takes between 60 and 110 years before the trees are finally harvested. However, wood starts to be removed when trees are 30 years old, because this is when the forest is thinned for the first time. Thinning is then carried out once more, or sometimes on two more occasions.

HOLMEN'S FORESTS ARE MANAGED SUSTAINABLY. Annual removals of wood amount to just over 80 per cent of the growth.

FORESTRY ADAPTED TO NATURE. Holmen's goal is to preserve the biodiversity of the forest. Around 20 per cent of Holmen's forested land is completely set aside from forestry activities.

PURCHASED WOOD. Holmen has procedures to trace all wood back to its origin. The wood that Holmen purchases must have been harvested in accordance with applicable legislation and must meet the Group's environmental requirements.

RECOVERED PAPER. Holmen uses recovered paper at Braviken Paper Mill and Holmen Paper Madrid. Production at Holmen Paper Madrid is based entirely on the use of recovered paper.

THERMAL ENERGY. Biofuels and recovered thermal energy account for around 70 per cent of the thermal energy required for the manufacturing of Holmen's products.

ELECTRICAL ENERGY. Hydro power generated by the company and back-pressure power at the mills meet around a third of Holmen's electrical energy needs. Remaining quantities are purchased externally.

Printing paper

Printing paper is produced from spruce wood and recovered paper. The paper is mainly used for daily newspapers, weeklies, books and other printed material. This production causes little environmental impact, but uses substantial electrical energy.

Development

LOWER ENERGY CONSUMPTION is a priority area for development. The new pulp line started at Braviken Paper Mill in 2008 has to date consumed 15 per cent less electricity than the previous line. As a result of further development activity there are good prospects of attaining a power saving of up to 30 per cent.

REDUCED USE OF WATER. An extensive project focused on saving water is in progress at Holmen Paper Madrid (see page 23). Efforts are also being made to reduce the need for water at Braviken Paper Mill and Hallsta Paper Mill.

GOOD PRINTABILITY is a key competitive advantage for printing-paper customers. Holmen therefore focuses on developing new and improved paper grades.

BETTER RECOVERED-FIBRE-BASED PRINTING PAPER. Holmen is striving to achieve further improvements in printing paper based on recovered fibre. Work aimed at increasing the yield and extracting more fibres from the recovered paper is continuing at the same time.

Paperboard

Paperboard is produced from pine, spruce and birch wood. The production process has little impact on the environment. Iggesund Mill is virtually self-sufficient in thermal energy from biofuels. Natural gas is used at Workington Mill.

The paperboard is mainly used for consumer packaging and graphics printing. Paperboard provides hygienic packaging which is easy and resource-efficient to transport.

Development

SURFACE TREATMENT. The paperboard is coated with fine-grained mineral particles to smoothen out the microscopic irregularities between the fibres. The coating improves the paperboard's suitability for high-quality printing.

PHYSICAL PROPERTIES OF PAPERBOARD. The ability of paperboard to be folded, stamped and embossed is an important competitive advantage. This is also true of runnability, which is how quickly and reliably the paperboard can be printed and shaped into packaging.

FIBRE MODIFICATION is a way of chemically or mechanically increasing the stiffness and bulk properties of the cellulose fibres.

LOWER WEIGHT. For resource and environmental reasons it is important to reduce the quantity of fibres and make the paperboard lighter without loss of strength, stiffness and printability.

BIOLOGICAL BARRIER MATERIALS expand the area of use. Barrier materials against moisture, grease and aroma based on biological substances are added to the paperboard. The aim is to completely phase out oil-based materials such as polyethylene.

IMPROVED OPTICAL PROPERTIES. The focus is on improving the optical characteristics of the surface layer of the paperboard.

Sawn timber

Holmen produces sawn timber from pine saw timber. The products are mainly used in home interiors, for example as wooden floors and panels. At the new sawmill currently being built in Norrköping, Holmen will produce construction timber from spruce saw timber.

Using wood in buildings instead of materials with a climate impact, such as concrete, steel and plastic, reduces carbon dioxide emissions. Sawn timber also "locks in" carbon dioxide for as long as the product is in use, thereby functioning as a carbon sink.

Development

DRYING SAWN TIMBER. Work is focused on eliminating defects such as drying cracks and warping, which arise during the drying process.

ADJUSTMENT OF SAWING PATTERN. To strengthen certain characteristics of wood and minimise others, Holmen Timber is improving the way in which the logs are sawn. This relates, for instance, to the way in which the pith is removed to prevent it from causing cracks in the final products.

WITH THE NEW SAWMILL Holmen is entering the expanding market for construction timber. This will demand special development efforts.

Other types of products

Holmen is examining the feasibility of using biorefining technology to make other products besides traditional ones made of forest raw materials. This involves utilising the chemical components and "combining" them into new biological materials with a broad spectrum of applications. The principle is that in future it will be possible to use wood to produce everything that is currently based on oil.

Product safety – paperboard

Iggesund Paperboard's packaging products are produced exclusively from virgin fibre. The chemicals used in production are approved by the environmental authorities.

The paperboard meets the requirements of international legislation in relation to safety, hygiene, taste and odour.

The paperboard also meets the requirements of the EU Packaging Directive with regard to weight, volume and recyclability.

Iggesund Paperboard carries out regular customer surveys to monitor how its paperboard is used, so that improvements can be made.

Holmen R&D

Holmen's R&D activities are decentralised to the business areas and mills. The units co-operate on joint issues. The Group Technology staff unit works to develop contacts with external research and to influence its direction.

Holmen invests a total of around SEK 100 million annually in R&D, of which about a quarter comprises external expenses.

Instruments in the area of climate change

New laws are now being introduced and various types of initiatives taken to deal with the change taking place in the Earth's climate. The EU has proposed new climate and energy targets for 2020.

Almost every day there are fresh reports reinforcing the prevailing perception that the Earth's climate is becoming warmer.

Emissions trading is good for the climate...

Since 2005 the EU has had a scheme for trading emission allowances for fossil carbon dioxide. The scheme affects installations and companies that emit carbon dioxide into the atmosphere.

Following a trial period in 2005–2007, the scheme became permanent in 2008. For the period 2008–2012, the total allocation of emission allowances is smaller than during the trial period, which is in line with the aims of the scheme. Ahead of the period beginning in 2013, a scheme is being considered which entails auctioning emission allowances instead of allocating them free of charge.

***Holmen's mills** are included in the emissions trading scheme. The Group has set targets for fossil carbon dioxide emissions for 2020.*

... but there are negative side-effects

Holmen takes a positive view of the initiatives that have been taken to tackle the problems of climate change. However, the Group is concerned that the trading scheme does not take account of the indirect effects on electricity prices.

Production costs are relatively low in Sweden, because most electric power is produced using fossil-free sources of energy such as hydro power and nuclear power. It is more expensive to produce electricity from fossil fuels, partly because of the emissions trading requirement. The price of electricity is determined by the marginal principle, which means that the price of the most expensive electric power has an impact on all electricity.

***Holmen welcomes** initiatives intended to counteract the effect of the emissions trading scheme in pushing up the price of electricity.*

Energy taxes and voluntary agreements

A tax on electricity was introduced in Sweden in 2004. Power-intensive companies can avoid the tax by saving energy and introducing energy management systems under the Programme for Energy Efficiency (PFE) Act, which came into force the following year. Following a first stage, the validity of this Act has been extended to the end of 2014.

Under the Climate Change Agreement (CCA), British companies can reduce their energy tax payments by 80 per cent.

***Holmen has introduced** energy management systems at all its Swedish units and has a programme to improve energy efficiency. The company has thus been able to reduce its electricity tax payments by around SEK 20 million annually.*

An energy management system was introduced at Workington Mill in 2008. At Holmen Paper Madrid an energy management system was introduced and certified in 2009.

Electricity certificates

According to Swedish law, companies that generate renewable electricity are allocated an electricity certificate for each MWh produced. Renewable electricity is defined as electricity originating in sustainable energy sources such as new hydropower and biofuel. Electricity consumers are obliged to purchase a certain number of these certificates in relation to their consumption, known as a quota obligation.

Demand for renewable electricity will increase as this quota obligation is gradually raised. Power-intensive industries are exempt from the quota obligation. The system has been extended until 2030, and the target levels have also been raised.

***In 2009 Holmen produced** renewable electricity at its Swedish mills and a number of hydro power plants giving entitlement to electricity certificates. The reported profit for electricity certificates in 2009 was SEK 71 million (72).*

EU climate package

At the end of 2008 the European Parliament agreed on a climate change and energy action programme. This means that by 2020 the EU will reduce its emissions of greenhouse gases by 20 per cent relative to 1990 levels.

Holmen forms part of a business sector that takes part in the carbon dioxide emissions trading scheme. The requirements to be met by this sector are stricter. Based on 2005 levels, emissions are to be reduced by 21 percent by 2020.

Other important EU targets are that energy consumption will be cut by 20 per cent by 2020, the share of renewable energy in energy consumption will increase to 20 per cent and the proportion of vehicle biofuels will increase to 10 per cent.

***Holmen takes a positive view** of the climate package, which is consistent with the climate and energy goals that apply to the Group and the sector as a whole.*

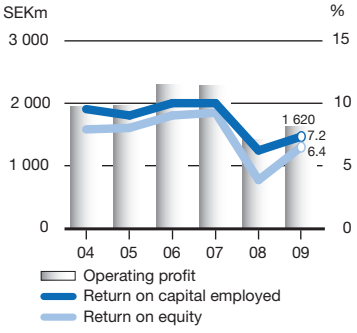
The UN climate conference in Copenhagen was not the success many people had hoped for. But it clarified that a switch to renewable and sustainable sources of energy is required to successfully tackle the problems of climate change.

Financial development

Weak demand but higher prices

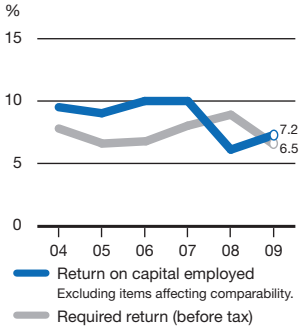
2009 was a difficult year for Holmen. Demand fell by more than 10 per cent for both printing paper and paperboard. There was also a sharp decline in demand for sawn timber. This led to extensive cutbacks in production.

Operating profit



Profitability

Return on capital employed



From the point of view of Holmen, cutbacks in production took place principally in Holmen Paper. At the same time, prices were relatively stable and even rose for printing paper in Europe. Expenses were lower than in 2008, principally due to lower fibre costs. The level of hydro power production was somewhat lower than in a normal year.

PROFIT FOR 2009. The Holmen Group made an operating profit of SEK 1 620 million (1 051). The profit figure for 2008 included items affecting comparability of SEK -361 million. The improvement is explained by higher prices for newsprint and paperboard, while weak demand led to extensive cutbacks in production, which have an adverse impact on profit.

Holmen Paper

Total deliveries of newsprint to Europe fell by 14 per cent in comparison with 2008. Demand was also low outside Europe, so that European newsprint manufacturers found it difficult to make full use of their capacity. Holmen Paper deliveries decreased by around 15 per cent, which was also an effect of shutting down Wargön Mill and one of the paper machines at Hallsta Paper Mill in 2008.

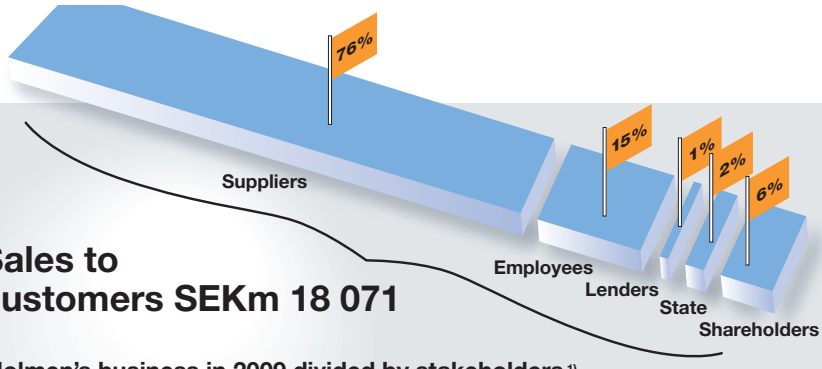
Consumption of standard newsprint is decreasing in Europe. Holmen Paper is making efforts to reduce the proportion of standard newsprint and to increase the proportion of added-value products such as MF Magazine and book paper instead. As part of an organisational overhaul at Braviken Paper Mill, a decision was taken in the autumn of 2009 to reduce the workforce by 95.

OPERATING PROFIT was SEK 340 million (280, excluding items affecting comparability, in 2008). The improvement in profit is explained by higher selling prices and lower costs of wood and recovered paper. On the other hand, profit was adversely affected by the weak market situation, which led to extensive cutbacks in production and increased sales outside Europe. Higher energy costs weighed upon earnings.

Iggesund Paperboard

Demand for virgin fibre board in Europe fell by 9 per cent in 2009. However, a gradual recovery in the market began towards the end of the year. Iggesund Paperboard deliveries were 3 per cent lower in 2009 than in the previous year. Iggesund Paperboard raised prices for folding box board on the UK market during the autumn. Notice has been given of price rises for the rest of Europe in 2010.

In December 2009, one of the two board machines at Iggesund Paperboard's mill in



Holmen's business in 2009 divided by stakeholders [1)]

		SEKm
Customers	Sales of paper, paperboard, sawn timber, wood and electricity	**18 071**
Suppliers	Purchases of products, materials and services, depreciation etc	**-13 788**
Employees	Wages and payroll charges	**- 2 662**
Lenders	Interests	**-255**
State	Taxes	**-360**
Shareholders	Net profit	**1 006**
	Board's dividend proposal	**588**

1) Based on consolidated income statement.

Workington was permanently shut down. The capacity of the remaining machine was upgraded at the same time. The new lower annual capacity of 200 000 tonnes is better matched to market demand. As a consequence of the change, the workforce is being reduced by just under 100.

OPERATING PROFIT was SEK 419 million (320). Implemented price rises, together with exchange-rate effects, had a favourable impact on profit. At the same time, cutbacks in production and high manufacturing costs weighed upon earnings. Profit for 2009 was also adversely affected by provisions and impairment losses resulting from the closure of one of the machines at Workington Mill.

Holmen Timber

Consumption of sawn timber in Europe was lower in 2009 than in the previous year. At the same time there was a limited supply of raw material for many sawmills. In conjunction with the low level of demand, this has led to extensive cutbacks in production among European manufacturers. Low supply and low stock levels have, however, led to an improved market situation. Holmen Timber deliveries increased by around 18 per cent in 2009. Prices for sawn timber have been moving upward since the spring of 2009 following the sharp decline from peak levels seen in mid-2007.

The prospects for sawn timber look favourable in the long term, in particular due to the favourable properties of sawn timber products from the point of view of climate change. With the new sawmill at Braviken, which will produce construction timber, Holmen will strengthen its position in a market of growing importance.

OPERATING PROFIT was SEK 21 million (13). Higher deliveries and lower raw material costs had a favourable impact on profit, while the average price level was lower.

Holmen Skog

Demand for wood remained high. Swedish wood prices fell at the start of the year but gradually rose towards the end of the year. Holmen Skog continued with its preparations for purchases of wood for Holmen's new sawmill in Braviken, which will require large volumes of wood.

OPERATING PROFIT was SEK 605 million (632). Lower wood prices had an adverse impact on profit.

Holmen Energi

The production of electrical energy in Holmen's wholly and part owned hydro power plants was somewhat lower than in a normal year. Production at the new hydro power station on the Iggesundsån river, which replaces three older power stations, began during the autumn.

Work on the evaluation of new energy sources continued during the year, with the establishment of a unit for development in the areas of biorefining and biofuels for heating and transport. In association with a number of other power-intensive companies, Holmen operates VindIn, which is intended to develop, build and operate wind turbines. The first wind farm was officially opened at the end of the year.

OPERATING PROFIT increased to SEK 414 million (327) as a consequence of higher electricity prices.

Financial targets

A profitable business creates jobs and makes it possible to purchase input materials, pay taxes and produce a return for shareholders and financiers.

Profitability is also crucial for investments that enable the company to develop in line with gradually changing market conditions. Holmen has therefore set itself two targets that support long-term and sustainable financial development:

Financial target 1: Profitability will be good and the return on invested capital will consistently exceed the market cost of capital. This means, in brief, that an investment in Holmen shall be at least as rewarding as an average investment in other business. This will give Holmen access to capital to finance growth and development.

The return on investment for 2009 was in line with the target. With the exception of 2008, the Group has achieved its profitability target over a prolonged period.

Financial target 2: Holmen will have a strong financial position that will enable it to make long-term decisions regardless of the prevailing economic conditions and the state of the credit market. This means that indebtedness should not be too high, within an interval of 0.3–0.8 for the debt/equity ratio (net financial debt divided by equity).

At the end of 2009 Holmen's debt/equity ratio was 0.34.

Dividend. Holmen also has a guideline for the payment of dividends, according to which decisions on dividends should take account of the Group's profitability, future investment plans and financial position.

The Board has proposed to the 2010 Annual General Meeting a reduced dividend of SEK 7 per share, equivalent to 4 per cent of shareholders' equity. In the past ten years Holmen has paid ordinary dividends averaging 5 per cent annually. The reason for the proposed decrease in dividend is that there is pressure on profitability in the industry, particularly for paper products. The Group is also making investments, for example for the construction of a new sawmill.

Concern for the environment

Working practices

Holmen's environmental policy stipulates how responsibility for the environment is to be shared, and how environmental activities are to be carried on. Operations are subject to supervision by the environmental authorities and the certified auditors of the management systems.

HOLMEN'S ENVIRONMENTAL POLICY contains principles for the Group's environmental activities and covers the aspects that are of relevance to Holmen and its stakeholders.

ENVIRONMENTAL RESPONSIBILITY. The Group's Board and the CEO, as well as the heads of the business areas have overall responsibility for the environment. Operational responsibility is held by mill managers and forest region managers. The Group's sustainability director chairs Holmen's environmental council and coordinates environmental measures.

OFFICIAL SUPERVISION. All the Group's mills have environmental permits containing conditions regulating emissions to air and water. The environmental authorities regularly inspect operations at the mills. Forestry operations are supervised by the Swedish Forest Agency.

Management systems and forestry certification

ENVIRONMENTAL MANAGEMENT SYSTEMS certified in accordance with ISO 14001 are applied at all mills and in forestry operations. All the production units have quality management systems that have been certified in accordance with ISO 9001.

CERTIFIED ENERGY MANAGEMENT SYSTEMS are in place at all Swedish units. In 2009 Holmen Paper Madrid also obtained such a system. Workington Mill has been operating in accordance with a certifiable management system since the start of 2008.

CERTIFIED FORESTRY STANDARDS. Holmen's forestry is certified in accordance with the international PEFC and FSC standards.

SUPERVISION OF ENVIRONMENTAL CERTIFICATION. All certified systems are regularly audited by external, certified auditors. This also applies to the certifications that exist for the traceability of wood.

SUPPLIER APPRAISAL. A system for the appraisal of suppliers of goods and services was introduced in 2009. Environmental responsibility, quality issues, and social aspects form part of the appraisal.

Joint action groups

The aim of the Environmental Council is to ensure that the environmental policy is applied. The council consists of the environmental and sustainability managers of each business area and mill.

The Energy Council makes decisions on the hedging of electricity prices, electricity certificates and emission allowances. The Energy Council consists of representatives from the relevant business areas and Group staffs.

Climate issues are mainly monitored by Group Technology. Responsibility for energy efficiency is held by the business areas. Senior Management follows up the Group's climate and energy targets.

Other joint action groups deal with matters pertaining to management systems, chemicals (REACH), water treatment, transport and waste.

Environmental efforts in 2009

Holmen's environmental impact has gradually diminished as a result of several different measures taken over a long period of time. Efforts to improve energy efficiency and reduce the use of oil are increasing for reasons related to climate change and resources.

Holmen has been co-operating with the Swedish Wetlands Fund for the past 10 years to create/restore wetlands to benefit birdlife. A priority target is to create at least one wetland per year.

HOLMEN'S OPERATIONS are governed by the conditions set by environmental authorities, which also check compliance with these conditions. The certified management systems make additional environmental demands. These systems contain environmental and energy targets that are regularly reviewed and tightened with a view to making continuous improvements. A selection of the targets for each unit is presented on Holmen's website.

PRIORITISED ENVIRONMENTAL ASPECTS are emissions to air and water, noise and waste. The trend per tonne of final product has been positive over many years for all environmental aspects.

LESS AND LESS FOSSIL ENERGY. Holmen's use of oil is decreasing, and so, therefore, are its greenhouse gas emissions. The volume of oil needed at the Swedish units is now two-thirds less than in 2005. The UK and Spanish mills are supplied with energy from gas-fired combination power plants based on natural gas. Natural gas is the best fossil alternative to biofuels from the point of view of climate change.

Climate and energy targets

- Use of fossil fuels is to be decreased by 90 per cent in the Swedish operations by 2020 compared with 2005.
- The Group's specific energy use is to be improved by 15 per cent by 2020 compared with 2005.
- The growth rate in Holmen's forests can be increased by 25 per cent within 30 years compared with 2006.
- Extraction and deliveries of biofuels is to be increased by 1 TWh by 2020 compared with 2006.

SEVERAL ENVIRONMENT-RELATED measures and surveys were implemented and conducted in 2009. The most important are described below.

- The Group's total emissions of fossil carbon dioxide decreased by around 35 per cent compared with 2008. Emissions at the Swedish units fell by around 55 per cent. This resulted in a decrease of SEK 14 million in carbon dioxide tax compared with 2008.
- The new pulp line at Braviken Paper Mill led to a 15–20 per cent decrease in the specific electricity requirement for production in 2009. The target is a 30 per cent reduction.
- The Group's specific energy use has decreased by around 6 per cent since 2005. Energy efficiency deteriorated somewhat in 2009 as a result of lower utilisation of capacity.
- Certification was obtained for the energy management system at Holmen Paper Madrid. All sites in the Group now apply energy management systems. The Group target has therefore been met.
- The wastewater treatment plant at Iggesund Mill was supplemented by a chemical flotation facility. A good status for the aquatic environment outside the mill has thus been ensured for a long time to come.
- Measures implemented at the wastewater treatment plant at Workington Mill reduced emissions.
- A new hydro power plant on the Iggesundsån river was commissioned and replaces three older power stations.
- Holmen Skog set four new environmental objectives after attaining the previous ones. The new objectives are: valuable wetlands, valuable water courses, limited damage caused by vehicles on forest land and lower carbon dioxide emissions in harvesting.
- A carbon analysis of Holmen's operation shows that this leaves a positive carbon footprint in the atmosphere. This means that carbon dioxide removals and substitution effects exceed the fossil carbon dioxide emissions caused by the operations.

EXCEEDING LIMITS. Some units exceeded the guideline values for emissions to air and water. Measures were taken and the environmental authorities were informed.

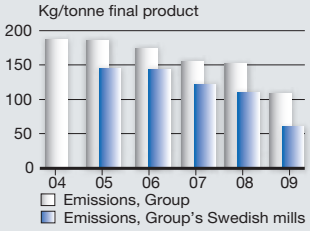
The composition of the residual products burnt has changed since production at Hallsta Paper Mill was reduced at the end of 2008. There was consequently a risk of the limit value for sulphur dioxide emissions being exceeded. The Environmental Court therefore gave permission for temporary variation of the condition for 2009. Holmen has now taken action to comply with the previous condition in 2010.

COMPLAINTS. A small number of complaints about noise and odours were received from people living close to some of the mills, as were comments on completed or planned harvesting activities. All complaints and comments were handled in accordance with the rules in the certified environmental management systems.

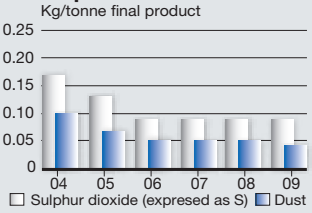
Emissions and waste in 2009

Use of oil continued to diminish. Emissions of fossil carbon dioxide from the Swedish units have declined by nearly 65 per cent since 2005. Holmen also reduced its total emissions to water during the year through several measures, including a new treatment plant in Iggesund.

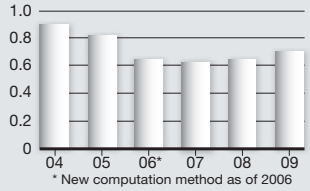
Fossil carbon dioxide
Kg/tonne final product



Sulphur dioxide and Dust
Kg/tonne final product



Nitrogen oxides
Kg/tonne final product



Emissions into air

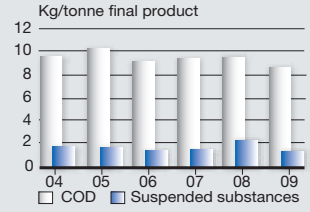
FOSSIL CARBON DIOXIDE. The Group's total emissions decreased by around 35 per cent compared with 2008. Emissions at the Swedish units were around 55 per cent lower. The ongoing switch from oil to biofuels and improvements in energy efficiency were the main reasons.

SULPHUR DIOXIDE. The Group's total emissions fell by 15 per cent. This principally resulted from the closure of Wargön Mill at the end of 2008. Measured per tonne of final product, emissions remain at the same level as the previous year.

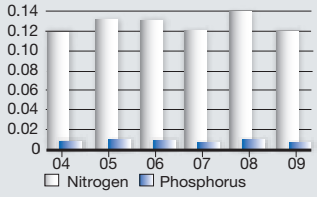
DUST. The Group's total emissions decreased by around 30 per cent. The closure of Wargön Mill and the changed production conditions at Hallsta Paper Mill contributed to this reduction.

NITROGEN OXIDES. Emissions decreased at both Hallsta Paper Mill and Braviken Paper Mill thanks to the lower need for energy for steam production. Total emissions from the Group increased in comparison with the previous year owing to market-related stoppages at Holmen Paper Madrid, which resulted in less stable operation in the combined heat and power plant.

COD and Suspended substances
Kg/tonne final product



Nitrogen and Phosphorus
Kg/tonne final product



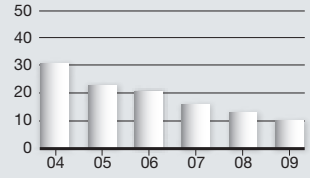
Emissions into water

COD, SUSPENDED SUBSTANCES, NITROGEN AND PHOSPHORUS. Holmen's emissions of all these substances decreased, both as a total (20–30 per cent) and per tonne of final product (10–20 per cent) in comparison with 2008.

The new treatment plant for chemical flotation at Iggesund Mill which was commissioned at the end of 2009 resulted in a 20 per cent decrease in emissions compared with 2008.

Measures in the treatment plant at Workington Mill reduced emissions of suspended substances by 25 per cent compared with 2008.

Waste sent to landfill
Kg/tonne final product



Waste

WASTE SENT TO LANDFILL. The volume of waste sent to landfill continued to decrease, both in total and per tonne of finished product. The reduction in comparison with 2002 is more than 70 per cent. Today 98 per cent of the waste is utilised as energy or in some other way (see page 44).

Permits and certifications

Holmen's industrial activities require a permit from the environmental authorities in the country concerned. Similarly, there are other authorities and certification bodies that monitor Holmen's forestry and wood trading activities to ensure that they comply with laws and agreed rules.

THE EU'S INTEGRATED POLLUTION PREVENTION AND CONTROL DIRECTIVE (IPPC) is a keystone of its environmental legislation. In Sweden, the formal requirements of IPPC were satisfied by the introduction of the Environmental Code in 1999. The permits for the facilities in Sweden licensed under the Environment Protection Act have been harmonised with IPPC in accordance with guidelines issued in 2004.

CERTIFICATIONS. Holmen applies certified systems for environmental, energy and quality management as well as for forest stewardship. All its systems are integrated into the business and reviewed by internal and external specialists.

ISO 14001 AND ISO 9001 are international standards for environmental management and quality management.

SS 627750 AND UNE 216301 are the Swedish and Spanish standards, respectively, for the introduction of energy management systems in energy-intensive installations.

FSC – Forest Stewardship Council – is a system for the certification of forestry supported by several environmental organisations.

PEFC – Programme for the Endorsement of Forest Certification schemes – is a system for forest certification.

TRACEABILITY CERTIFICATION enables wood used at the certified units to be traced back to its origin.

THE PROPORTION OF CERTIFIED WOOD at the various sites varies with availability in the area. Holmen Skog's traceability certification provides assurance that non-certified wood has also not been harvested illegally or in contravention of the rights of indigenous peoples, does not come from controversial sources, has not been genetically modified and does not come from natural forests that have been converted into plantations.

CERTIFICATES for the management systems and forest standards can be viewed at **www.holmen.com**

Permits from authorities, year

Hallsta Paper Mill	Environment Protection Act	2000
Braviken Paper Mill	Environment Code of Statutes	2002
Holmen Paper Madrid	IPPC	2006
Iggesund Mill	Environment Protection Act[1)]	2003
Production unit Strömsbruk	Notifiable activities subject to local government supervision	2007
Workington Mill	IPPC	2002
Sheeting units	Only require a permit for a few parameters	–
Skärnäs Terminal	Environment Code of Statutes	1999
Iggesund Sawmill	Environment Protection Act[1)]	1994
Holmen Energi	Permit under Water Act (Environment Code of Statutes)	–

1) Work on applying for a new permit under the Environmental Code began in 2009.

Certifications, year

	ISO 14001	SS 627750	ISO 9001
Hallsta Paper Mill	2001	2005	1993
Braviken Paper Mill	1999	2006	1996
Holmen Paper Madrid	2002	2009[1)]	2000
Iggesund Mill[2)]	2001	2005	1990
Workington Mill	2003	2008[3)]	1990
Iggesund Sawmill	1999	2006	1997
Holmen Skog	1998	–	–

1) Certification obtained under SS 627750 and UNE 216301.
2) The certifications include the manufacturing unit in Strömsbruk and Skärnäs Terminal.
3) Certifiable system introduced. Certification will take place when international standard has been approved.

Forestry certifications, year

	FSC	PEFC
Holmen Skog	1998	2003

Traceability certifications, year

	FSC	PEFC
Hallsta Paper Mill	2008[1)]	2007
Braviken Paper Mill	2008[1)]	2009
Iggesund Mill	2007	2007
Workington Mill	2005	–
Iggesund Sawmill	2005	2004
Holmen Skog	2007	–
Holmen Mets	2007	–

1) Hallsta Paper Mill and Braviken Paper Mill hold a joint certificate for FSC Mixed.

Environmentally certified forests in Sweden 2009

	Acreage, million hectares	Of all forests, %
FSC, forest companies	9.1	40
FSC, private forest owners	1.4	6
PEFC, forest companies	2.9	13
PEFC, private forest owners	3.4	15
Total	**12.9**	**56**

The total figure has been adjusted for the wood from forests with double certification.

Proportion of certified wood reaching Holmen's mills 2009, %

	Hallsta Paper Mill	Bravikens Paper Mill	Iggesund Mill	Workington Mill	Iggesund Sawmill
FSC	28	9	32	100	49
PEFC	25	9	27	–	28
Total	**28**	**10**	**33**	**100**	**49**
of which from company forests	11	5	24	–	36

The total figure has been adjusted for the wood from forests with double certification.
The figures used are based on both verified and estimated volumes. The relatively low proportion of certified wood from company forests is due to most of Holmen's forests being located in Northern Sweden. See also page 20.

Environmental engineer Olle Bergerståhl and environmental manager Agneta Lindemo-Larsson in the new chemical treatment plant at Iggesund Mill. The investment totalled SEK 256 million.

Comments

Direct investments for treatment of emissions. 90 per cent of the costs relate to the construction of a plant for the treatment of wastewater at Iggesund Mill.

Power and heat-saving investments. Most of the sum indicated relates to the new pulp line for thermo-mechanical pulp production at Braviken, which was commissioned at the end of 2008. A large proportion of the costs of this project was charged in 2008. The figure quoted for 2009 also includes energy-saving measures at Hallsta Paper Mill, Holmen Paper Madrid and Iggesund Mill.

Internal and external environmental expenses. The increased costs for 2008 were due to work at Holmen Paper Madrid under the development project on the use and saving of water.

Environmenal Taxes And Charges. Use of oil was reduced by more than half at the Swedish units in 2009 compared with 2008. As a result, payments of carbon dioxide tax were also reduced by half in 2009, to around SEK 14 million. Costs of bought-in water for and waste management at Holmen Paper Madrid also make up significant portions of the amount stated.

Environmental protection expenditure

Holmen reports its expenditure on environmental protection in accordance with guidelines from Statistics Sweden (SCB).

Environmental investments

DIRECT. Costs of emission treatment investments, for example different types of treatment equipment.

INTEGRATED. Costs relating to investments to prevent emissions, for example the replacement of older process equipment by new technology with better environmental performance.

POWER AND HEAT SAVING. Costs relating to investments intended to make more economical use of electricity and thermal energy.

Environmental costs

INTERNAL AND EXTERNAL. These include costs of personnel, operation of treatment equipment, waste management, maintenance, supervision, environmental administration, training, site investigations and environmental consultants.

CAPITAL EXPENSES. Depreciation of treatment equipment, for example.

ENVIRONMENTAL TAXES AND CHARGES. For example, landfill tax, carbon dioxide tax and charge for emissions of nitrogen oxides.

THE ENVIRONMENTAL COST OF FORESTRY is estimated as the value of the wood that is not harvested for environmental reasons. Holmen sets aside around ten per cent of its productive forest acreage and refrains from harvesting around ten per cent of the possible volume. The annual loss of income is estimated at around SEK 60 million.

Income

Holmen's mills are covered by the emissions trading scheme and the trading of electricity certificates. Environmentally related income was received from both these schemes in 2009.

SALE OF HEAT AND WASTE. Surplus thermal energy produced by some of the mills was sold to municipal district heating networks in 2009.

Holmen's processes involve the production of various types of waste, much of which can be recovered and put to use. Several mills sold such material to outside users in 2009.

Penalty charges

If officially permitted emission levels are exceeded, penalty charges can be imposed on the company that causes the emissions. Holmen did not cause any emissions that resulted in such a penalty being imposed in 2009.

Environmental investments (SEKm)	**2009**	2008	2007
Direct (emission treatment)	**127**	92	6
Integrated (emission prevention)	**3**	36	14
Electricity and heat saving	**34**	396	189
Total	**164**	**524**	**209**

Environmental costs (SEKm)	**2009**	2008	2007
Internal and external[1)]	**197**	224	198
Capital	**82**	90	82
Environmental taxes and charges	**35**	60	62
Forestry	**60**	60	60
Total	**374**	**434**	**402**

1) All the business areas and the environmental function in the Group Staff Technology.

Environmentally related income (SEKm)	**2009**	2008	2007
Emission allowances (carbon dioxide)	**24**	18	1
Electricity certificates	**71**	72	49
Heat to district heating systems	**5**	5	3
Waste for recovery and re-use	**11**	13[1)]	9[1)]
Total	**111**	**108**	**62**

1) The figure has been corrected.

Transport

Holmen takes regular measures to improve efficiency in the transporting of raw materials and products and limit their impact on the environment. The follow-up of extensive transport data provides a basis for making improvements.

Holmen's business areas have responsibility for transporting their products from the mills to the customers. Holmen Skog organises the transporting to the mills of wood from forests in Sweden and of imported wood from its countries of origin. In the UK, the transporting of wood is organised by the mill in Workington. The suppliers themselves are normally responsible for transporting other raw materials and consumables.

MORE THAN HALF OF HOLMEN TRANSPORT (tonne-km) takes place on ships operated on long-term charters. Capacity utilisation on the ships is high. They are also used to carry recovered paper to Sweden.

RAIL is mainly used for the distribution of products from Sweden to southern Europe and to a certain extent also for incoming raw materials. Holmen aims to use rail whenever practical and financially viable.

TRUCKS are the main means of transport for saw logs and pulpwood. Trucks are also often the only option for transporting products from the terminals in Europe to the customers. The same also applies to distribution over short distances from mills to customers.

Holmen's approach to transport and the environment

Holmen aims to improve transport efficiency and reduce the impact of transport on the environment. The transport environment group collects data. Improvements can then be proposed on the basis of this work.

LOGISTICS SURVEY. A large logistics project was started in 2009 and will be completed in 2010. The aim is to reduce both environmental impact and costs through new transport solutions.

MORE ENVIRONMENTALLY EFFICIENT SHIPS. One of Holmen Paper's long-term chartered ships has now been equipped with a catalytic converter, which reduces emissions of nitrogen oxides. As of 2010, three of the company's four ships will be equipped with such converters.

All ships employed by Holmen run on oil that meets the requirement that their fuel should have a sulphur content of less than 1.5 per cent, the level required for Baltic and North Sea shipping. Holmen will modify its ships to enable them to meet future requirements for a lower sulphur level.

In a sector-wide project, a specially built vehicle combination is being tested with the aim of increasing the number of stacks from three to four in wood transportation.

HOLMEN SKOG IS TAKING active measures to minimise transport by flow optimisation and the exchange of wood with other forest companies. In 2009 significant volumes were relocated between northern and southern Sweden. Holmen Skog is also involved in the industry-wide En trave till (One more stack) project that aims to raise the load capacity of trucks used to transport wood, without raising the axle pressure.

THE EL-FOREST ELECTRIC HYBRID forwarder reduces fuel consumption by 30–50 per cent when used for transport in the forests. The first of a test series of three has been successfully trialled in practical operation. Holmen has ordered one such forwarder that will be delivered in 2010.

GROUP BUSINESS TRAVEL is being analysed with a view to reducing its extent and consequently its impact on the environment. A travel policy which includes the environmental aspects of travel was completed in 2009.

REDUCED CARBON DIOXIDE EMISSIONS. Holmen is taking part in industry-wide efforts to reduce the impact of transport on climate. The target is to reduce fossil carbon dioxide emissions from transport by 20 per cent by 2020 and for common sustainability criteria in the procurement of transport to be drawn up by the end of 2010.

Holmen transport in Europe

Holmen transport was analysed in 2004 and 2007. A new analysis is being conducted for operations carried out in 2009 and will be reported on the Holmen website in 2010.

The table shows the breakdown by type of transport for 2004 and 2007, and estimates of the level of carbon dioxide emissions caused.

Production increased by around 14 per cent between 2004 and 2007, principally as a result of the increased production at Holmen Paper Madrid. This in turn meant an increase in the Group's total transport needs. The closure of Wargön Mill is reducing the need for transport again, and this will be reflected in the calculations for 2009.

Total transport activity in Holmen (raw materials, products and waste) totalled around 5.5 billion tonne-kilometres in 2007. The figure for 2009 is estimated to be somewhat lower.

Transportation
within Europe, share of all transport, %

	2007	2004
Ship	54	62
Truck	39	34
Rail	7	4
Specific CO_2 emissions, kg per tonne of final product	79.3	82.2

Waste

Various kinds of waste arise in the manufacture of Holmen's products. Most of it is recovered or utilised as energy. The volume of waste sent to landfill has declined by almost 70 per cent since the start of the 21st century.

HOLMEN AIMS TO minimise its quantity of waste and to utilise the highest proportion possible. Laws, taxes on waste and landfill costs make it essential to handle waste as cost-effectively as possible.

Waste is separated into categories at all the units. Employees and contractors receive regular training in waste-handling procedures.

A Group-wide team is taking steps to identify environmentally sound ways of using the waste that arises. There was increased focus in 2009 on finding alternative uses for waste.

Current issues

Holmen is continuing its joint project with Värmeforsk to develop methods and equipment for the environmentally sound use of incinerator ash. The contract period extends until the end of 2011.

IGGESUND MILL. The mill was deregistered for waste tax during the year, because it no longer sends any production waste to landfill. Ash, green liquor sludge, treatment plant gravel and precipitation sludge are used as construction material to cap the mill's own landfill.

A plant for chemical treatment of wastewater was installed during the year for additional cleaning of the wastewater. This chemical treatment generates around 18 000 tonnes of sludge annually. The sludge is held in temporary storage pending an investigation into suitable disposal; the alternatives being studied are to use it as a biofuel, extract biogas or put it to use as a construction material.

HALLSTA PAPER MILL. The ash that arises in the burning of biofuels is largely used for road building and similar applications. Increasing quantities were used to cap the mill's landfill in 2009. The sludge that arises in the mill's water treatment is used in roughly equal portions for soil production and energy recovery.

The proportion of biosludge increased in 2009, making it more difficult to dewater and burn. A project is underway aimed at increasing the dry matter content to previous levels.

HOLMEN PAPER MADRID. Sludge from the deinking of recovered paper is used by external companies as a binding agent in the production of building blocks. The sludge is also used for agricultural purposes. As production at the mill has increased in recent years, so has the need for recovered paper. In turn, this is generating more waste such as sludge and plastics. Several projects are underway to find alternative uses for this waste.

THE PAPER MILLS IN BRAVIKEN AND MADRID. Metals in the form of staples and packing wire are removed during the recovered paper process and are sold for recycling to external buyers.

Recovered paper sludge from Braviken Paper Mill is used to cap an external landfill. The mill's need for oil has fallen very sharply, so the quantity of waste produced in flue-gas treatment has more than halved.

A project is in progress to improve the handling of sludge and recovered paper rejects.

Four categories of waste

The waste that arises in production can be classified into four categories:

Combustible waste which is put to use, mostly to produce thermal energy at the mills or in external heating plants.

Waste for various uses. Several projects have been carried out in recent years aimed at finding alternative uses for the waste that is produced.

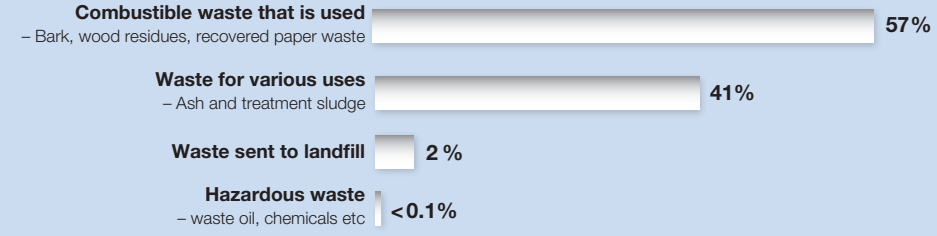
Some types of waste, for example sludge from wastewater treatment plants, can be used as a soil improver after treatment. Incinerator ash has been used as a road-building material and soil improver and to cap landfills.

Waste sent to landfill. As a result of legislation and efforts to find alternative uses, the volume of waste sent to landfill has fallen by almost 70 per cent since 2002.

Hazardous waste consists of materials such as waste oils, chemical residues and fluorescent tubes. Hazardous waste is collected by authorised companies for recycling. Some waste is destroyed under controlled conditions.

Holmen's waste by type

As a result of Holmen's measures to utilise waste the proportion going to landfill has declined to only 2 per cent.



Chemicals

The EU rules on chemicals (REACH) were introduced in 2007. Holmen is taking systematic action to meet these requirements.

ONLY APPROVED CHEMICALS. Chemicals groups have been established at all Holmen mills. The chemicals are assessed on the basis of aspects such as technical function, product safety, the working environment and the external environment.

HOLMEN TAKES REGULAR STEPS to develop and improve the industry-wide chemicals database used within the Group. This work takes place in close cooperation with the companies that supply the chemicals.

EVERY YEAR, HOLMEN SENDS a comprehensive report on its use of chemicals to the environmental authorities.

Siripassorn Johansson is a trainee in the laboratory for chemical pulp and the environment at Iggesund Mill.

THE EU REGULATION REACH tightens the requirements for manufacturers and importers of chemicals to make health and environmental risk assessments. Holmen is taking steps to satisfy the requirements of REACH. A REACH network has been set up. Holmen is also monitoring the REACH process through the industry organisations in Sweden, the UK and Spain.

Discontinued operations

Holmen dealt with a number of cases of soil contamination at discontinued industrial sites in 2009.

The Swedish Environmental Code contains clear rules regulating how to deal with sites that have been contaminated by previous operations. Some of the Group's discontinued sites contain contaminated land, requiring studies that assess risks to the environment and health. Action may also need to be taken. This process is being carried out in consultation with the environmental authorities. Responsibility for remediation is established following detailed assessments in terms of liability and reasonableness.

Discontinued sawmills

In the past, Swedish sawmills customarily used various types of wood preservatives to prevent rot and insect attack in sawn timber. Several of these products later proved to be environmentally hazardous and have long been prohibited.

Wood preservatives of this type were used at the Group's former sawmills at Håstaholmen, Stocka and Lännaholm. Parts of the former industrial sites are consequently still contaminated. Soil studies and investigations into suitable remediation measures are in progress at these sawmill sites.

Discontinued sulphite mills

The soil at sulphite pulp mills is usually contaminated with substances typical of that type of operation. Waste in the form of pyrite ash arose at most sulphite pulp mills. This ash contains metals and was often used as a filler. Some mills also produced bleaching chemicals.

Investigations for Holmen are underway in Strömsbruk, Loddby and Domsjö.

Production at Wargön Mill, the location of a former sulphite mill, was discontinued at the end of 2008. In consultation with the supervisory authority, Holmen studied the presence of contaminants on the site in 2009. These studies will be completed in 2010.

Discontinued mechanical wood pulp mill

At the long-discontinued Bure mechanical wood pulp mill, pulp used to be impregnated with a bactericidal agent which may have contaminated the soil on the site and on the bottoms of the bay outside the mill.

Holmen launched a general study of the environmental situation at this former industrial site during the year.

Noise

Noise is an important aspect of environmental efforts at Holmen's sites. A variety of measures can be used to limit or eliminate disturbance from noise in surrounding areas.

Holmen continuously measures the noise emitted by its facilities. Noise levels at Holmen's units have been reduced by considering noise when replacing old equipment and by taking various noise-reduction measures. All the units are now below the permitted noise levels in environmental permits.

Current issues in 2009

IGGESUND MILL. As a result of noise-reduction measures implemented during the year, the site now meets the terms of the environmental permit.

SKÄRNÄS TERMINAL. Measures have been taken in accordance with the authorities' requirements to reduce noise at night, and the terms of the environmental permit are consequently now met.

WORKINGTON MILL. A programme to reduce noise levels has been devised together with the authorities and local residents. One of the board machines was closed down at the end of the year. A noise survey is being conducted in 2010.

HALLSTA PAPER MILL. Measurement of noise during the year revealed that the terms of the environmental permit are now met.

HOLMEN PAPER MADRID. Noise-reduction measures will be taken in the vicinity of the expanded combined heat and power plant on the site in early 2010.

Social responsibility

The HR concept

Personnel issues at Holmen are co-ordinated under the internationally established concept of HR (Human Resources). This emphasises the direct link between personnel activities and the company's business concept.

Laws and collective agreements

A number of laws and collective agreements govern the Swedish labour market. Similar laws exist in the UK, Spain and the Netherlands.

- Work Environment Act
- Working Hours Act
- Act on the Position of Union Representatives and labour laws that relate to the right to form and belong to unions
- Co-Determination at Work Act
- EU Anti-discrimination law
- Agreements between the Swedish Forest Industries Federation and union organisations
- Local agreements between Holmen and local union organisations.

Working practices

Holmen's personnel policy is aimed at developing employeeship, leadership and organisation. Activities in this area are based on laws, collective agreements, and internal policies.

Important issues affecting employees are co-ordinated by the HR management team. This consists of the personnel managers of the large business areas and is chaired by the Group HR Director. The large units have their own personnel managers and HR specialists.

The HR process

The activities of the Group's personnel departments are based on Holmen's personnel policy and HR strategy. Emphasis is put on skills provision, leadership and organisation. The results are followed up through key indicators and in Holmen Inblick, the Group's employee survey. HR forms a natural part of the Group's business plan.

Policies

Holmen's combined HR policies reflect the Group's view of personnel policy. All Group-wide HR policies have been developed in association with, or have been endorsed by, the union organisations.

Most of these are available at **www.holmen.com** on Sustainability, and then Social responsibility.

- Personnel policy
- Working environment
- Equal opportunities
- Pay setting
- Internal labour market
- Recruitment
- Service abroad
- Pensions
- Travel.

All policies are revised every three years. The Equal opportunties policy will be revised in 2010.

Working environment, fire and safety

Issues in these areas are handled by a Group-wide team consisting of specialists from the business areas. The team has initiated measures and procedures to reduce the number of industrial accidents and fires.

HR activities in 2009

Holmen's HR activities are based on clear goals in priority areas. The increasingly harmonised working practices at the Group's units foster the positive trend that has for many years typified the HR process at Holmen.

Holmen's new HR system simplifies and improves the efficiency of personnel-related activities in the Group. The opportunities of following up the targets that apply to HR are a great advantage. In particular, the Group's HR specialists gain more time for strategic tasks. The system is currently only up and running in the Swedish units.

HR targets

For several years Holmen has set strategic HR targets. The targets cover the whole Group.

- Human capital, the prerequisites for doing a good job
- Leadership
- Performance reviews
- Industrial accidents
- Female managers.

In addition, there are key indicators that are monitored monthly through the HR system and are supplemented by the results of the employee surveys. The key indicators are analysed. Deficiencies lead to action plans.

Target achievement in 2009

Some of the targets for 2009 only covered the Swedish units, but as of 2011 they will relate to the whole Group.

THE HUMAN CAPITAL INDEX increased to 623 (601) as a total figure for the Group. The result for the Swedish units was 650, compared with a target of 635. No target had yet been set for the units outside Sweden, and the result was 565.

THE LEADERSHIP INDEX improved to 58 (56) for the whole Group. The units outside Sweden attained 60, while the result at the Swedish units was 57, below the target of 60.

Personnel assistant Maritta Collin at Iggesund Mill in conversation with operator Jenny Frick and training manager Lasse Johansson.

PERFORMANCE REVIEWS. The proportion of performance reviews conducted was 62 per cent for the Group. The result for the Swedish units was 67 per cent, compared with the target of 100 per cent. The units outside Sweden attained 51 per cent.

INDUSTRIAL ACCIDENTS. The proportion of industrial accidents per 1 000 employees fell from 38 to 31 in the Group. However, this is far above the target of 10.

FEMALE MANAGERS. The proportion of female managers in the Group increased from 13 to 16 per cent.

Comments on the results

Holmen endeavours to raise both the leadership index and the proportion of performance reviews conducted. The development programme *Manager in Holmen*, which is being implemented in 2010, is one of the tools used.

Holmen is working to further reduce the number of industrial accidents and regards this as important, not just for the employees of today but for future recruitment opportunities too.

Holmen also wishes to see a continued increase in the proportion of female managers. The target for 2011 has been revised upwards to 19 per cent.

HR targets and results, Holmen's Swedish units[1)]

	Target 2011	2009	2008	2007	2006	2005
Human capital	650	**623**	–	601	–	587
Leadership index	61	**58**	–	56	–	55
Performance reviews, %	80	**62**	–	65	–	58
Accidents at work leading to sick leave/1 000 employees	10	**31**	38	23	27	27
Proportion of female managers, %	19	**16**	13	11	9	8

1) The employee survey Holmen Inblick has been gradually introduced in the Group, and units were added and disappeared over the period 2005–2009. Comparisons between the years should therefore be made on the basis of trends and should not be regarded as precise values.

Employee surveys

The results of the employee surveys *Holmen Inblick* conducted since 2001 show that the working environment at the Group's units has improved. This is probably due to the initiatives taken as a result of the surveys.

Employee surveys

Holmen has conducted employee surveys since 2001. At first they covered the Swedish units, but since 2009 they have been carried out throughout the Group.

The questions are formulated in association with the union organisations. The surveys are conducted in co-operation with the market research company TNS SIFO.

In January 2009 employee surveys were carried out at all Holmen units. The purpose was to "take the temperature" of the organisation and check that managers and other employees are fulfilling their responsibilities as laid down in the personnel policy. The result was substantially better than in 2007, and the target for human capital was comfortably met. Leadership also improved, but not to the same degree.

TNS SIFO:s comments:

"Holmen's overall results are good. The human capital index (for the whole Group) was 623, up from 601 in the previous survey. Holmen is substantially above the average for process industries in Europe.

The challenges for Holmen are principally in continuing to work on organisation and a climate of renewal. Efficiency can be improved, through shorter decision paths, clearer distribution of responsibilities and roles, and better aids for addressing aspects regarded as problems. A fifth of employees feel that that they lack opportunities to develop in their work.

The view of leadership has improved in comparison with the previous survey, but the managers need to continue to develop in their roles.

The majority of employees feel at ease at Holmen and are committed to their tasks. Most of them feel that they are in the right place and wish to carry on working in the company for a long time."

Efforts to improve lead to result

All managers have to report the result of their employee survey to their own employees. *Holmen Inblick* is a valuable tool for identifying what actions need to be taken, and employees take part in the improvement efforts. The surveys also show that the actions taken have led to changes.

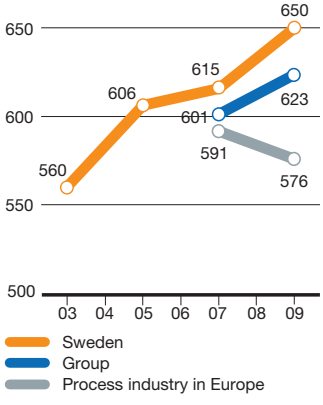
Leadership is a key issue

Good leadership is at the core of all successful companies and helps to strengthen the team and raise its level of motivation.

Holmen Inblick has shown that the insufficient ability of the leadership to encourage employees to grow in their roles is the weak point of the survey. Despite this, many people are motivated and feel that they have been given everything required for them to carry out their work. They are also well acquainted with the company's goals.

The employee surveys have provided a good basis for developing the leadership. Holmen uses local action plans to support those managers who, according to the surveys, need to develop their leadership. It is worth noting, however, that the vast majority of Holmen's managers are excellent leaders. Many of them act as mentors for those who need support.

The index for human capital is improving



The human capital index at Holmen's Swedish units has risen each time since the surveys began. The index has also improved for the whole Group since the units outside Sweden were incorporated into the survey in 2007.

Holmen's index is well above the average for European process industries, which have shown a negative trend in recent years.

The human capital index is calculated by the employees completing a questionnaire containing questions in eight areas:

- Skills/competence
- Motivation
- Responsibility and initiative
- Authority
- Co-operation and process
- Organisational efficiency
- Learning
- Climate of renewal

If everyone gives maximum scores to the questions in each area, the total value of the human capital index is 1 000.

Leadership development

Good leadership is a factor for success. Holmen therefore conducts an extensive development programme for all managers in the Group. The overarching purpose of the programme is to clarify Holmen's view of key leadership issues.

All Holmen managers will take part in the development programme *Manager at Holmen* in 2009 and 2010. The guiding principle in the programme is an awareness that good leadership provides the foundation for motivation and impetus in the organisation. Leaders who are able to commit themselves and motivate their employees generate strength and potential in their teams and induce them to perform better.

As part of the programme, all new managers in the Group will receive a local tutor, who is a colleague with several years of managerial experience.

New managers also undergo management training immediately after being appointed. The aim is to give new managers a consistent view of leadership as early on as possible, so that they quickly settle into the role. The programme gives participants a starter kit of basic tools for use in day-to-day leadership. The training helps participants to identify their own strengths and areas for improvement.

The assessment of managers will in 2010 be supplemented by new tools that provide a truer picture of management and leadership. Holmen intends to assess all its managers.

SUPPLY OF MANAGERS. Every second year Holmen selects employees who have what it takes to be promoted to higher positions and who are interested in such advancement. Identifying existing managers ready to take on greater and more demanding tasks is equally important. Another distinct aim is to identify more female employees with management potential.

Holmen's target is to fill at least 75 per cent of all managerial vacancies through internal recruitment.

AN INTERNATIONAL PROGRAMME to develop capable managers within the Group is conducted in association with Stockholm School of Economics IFL Executive Education. The aim is to foster leadership and management skills and create a common approach to strategic issues. The programme is held every two years. The latest was completed in 2009 and brought together 24 managers from all parts of Holmen, including five women.

New Holmen managers were given a good start through the training course entitled *New as a manager.* The first group consisted of Per Calner, master papermaker at Braviken, Therese Jost, head of the section for environmental and business systems at Hallsta, and Kristina Ekblad, head of accounting in Group Finance, Stockholm.

CLEAR REQUIREMENTS FOR LEADERSHIP. It emerged from the 2009 employee survey that several managers had low leadership indices. This discovery led to action plans focused on providing the managers concerned with support to improve their leadership. A number of managers have also been allocated new duties without leadership responsibility.

The target is zero managers with low leadership indices by the time of the 2011 employee survey. This issue comes high on the Group management agenda.

WOMEN ARE JUDGED to be better managers. On the whole, women gain higher marks for leadership in the employee survey than their male counterparts. They are judged to be better at taking decisions and setting clear requirements. They are also regarded by their colleagues as better listeners and more encouraging than male managers. With regard to being a role model, the gap between men and women in managerial positions is as wide as 15 percentage points. This reinforces the Group's efforts to increase the proportion of female managers.

Manager at Holmen

The programme aims to create a consensus on Holmen's expectations of leadership. This includes material containing important questions about being a manager and leader.

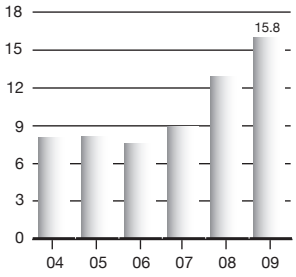
- Values in leadership
- Basic prerequisites for being a manager
- The dual role of manager and leader
- Induction programme and continued development of managers
- Assessment of management and leadership.

In addition there is an enumeration of Holmen's managerial programmes and methods of assessment.

More women an important issue for the future

Holmen has endeavoured to increase the proportion of women in its organisation for many years. These efforts are yielding results, as reflected in each annual rise in the number of female managers.

Female managers
Proportion of all managers, %



Still relatively few women ...

Women have always been under-represented in the forest industry, and Holmen is no exception. The proportion of women in the Group is still low, but is slowly rising. At present, 19 per cent of Holmen's employees are women.

... but the proportion of new female employees is rising

Of employees appointed in 2009, 27 per cent were women, which is in line with the level Holmen aspires to achieve. The proportion of women on the year's induction programme for newly recruited graduates was 36 per cent. Most have a university education, which lays the necessary foundation for a future rise in the proportion of women in higher positions.

Proportion of female managers is rising

The proportion of female managers at Holmen's units was very low in the early 2000s. Since 2007 it has increased and now stands at 16 per cent. However, Holmen still regards this level as far too low. The aspiration is to attain 19 per cent by 2011. In 2008 and 2009 a total of 84 new managers were appointed at Holmen's Swedish units, of whom 26 (31 per cent) were women.

More women in management teams

There are now 14 women in the management teams of the Group, business areas and mills. The Holmen Board includes two women, one of whom was elected by the AGM and one is an employee representative. The management team at Iggesund Mill has a more even balance – six men and five women.

No form of discrimination is accepted

The employee survey contains questions on discrimination. According to the results of the 2009 survey, no one experienced discrimination on the grounds of sexual orientation. On the other hand, three per cent of employees stated that they felt discriminated against on the basis of either gender, disability or ethnic origin. Another three per cent experienced age discrimination. Holmen applies EU discrimination laws and does not accept any form of discrimination. At those units where some form of discrimination was discovered the causes were investigated and action was taken.

Female managers in the Iggesund area, from left: Lotta Dahlin, Jenny Andersson, Evy Andersson, Eva Maria Andersson, Bea Tomassen, Jill Persson, Anna-Lena Ström and Kicki Ljung.

Unwarranted pay differences

Under statutory requirements in Sweden, Holmen conducts an annual survey of pay in its Swedish units. As of 2009 the survey is run every three years. The company identifies any pay differences between women and men who perform equivalent tasks.

The survey is conducted to identify, remediate and prevent unwarranted gender-related differences in pay and other terms of employment. Where unwarranted pay differentials have been discovered, action plans have been adopted in consultation with the union organisations.

Employee survey looks at gender equality

The 2007 and 2009 employee surveys show that women's human capital index (the total index in the survey) is higher than that of men. In the 2003 survey the opposite was true. Holmen interprets this as meaning that gender equality efforts are having an impact.

However, some workplaces, especially the mills, are notable for their "blokeish" jargon. Nine per cent of women feel that they have been discriminated against at some time on account of their gender. The employee survey is a valuable instrument for use in identifying any problems that may exist.

Women and men also take a different view of opportunities to combine work and family. A survey shows that female employees find it more difficult to reconcile the role of manager with family life. Both women and men would like to see greater flexibility at the workplace. In addition, there are demands for better opportunities to forge a career during other periods of life besides the "classic" age span of 30 to 40.

Health and safety

Holmen endeavours to create a good working environment which is both safe and stimulating. Sickness absence has fallen substantially in recent years, while the number of industrial accidents is at an unsatisfactorily high level.

The Group's new working environment policy emphasises areas in which action needs to be taken. Local guidelines exist or are due to be developed. Each unit has working environment targets and procedures describing how to follow up accidents and incidents. This work is also regularly monitored by authorities. Holmen conducts annual internal audits of its working environment and fire safety activities.

Continued high level of industrial accidents

The number of industrial accidents per 1 000 employees resulting in more than eight hours of sick leave fell to 31 (38) in the Group. Far too many accidents are caused by failure to use safety equipment and or to follow procedures. Reducing the number of such accidents represents a major challenge for Holmen. No Holmen employee has been involved in a fatal accident since the Group was formed in 2000. Unfortunately, however, an employee of a contractor was killed while working at Holmen Paper Madrid in 2009.

TARGET FOR NUMBER OF INDUSTRIAL ACCIDENTS. Holmen's target to reduce the number of industrial accidents resulting in absence for more than eight hours to 10 per 1 000 employees by 2009 proved difficult to achieve. The Group has analysed the situation and taken measures to ensure that the target can be attained by 2011. Activity in Holmen's working environment network has been stepped up in order to achieve this. Each unit bases its work on a customised local action plan with the aim of significantly reducing the number of industrial accidents.

A DEGREE PROJECT ON why accidents happen was carried out during the year. It confirmed that protective equipment and procedures exist but that there are shortcomings in how the equipment is used and how the procedures are applied. Consequently, Holmen could improve its emphasis on the significance of "safe behaviour".

INCIDENT REPORTING. A number of incidents have occurred at Holmen units in recent years. The risk of accidents can be reduced by reporting incidents and by learning from them.

TRAINING IN WORKING ENVIRONMENT ISSUES. All new employees at the mills undergo training about a safe working environment. All managers and union safety representatives receive three to five days of training.

Declining rate of sickness absence

The rate of sickness absence at Holmen units continued to fall, reaching a level of 3.7 (4.3) per cent in 2009. There is reason to regard this as being a result of the work on health in recent years. It is not possible to draw conclusions from the differences between the different countries owing to different insurance systems.

LONG-TERM ABSENCE (more than 60 days) has fallen to 1.4 (2.7) per cent. The same trend is also clear in the rest of society. Furthermore, women are no longer as over-represented as they used to be among people on long-term sick leave. The large workforce reductions in recent years have been accomplished in many cases through early retirements, which has also contributed to the lower long-term absence.

THE SHORT-TERM ABSENCE rate (1–14 days) has been below 2 per cent for several years, which is lower than for the industry as a whole.

GOOD-HEALTH INDEX. Holmen annually measures what is known as the good-health index. This is a measure of the proportion of employees who have not had a day of sick leave during a calendar year. In the past few years the good-health index at Holmen's Swedish units has been around 45 per cent. Holmen offers its employees a range of preventive health-care activity options.

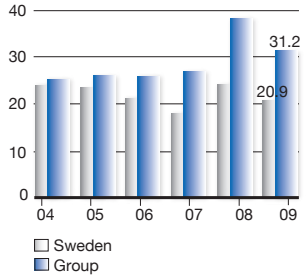
COMPANY HEALTH SERVICE. All employees have access to a company health service which provides rehabilitation and supports work training.

LEGIONELLA. The wastewater treatment plants at several Swedish forest industry mills contain legionella bacteria. An industry-wide method of risk analysis has been introduced and is applied at Holmen units. Maintenance procedures and the handling of water have been improved. Affected individuals and at-risk groups are offered health assessments.

Industrial accidents with sick leave

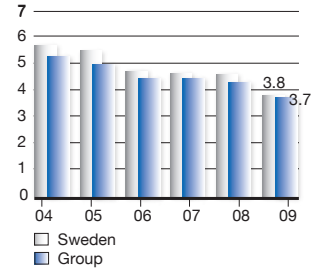
Number per 1 000 employees

There was a slight decrease in the number of industrial accidents in 2009.



Sick leave, %

The level of sick leave declined for the seventh year in a row.



The World Day for Health and Safety at Work on 28 April was celebrated at Holmen Paper Madrid. Maria García and Pilar Sánchez do arm and back exercises.

An attractive employer

The ability to attract and retain skilled employees is a key issue for Holmen's future growth. The Group therefore endeavours in various ways to portray Holmen as an interesting employer.

Gunnar Forsgren of Iggesund Paperboard talks to students about Holmen at a labour market day at Linköping University.

The ability to attract, recruit, develop and retain committed and skilled employees is crucial to Holmen's ability to operate its business successfully, both today and in future.

Contacts with schools and universities

PRIMARY AND LOWER SECONDARY SCHOOL. Holmen participates in the nationwide programme run by the *Forest in School* organisation. The company also hosts pupils on work experience schemes. Over a ten-day period some 60 primary and lower secondary school pupils in the Hudiksvall area have a chance to study the work in the forests and at the mills and follow the whole process from wood to finished product.

UPPER SECONDARY SCHOOL. Holmen is involved in a project known as *Journey into the Future*, together with the Swedish Forest Industries Federation. This project is aimed at young people and teachers at upper secondary schools. In 2009, themed days on the forest industry were held at 137 schools throughout Sweden, and 9 700 pupils took part. Holmen follows up these themed days with study visits to nearby mills. The Group also runs an annual continuing professional development course for some 30 social science teachers from all parts of the country. The programme highlights various aspects such as raw materials, energy, the environment and climate. A large proportion of the teachers say that they have found the training useful for their own teaching. Together with other companies in the industry, Holmen has trained around 900 teachers since the programme began ten years ago.

HIGHER EDUCATION. Holmen takes part in the labour-market days organised at colleges of technology and the Royal College of Forestry. In association with other forest companies, Holmen also arranges industry evenings for students at six institutes of technology, as well as forest training programmes. Seven hundred students took part in 2009.

The Group maintains continuous contact with students on forest and technical training programmes that provide knowledge in line with Holmen's needs. The Group arranges information meetings and study trips, and informs on Holmen's future recruitment needs.

Braviken Sawmill creates jobs

Holmen's new sawmill at Braviken outside Norrköping provides 120 new jobs. Appointments were made to a number of key positions in 2009 and new intakes will take place in stages in 2010 and 2011 as production is scaled up.

Some positions are being filled by employees who became surplus to requirements at Braviken Paper Mill in 2009, when Holmen overhauled the organisation and introduced new working practices. However, many positions at the sawmill require specialist knowledge, and most of them are therefore being filled through external recruitment. The sawmill will commence operation at the beginning of 2011.

Degree projects

In 2009 Holmen hosted 20 students who carried out degree projects in the Group. In addition, the Group took on 400 young people for summer jobs and conducted a large number of interviews with and completed questionnaires from students writing essays in higher education.

Trainee programmes

Holmen Skog and Hallsta Paper Mill have long taken on trainees with university degrees every year. The venture has been highly positive, and in 2009 Holmen extended the programme to the whole Group.

The 11 trainees work at units in the Group for a period of ten months. They carry out individual projects and receive Group-wide training. After the traineeship, they are given an ordinary position at one of the units.

Development of skills

Every year Holmen devotes substantial resources to developing the skills of its employees. The main aim is to boost professional skills and offer employees opportunities for advancement to higher positions.

Holmen runs a mentoring programme every year. Holmen's Helena Sidenvall and Jenny Adolfsson flank the 2009 adepts.

Skills development is traditionally a matter of becoming more proficient in one's occupation and/or gaining qualifications for new tasks. But the term also covers the enhancement of skills that comes with having increased responsibility, using new equipment and a change of duties. All Holmen's business areas provide several training programmes each year to raise the skills levels of employees.

The induction of new employees additionally requires significant training activities. There is also the extensive day-to-day learning that takes place at every workplace.

THE HR SYSTEM, which came into use at the Swedish units in 2009, improves opportunities for the development of skills. In a few years' time, all job descriptions will be based on skills. In future, all employees will be able to compare their present-day skills with what the position requires. Each individual employee's development plan will be more clearly related to the position's requirements.

Mentoring programme

Around 140 adepts have taken part in Holmen's mentoring programme since it began in 2003. In 2009, 19 adepts took part, each of whom had their own personal mentor. In the assessments made later, the programme consistently earned high scores. It was not just the adepts who considered that they had been developed, so too did the mentors.

Skills exchange

For the past few years Holmen's development engineers in particular have been offered the opportunity to work at other units in the Group for a limited period of time. The aim is to enable them to develop by gaining new insights into their usual tasks.

International induction programme

In addition to local induction programmes there is also an international Group-wide programme for newly recruited university graduates. Around 70 new employees from seven countries took part in 2009. The aim of the programme is to improve knowledge of the Group and offer participants an opportunity to network. Holmen's CEO and other members of Group management assist with the programme.

Workforce reductions

Employees who were served notice at Wargön Mill have received extensive training. Ingmari Hedberg, Håkan Lundgren and Anne-Marie Svahn attended the computer training course. Standing is course leader Johanna Tomkinsson.

In 2009 Holmen shut down a paperboard machine at Workington Mill, and reduced staffing levels at Braviken Paper Mill. The cutbacks at Wargön Mill and Hallsta Paper Mill decided on in 2008 were implemented as planned.

WORKINGTON MILL. In September 2009, the Holmen Board decided to shut down the mill's older paperboard machine at the end of the year. The capacity of the remaining paperboard machine is being increased instead, and the products will be focused on a more competitive quality segment.

Holmen has consequently reached an agreement with the unions to reduce the number of employees by 99. Everyone affected has been offered redundancy payments above statutory and contractual levels.

BRAVIKEN PAPER MILL. In September 2009 the Board of Holmen decided to adapt operations to the declining demand for printing paper. Negotiations consequently took place with the unions to reduce the workforce by 95. Working practices and organisation are also being reviewed in order to attain efficiency improvements.

By February 2010, 43 employees had accepted the offer of a company pension or had reached retirement age and 16 had been offered employment at Holmen's new sawmill in Braviken. Negotiations with the remaining staff are not yet complete.

ORGANISATIONAL REVIEW. Under the Board's decision taken in September 2009, the administrative processes throughout the Group are also being reviewed, with the aim of improving efficiency and cutting costs.

WARGÖN MILL. Following a decision by the Group's Board, all production at Wargön Mill ceased in December 2008.

A total of 318 employees were affected. By February 2010 around 60 had retired and just over 130 had found employment in other companies. Of the remainder, just over 30 were on various training schemes or on parental leave, while around 70 were continuing to receive support in looking for new jobs.

HALLSTA PAPER MILL. A paper machine was shut down at the end of 2008. Along with the review of the organisation which was underway at the same time, 262 people were affected. By February 2010 just over 100 had left at their own request or with redundancy payments. Just under 90 had accepted the offer of early retirement, while around 70 had received notice of termination of their employment after negotiations.

Support for those who lose their jobs

By agreement, Holmen in Sweden in association with the unions, engages external coaching firms who specialise in overmanning issues to support employees who lose their jobs. All employees who are superfluous to requirements are allocated a personal coach to assist them in looking for employment. There are no equivalent agreements in the UK.

Union co-operation

Holmen co-operates closely and in a spirit of trust with the union organisations on all major issues, and regards this as fundamental to the company's growth.

This section mainly describes co-operation and legislation in Sweden. The situation is broadly similar in the Netherlands, the UK and Spain.

UNION CO-OPERATION. The company's employees are represented on the Group Board by three members and three deputy members. The union organisations meet regularly in consultation groups at each unit. These groups are appointed at Group, business area and workplace level and meet the management of the particular unit on a regular basis.

The unions are involved in major development and investment projects. Current examples are the design of the employee survey *Holmen Inblick* and the Group's new working environment policy.

Union activities and the time needed for them are governed by agreements between the company and the union organisations. The company regards union activities as valuable.

THE HOLMEN EUROPEAN WORKS COUNCIL (HEWC), whose activities are subject to EU law, is the Group's internal European union council. It has eleven members, and represents all the major units. The HEWC meets twice a year, and acts as a forum for consultation across national borders. Experience is favourable, and the HEWC has helped Group units in various countries to come closer together.

TERMS OF EMPLOYMENT are mainly governed by agreements at national level. These agreements contain guidelines for annual pay reviews and general terms of employment such as pension and insurance terms. All national agreements are binding on the company and its union organisations.

The agreements are supplemented by agreements at local level covering working hours, production bonuses and preventive health care.

THE LEVEL OF UNION MEMBERSHIP in Holmen in 2009 was 90 per cent in the Swedish units. The equivalent figures for the UK and Spain were 65 and 38 per cent.

HEALTH AND SAFETY RULES have been drawn up at all units in association with the unions.

DISPUTES AND DISAGREEMENTS over working conditions that cannot be resolved by a manager and an employee with assistance from the unit's HR department are referred for local negotiation between representatives of the company and the employee's union. If the parties still fail to agree, the matter can be referred for central negotiation between representatives at national level. The Labour Court is the arbiter of last resort in Sweden.

OVERMANNING arises when the company's organisation is larger than is required for the long-term operation of the business in accordance with the established strategy. When this situation occurs, the employer negotiates with the unions with a view to reaching a mutually acceptable solution.

In Sweden, an impact assessment is also made in accordance with the guidelines issued by the Swedish Work Environment Authority. In the event of overmanning, the company aims to minimise the number of redundancies as far as possible through redeployment, early retirement and training. Warning notice and redundancy notice periods are governed by national agreements between the parties.

The right of association

The employees' right to belong to a union is regulated by law, known as the right of association. By this is meant the right of employees and employers to form and belong to unions or employer associations.

The Swedish Co-determination at Work Act

applies to all important changes in the business. The object of the law is to give the employees influence and a voice in important issues.

In the event of major changes to the organisation, the employer is required to negotiate before a decision is made. The union organisations have the right to be party to the information, analyse the consequences and express their opinion before the decision is made.

Union representatives on the HEWC (Holmen European Works Council). From left Tore Gidlund, Mikael Holmberg, Tommy Åsenbrygg, Mary Bento, Santiago Sánchez and Susana García.

Facts

How the facts are compiled

The facts presented on the following pages are largely the same as those Holmen is required to report to the authorities by law. Some figures have been specifically produced for this report.

Financial

The information on Holmen's financial position provided in *Holmen and its World 2009* is identical to that presented in the *Holmen Annual Report 2009*.

Personnel

The key ratios provided are more detailed for Holmen's Swedish units than for other countries. The definitions used are those in current use in the industry. Most of the indicators are collected monthly through the pay systems.

There is a reporting system for industrial accidents at the major units. Data are also reported to authorities and organisations.

Production and the environment

Production and environmental data are compiled monthly at Holmen's units.

- The licensing authorities' conditions relating to emissions to air and water require regular sampling in accordance with specific rules.
- Holmen reports its environmental data to the supervisory authorities monthly and annually.
- Consultation meetings are held with the supervisory authorities several times a year.
- Procedures for measuring and recording data under the environment, quality and energy management systems are checked by internal and external auditors.
- All reports to Swedish authorities are available to the public under the principle of public access to documents.
- Data from all the mills are reported to the EU annually.

Units and abbreviations used on the Facts pages.

Hectares.
10 000 m^2, 100 x 100 m

m^3fub. Cubic metres solid under bark; true volume (that is to say, no space between the logs) of whole trunk or trunk wood excluding bark and tree tops.

m^3sk. Forest cubic metres; volume of tree trunks, including bark, from the stump to the top.

Electric energy and thermal energy are stated in GWh;
1 GWh = 1 million kilowatt hours,
1 GWh = 3.6 TJ - Terra Joule.

SEKm. Million Swedish Kronor.

Data from all parts of the Group are collected in the same way, collated and quality assured. No changes have been made in the reporting principles in relation to the previous year.

One of the paper machines at Hallsta Paper Mill was shut down in November 2008. In December of the same year, operations were discontinued at Wargön Mill. The closure at Hallsta Paper Mill had an impact on reported figures for both consumption of raw materials and emissions in 2009. As a result of the discontinuation at Wargön Mill no data are available for this unit as of 2009. Previously reported data for personnel, production and environment have not been revised as a result of the closures.

As some of the information provided in this report had already been collected by the end of the year it refers to, it might differ slightly from the information finally reported to the authorities. Some of the data for personnel and the environment now reported for 2008 may therefore have been revised.

Finance

SEKm	2009	2008	2007
Income statement			
Net turnover	**18 071**	19 334	19 159
Operating costs	**-15 175**	-16 630	-15 548
Depreciation and amortisation	**-1 320**	-1 343	-1 337
Interest in associates	**45**	50	12
Items affecting comparability[1]	**–**	-361	557
Operating profit	**1 620**	1 051	2 843
Operating profit excl. items affecting comparability[1]	***1 620***	*1 412*	*2 286*
Net financial items	**-255**	-311	-261
Profit before tax	**1 366**	740	2 582
Tax	**-360**	-98	-1 077
Profit for the year	**1 006**	642	1 505
Balance sheet			
Assets			
Non-current assets	**25 845**	26 593	26 153
Current assets	**6 331**	8 009	7 090
Total assets	**32 176**	34 602	33 243
Equity and liabilities			
Equity	**16 504**	15 641	16 932
Liabilities	**15 672**	18 960	16 311
Total equity and liabilities	**32 176**	34 602	33 243
Cash flow			
– from current operations	**2 873**	1 660	2 476
– from investment activities	**-818**	-1 124	-1 315
– from financing activities	**-2 522**	-289	-1 253
Cash flow for the year	**-467**	247	-91
Key ratios			
Operating margin, %			
Holmen Paper[2]	**4**	3	6
Iggesund Paperboard	**8**	7	12
Holmen Timber[2]	**4**	3	24
Group[2]	**9**	7	12
Return, %			
Capital employed[2]	**7**	6	10
Equity	**6**	4	9
Dept/equity ratio, times	**0.34**	0.48	0.35

Net turnover and operating profit by business area, SEKm

	Net turnover			Operating profit		
	2009	2008	2007	**2009**	2008	2007
Holmen Paper	**9 303**	10 443	10 345	**340**	280	623
Iggesund Paperboard	**5 023**	4 860	5 100	**419**	320	599
Holmen Timber	**553**	499	589	**21**	13	146
Holmen Skog	**4 799**	5 443	4 775	**605**	632	702
Holmen Energi	**1 628**	1 834	1 590	**414**	327	272
Group central costs and other	**–**	–	–	**-178**	-159	-56
Items affecting comparability[1]	**–**	–	–	**–**	-361	557
	21 306	23 079	22 399	**1 620**	1 051	2 843
Intra-group sales	**-3 236**	-3 745	-3 239	**–**	–	–
Group	**18 071**	19 334	19 159	**1 620**	1 051	2 843

1) Items affecting comparability in 2008 included closure costs of SEKm 298 at Wargön Mill, costs of SEKm 115 associated with closing down PM 2 at Hallsta Paper Mill and a positive effect on the result of SEKm 52 associated with the fire at Braviken Paper Mill. In 2007, items affecting comparability included impairment costs of SEKm 1 603 at Holmen Paper, the SEKm 60 re-entry of earlier impairment costs at Holmen Timber, and the SEKm 2 100 revaluation of biological assets.

2) Excluding items affecting comparability.

Production and environment

	Holmen			Holmen Paper								
	Total			Hallsta Paper Mill			Braviken Paper Mill			Holmen Paper Madrid		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Production, '000 tonnes												
Newsprint, standard	**823**	957	1 038	**62**	170	207	**479**	458	457	**282**	329	374
MF Special	**679**	714	690	**433**	418	391	**229**	269	277	**17**	27	22
SC paper	**137**	149	131	**137**	149	131	**–**	–	–	**–**	–	–
Coated printing paper	**75**	212	175	**–**	–	–	**–**	–	–	**75**	76	32
Paperboard, coated and laminated	**35**	34	35	**–**	–	–	**–**	–	–	**–**	–	–
Paperboard[1]	**515**	517	563	**–**	–	–	**–**	–	–	**–**	–	–
Sulphate pulp, int. and ext. deliveries	**48**	62	50	**–**	–	–	**–**	–	–	**–**	–	–
Sawn Timber, '000 m^3	**291**	279	272	**–**	–	–	**–**	–	–	**–**	–	–
Raw materials, '000 tonnes												
Wood, million m^3fub[2]	**4.49**	4.79	4.66	**1.27**	1.36	1.30	**1.02**	1.01	0.99	**–**	–	–
Purchased pulp/paperboard	**127**	166	174	**40.8**	41.0	43.4	**1.8**	4.0	8.6	**–**	–	–
Recovered paper	**813**	999	1 040	**–**	70	105	**340**	370	373	**473**	559	562
Plastic granules/foiling material	**2.4**	2.4	2.5	**–**	–	–	**–**	–	–	**–**	–	–
Water consumption, million m^3	**84**	93	92	**13.5**	14.5	15.0	**22.3**	22.9	22.5	**3.6**	3.9	3.8
Process effluent, million m^3	**57**	64	63	**8.5**	8.5	8.5	**9.8**	11.3	10.6	**2.7**	2.7	2.8
Chemicals[3]	**125**	155	178	**19.7**	30.6	25.3	**28.3**	31.7	31.4	**10.8**	13.1	12.2
Filler, pigment	**195**	265	268	**72.6**	100	91.1	**28.2**	27.0	28.1	**39.5**	37.2	19.1
Thermal energy, GWh												
Biofuels												
Recovered liquor	**1 468**	1 612	1 530	**–**	–	–	**–**	–	–	**–**	–	–
Bark, wood fibre-based fuels	**1 448**	1 347	1 299	**303**	403	401	**340**	348	337	**–**	–	–
Recovered in the TMP-process[5]	**1 093**	952	955	**536**	502	538	**557**	450	417	**–**	–	–
Fossil fuels												
Oil, LPG	**354**	749	869	**54**	109	139	**149**	246	256	**–**	–	–
Natural gas	**743**	921	872	**–**	–	–	**–**	–	–	**719**[6]	875[6]	843[6]
Purchased[7,8]	**528**	600	623	**–**	–	–	**–**	–	–	**–**	–	–
Electric energy, GWh												
Company, hydro power	**1 090**	1 128	1 193	**–**	–	–	**–**	–	–	**–**	–	–
Consumption of electricity[8,11]	**4 681**	5 156	5 122	**1 860**	2 045	1 965	**1 619**	1 657	1 700	**418**[6]	472[6]	458[6]
of which own back-pressure power	**384**	485	472	**11**	18	37	**30**	72	62	**172**	201	183
Emissions into air, tonnes												
Sulphur dioxide, (counted as S)	**199**	235	230	**38**	33	42	**16**	24	26	**<1**	<1	<1
Nitrogen oxides	**1 608**	1 697	1 670	**95**	122	100	**138**	163	181	**768**[6]	731[6]	705[6]
Dust	**91**	131	118	**10**	24	16	**0.6**	4.1	4.1	**<1**	<1	<1
Carbon dioxide, '000 tonnes												
Fossil	**252**	399	419	**14.9**	32.3	41.5	**48.1**	74.5	79.3	**145**	176	170
Biogenic	**988**	1 062	1 096	**141**	150	186	**145**	173	158	**–**	–	–
Emissions into water, tonnes												
COD, '000 tonnes	**19.9**	25.2	24.5	**2.7**	3.5	3.9	**1.8**	1.8	1.8	**0.20**	0.27	0.24
Suspended solids	**3 726**	5 358	4 672	**210**	154	300	**256**	329	330	**5.0**	5.0	4.0
Nitrogen	**269**	374	318	**27**	40	36	**55**	61	55	**55**	66	65
Phosphorus	**19.4**	27.3	20.4	**1.8**	1.4	1.9	**3.4**	3.9	3.5	**1.0**	1.0	1.0
Waste, '000 tonnes												
Hazardous[12]	**6.2**	1.6	0.8	**0.03**	0.04	0.02	**0.14**	0.15	0.14	**0.08**	0.09	0.04
Sent to landfill, wet	**23**	35	43	**1.0**	–	1.0	**7.0**	7.8	10.1	**9.8**	17.7	18.4
Utilised or recycled[13]	**435**	496	468	**5.9**	12.6	17.0	**158**	161	136	**184**	225	202
Other deliveries												
Thermal energy, GWh	**115**	107	106	**17**[14]	16[14]	16[14]	**–**	–	–	**–**	–	–
Crude tall oil[16], '000 tonnes	**4.0**	5.5	10.0	**–**	–	–	**–**	–	–	**–**	–	–

1) The figures also include produced cellulose substitute. The use of raw materials and energy as well as environmental data are stated for total production at the units.

2) At Group level, consumption is computed net taking into account internal deliveries of chips from the Iggesund Sawmill to Iggesund Mill.

3) Stated as 100 % active substance.

4) Thermal energy from Iggesund Mill. Emissions into air from the production of thermal energy are included in the table.

5) Thermal energy is produced from the electricity used in the production of thermo-mechanical pulp; this is recovered and used in production.

6) The report includes data for gas consumption and related emissions associated with Holmen's share of the electricity production at the 50 %-owned gas turbine facility (Cogen) adjacent to the mill. In the past corresponding figures were included for the electric energy that the facility delivered to the mill. Since the end of 2007, Cogen has sold all the electricity produced to the grid. However, the entire supply of heat from the gas turbine installation to the mill is included in the figures for the mill's gas consumption and associated emissions. The model for the distribution of emissions of nitrogen oxides from the Cogen plant between electricity and heat production is based on the emissions that the heat would have given rise to had it been produced in a steam boiler.

7) Wargön Mill was shut down at the end of 2008. The figure includes heat purchased externally (13 GWh) for heating the remaining buildings.

8) In 2009, emissions of fossil carbon dioxide from production of purchased thermal energy and electricity amounted to approximately 320 000 tonnes.

9) From Nordanstigs Bostäder's district heating plant to the production unit in Strömsbruk.

Iggesund Paperboard						Holmen Timber		
Iggesund Mill			Workington Mill			Iggesund Sawmill		
2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
–	–	–	**–**	–	–	**–**	–	–
–	–	–	**–**	–	–	**–**	–	–
–	–	–	**–**	–	–	**–**	–	–
–	–	–	**–**	–	–	**–**	–	–
35	34	35	**–**	–	–	**–**	–	–
287	286	308	**228**	231	239	**–**	–	–
48	62	50	**–**	–	–	**–**	–	–
–	–	–	**–**	–	–	**291**	279	272
1.38	1.46	1.42	**0.40**	0.43	0.42	**0.66**	0.65	0.62
–	–	–	**84.7**	87.0	86.4	**–**	–	–
–	–	–	**–**	–	–	**–**	–	–
2.4	2.4	2.5	**–**	–	–	**–**	–	–
34.9	35.8	34.9	**9.5**	9.2	9.0	**–**	–	–
29.2	29.6	29.5	**6.9**	6.9	6.9	**–**	–	–
43.3	43.9	68.1	**22.2**	24.0	24.3	**–**	–	–
28.3	27.1	32.5	**26.7**	29.4	30.6	**–**	–	–
1 468	1 612	1 530	**–**	–	–	**–**	–	–
712	403	385	**–**	–	–	**93**[4]	87[4]	86[4]
–	–	–	**–**	–	–	**–**	–	–
144	271	327	**–**	–	–	**6.9**	4.2	4.0
–	–	–	**24**	46	29	**–**	–	–
2.1[9]	2.0[9]	1.8[9]	**511**[10]	546[10]	548[10]	**2.3**	2.0	0
–	–	–	**–**	–	–	**–**	–	–
427	433	429	**327**	337	348	**19**	18	17
171	191	189	**–**	–	–	**–**	–	–
145	143	125	**<0.05**	<0.05	<0.05	**0.2**	0.7	0.4
580	577	588	**7.0**	14	7.0	**20**	18	20
75	84	82	**<0.05**	<0.05	<0.05	**5.0**	2.0	2.0
38.0	73.3	87.8	**4.4**	8.5	4.8	**1.8**	1.1	1.0
677	684	688	**–**	–	–	**25.0**	25.0	24.1
6.6	8.8	7.6	**8.6**	9.4	9.4	**–**	–	–
1 235	1 920	1 030	**2 020**	2 720	2 760	**–**	–	–
105	136	89	**27**	35	50	**–**	–	–
10.2	15	10	**3.0**	5.0	3.0	**–**	–	–
5.89	1.23	0.46	**0.06**	0.03	0.03	**<0.01**	<0.01	<0.01
5.2	8.8	13.3	**0.21**	0.45	0.21	**–**	–	–
41.8	40.6	51.5	**44.9**	47.2	37.8	**<0.01**	<0.01	–
98[15]	91[15]	90[15]	**–**	–	–	**–**	–	–
4.0	5.5	10.0	**–**	–	–	**–**	–	–

10) Thermal energy and electricity are produced using natural gas by another company (Powergen CHP) at a facility adjacent to the mill.

11) Wargön Mill was shut down at the end of 2008. The figure includes electricity purchased externally (11 GWh) for the remaining buildings.

12) Hazardous waste is dealt with by an authorised collection and recovery contractor. Braviken Paper Mill, Hallsta Paper Mill and Skärnäs Terminal have an obligation to deal with oil-containing waste from the ships calling at the harbours. In 2009, the volume of such waste amounted to 1 312 tonnes at the three harbours together.

13) Waste used, for example, as filling material, construction material or for the production of agricultural products. In 2009, an additional amount of approximately 610 000 tonnes of waste was utilised for internal and external production of energy.

14) Surplus heat for delivery to the district heating network in Hallstavik.

15) 93 GWh for delivery to the Iggesund Sawmill. Corresponding fuel energy to produce the heat and related emissions into air are reported under Iggesund Sawmill. 5 GWh as surplus heat for delivery to the district heating network in Iggesund.

16) For delivery to the chemical industry.

Holmen Skog

Total land holdings	**1 264 000 hectares**
Productive forestland	1 032 000 hectares
– of which protected forests	67 000 hectares
Other forest-covered land	130 000 hectares
Total acreage of forest land	**1 162 000 hectares**
Protected forests and forested impediments that are not managed	197 000 hectares
– proportion of total acreage of forest land	approx 17 per cent
Excluded from harvesting. Proportion of acreage	approx 5 per cent
No forestry, total acreage	**approx 20 per cent**
Timber volume, total	119 320 000 m³sk
Timer Volume, per hectare	117 m³sk

Types of tree

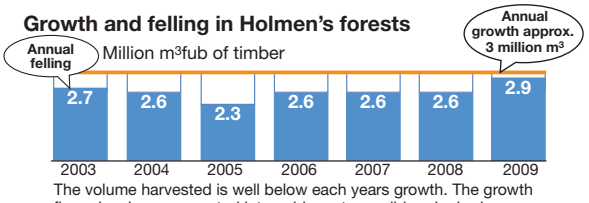
Pine 49 %, spruce 34 %, hardwood 13 %, contorta pine 4 %

Age class distribution

0–30 years 38 %, 31–60 years 26 %, 61–90 years 14 %, 91 years– 22 %

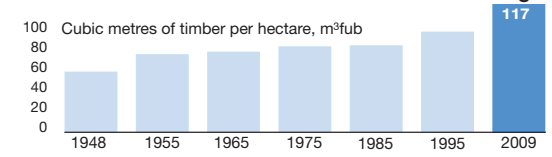
Wood procurement	**2009**	2008	2007
million m³fub			
Total, gross	**9.9**	10.4	10.6
of which from			
– company forest	**2.9**	2.6	2.6
– other Swedish forest owners	**6.9**	7.5	7.6
– import	**0.1**	0.3	0.4
Wood deliveries			
million m³fub			
To Holmen mills	**4.1**	4.7	4.5
External sales	**5.6**	5.7	6.0
Silviculture, hectares			
Reforestation	**12 000**	10 900	9 100
of which, %			
planting	**76**	72	75
seeding	**20**	23	22
natural regeneration – under seed trees	**4**	5	3
Controlled burning incl. forest fires	**239**	1 550	390
Plant production			
Millions of plants	**29**	30	30

Growth and felling in Holmen's forests



The volume harvested is well below each years growth. The growth figure has been converted into cubic meters solid under bark.

Volume of timber in Holmen's forests is increasing



Iggesund Paperboard – sheeting units

Valence, France and Utrecht, the Netherlands. Production in 2009 amounted to 44,500 (49,800) tonnes. The raw material consisted of 49,300 (55,000) tonnes of paperboard from Iggesund Mill and Workington Mill, and 73 (81) tonnes of plastic. Energy consumption amounted to 0.45 (0.5) GWh (natural gas) and 2.0 (2.2) GWh (electricity). Emissions of fossil carbon dioxide into air totalled to 98 (100) tonnes. In total 21 (23) tonnes of waste was sent for incineration.

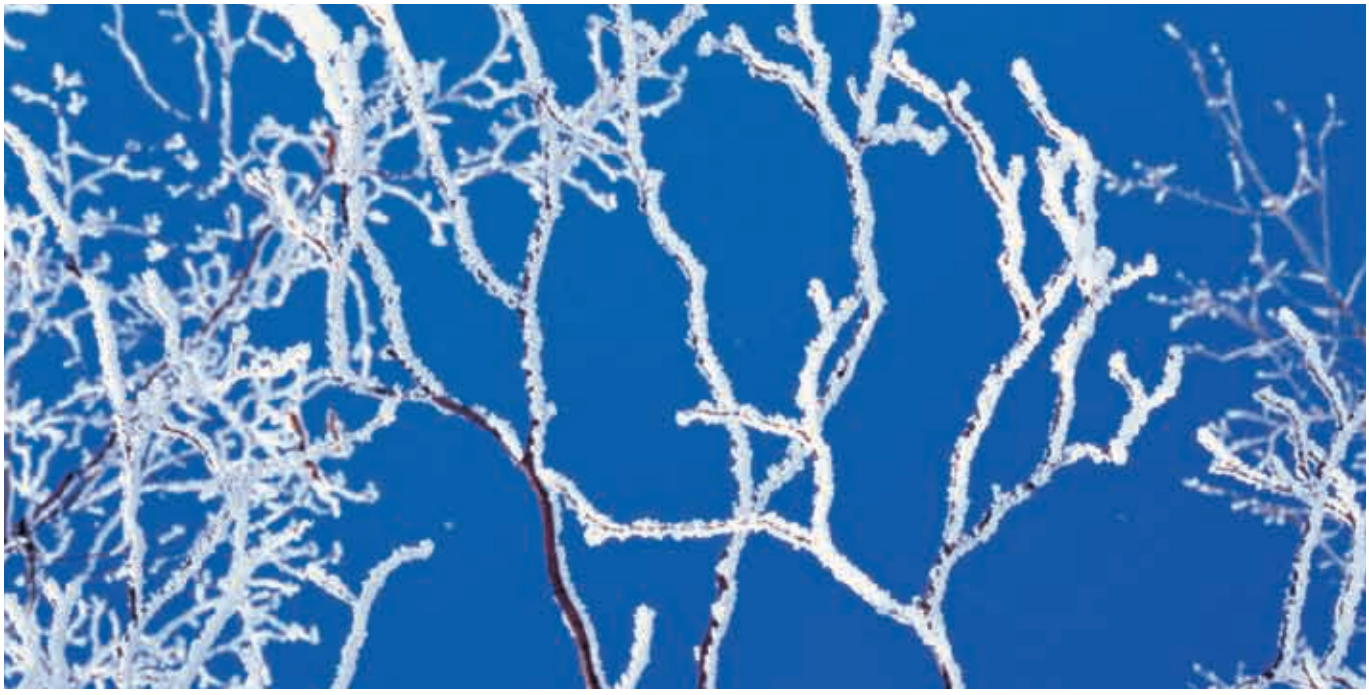
Personnel

	Sweden			Group		
	2009	2008	2007	**2009**	2008	2007
Employees						
Average number	**3 227**	3 511	3 628	**4 577**	4 829	4 931
of whom female, %	**18.3**	17.5	16.8	**18.6**	17.9	16.4
of whom temps, %[1]	**6.9**	–	7.5	**6.6**	–	5.9
Average age	**47.3**	46.5	46.6	**46.3**	45.0	45.5
Retirement age (average of different types of retirement)	**62.9**	62.7	62.3	**63.5**	62.3	–
Sick leave, %						
Total	**3.8**	4.6	4.7	**3.7**	4.3	4.5
of which longer than 60 days	**1.7**	2.7	2.7	**1.4**	–	–
employees: 29 years of age and below	**2.4**	2.5	2.3	**–**	–	–
30–49 years of age	**3.1**	4.0	4.4	**–**	–	–
50 years of age and above	**4.7**	5.7	5.7	**–**	–	–
male	**3.8**	4.5	4.2	**–**	–	–
female	**3.7**	5.3	7.0	**–**	–	–
Good health index (share of employees with no sick leave during the year)	**44**	42	45	**47**	44	–
Equality of opportunity, %						
Female managers of total number of managers	**16.2**	13.0	10.8	**15.8**	12.9	8.9
Proportion of female appointments out of all the managers appointed	**29**	32	-	**27**	-	-
Female joining the company of total new employees	**17**	33	23	**27**	31	-
Education, %						
Elementary school	**16**	19	21	**19**	21	21
Upper secondary school	**64**	65	64	**61**	61	61
University, at least 2 years	**20**	16	15	**20**	18	18
Graduates of new employees	**63**	–	37	**45**	–	34
Female graduates of all new female employees	**64**	89	58	**57**	–	–
Competence development, hours						
Traditional training per employee and year	**40**	–	39	**40**	37	–
Labour turnover rate, %						
Labour turnover	**12.2**	8.5	5.4	**10.7**	9.2	6.0
of which						
given notice	**7.8**	0.6	0.6	**6.5**	1.3	–
retirement	**2.9**	4.4	2.7	**2.5**	3.7	–
at own request	**1.6**	3.5	2.1	**1.6**	4.2	–
New employees	**2.3**	3.2	5.0	**3.5**	6.5	5.9
Accidents and incidents, number per '000 employees						
Incidents	**388**	267	236	**391**	296	256
Industrial accidents, less than 8 hours of absence	**129**	122	121	**126**	130	133
Industrial accidents, more than 8 hours of absence	**20.9**	23.0	18.0	**31.2**	38.4	23.3
Unionisation, %						
Units with independent trade unions	**100**	100	100	**100**	100	100
Units with safety committee	**100**	100	100	**100**	100	100
Rate of union membership	**90**	89	94	**75**	76	83
Employee surveys[2]						
Human capital (0–1000)	**650**	–	616	**623**	–	602
Leadership index (0–100)	**57**	–	56	**58**	–	56

1) Fewer than 5 per cent of the employees are employed on a part-timer basis.

2) The employee survey is carried out every second year. The next one will be in 2011.

Holmen complies with GRI's reporting level A



GRI – Global Reporting Initiative – is an international organisation under whose auspices a number of interest groups in society have drawn up global guidelines for how companies are to report on parameters covered by the concept of sustainable development.

THE PURPOSE IS TO CREATE uniformity in sustainability reporting and to make it easier to assess and compare companies from the social, environmental and economic perspectives. The application of GRI's guidelines is voluntary.

HOLMEN LOOKS FAVOURABLY ON GRI and has chosen to harmonise its reporting principles with the GRI criteria that are relevant to the Group.

HOLMEN IS OF THE OPINION that the reporting of social, environmental and economic facts/aspects in *Holmen and its World 2009* satisfy reporting level A of GRI's Reporting Guidelines, that is to say the highest level.

KPMG, AN AUDIT COMPANY, made in February 2010 a general review on Holmen's behalf of the content of Holmen's GRI report in relation to the information requirements in the GRI's Guidelines for Sustainability Reporting, G3. Holmen's GRI report consists of *Holmen and its World 2009*, *Holmen Annual Report 2009*, and the GRI Register on Holmen's website. The purpose was to issue a statement as to whether KPMG shares Holmen's opinion that the report satisfies GRI's reporting level A.

KPMG is of the opinion that the information Holmen has provided in the above mentioned documents satisfies GRI reporting level A.

For more information:

GRI REGISTER. A complete GRI register is provided on Holmen's website, where KPMG's opinion can also be found.

GLOBAL REPORTING INITIATIVE. The organisation's website provides a comprehensive picture of GRI and its regulatory framework.
www.globalreporting.org

Holmen and GRI

Holmen has been following the Global Reporting Initiative's (GRI) recommendations for sustainability reporting since 2006. The list below shows where GRI indicators for application principles and core indicators are presented. GRI's additional indicators are shown in the GRI register on Holmen's website where also deviations from the guidelines are reported with comments. Holmen has taken the ten GRI's reporting principles into account in the preparation of *Holmen and its World 2009*. The purpose of these principles is to ensure that information describing the business in terms of its sustainability is included, and that the quality of the information provided satisfies the GRI's criteria.

SR = Sustainability report
AR = Annual report
www = Holmen's website
www.holmen.com

1.	**Vision and Strategy**	
1.1	Statement from the CEO and chair of sustainability to the organisation	SR 2–3
1.2	Description of key impacts, risks and opportunities	SR cover, 2–3, 6–7, 10–11, 14–17 AR 44–51, 62–64
2.	**Organisational profile**	
2.1	Name of the reporting organisation	SR 1, cover, www
2.2	Primary brands, products and/or services	SR 4–6, 8–9
2.3	Operational structure of the organisation	SR 4–11
2.4	Location of organisation's headquarters	SR 4, 8, cover
2.5	Number of countries where the organisation operates	SR 4, 8–9
2.6	Nature of ownership and legal form	SR 4, AR 28–29, 48–49, 59, www
2.7	Markets served	SR 4–6, 8–9, AR 4–5, 12–25
2.8	Scale of the reporting organisation	SR 4–9, 36–37, 57–60 AR 4–5, 28–29, 64–65
2.9	Significant changes during the reporting period regarding size, structure and ownership	SR 1, 54, 56 AR 44–51
2.10	Awards received	SR 64
3.	**Report Scope**	
	Report Profile	
3.1	Reporting period	SR 1
3.2	Date of most recent previous report	SR 1
3.3	Reporting cycle (annual, biennial etc.)	SR 1
3.4	Contact point for questions regarding the report or its content	SR 1, cover
	Report Scope and Boundary	
3.5	Process for defining report content	SR 1–3, 61–63, www
3.6	Boundary of the report	SR 1–3, 56
3.7	Specific limitations on the scope of the report	SR 1–3, 56, 58–59
3.8	Basis for reporting on joint ventures, subsidiaries etc.	SR 1, 56, AR 58–62, www
3.9	Data measurement techniques and assumptions applied	SR 56–60, AR 58–62, www
3.10	Explanation of restatements provided in earlier reports	SR 56–60
3.11	Significant changes from previous reports (regarding measurement methods etc.)	SR 1, 56–60, www
	GRI Content Index	
3.12	GRI disclosure table	SR 1, 62–63, www
	Assurance	
3.13	Policy and current practice with regard to seeking external assurance for the report	SR 1, 56, 61–63, AR 85, www
4.	**Governance, Commitments and Engagement**	
	Governance	
4.1	Governance structure including board committees	SR 10–11, AR 31–35
4.2	Status of the Chair of the highest governance body	SR 10, AR 33, www
4.3	Number of independent board members (if unitary board)	AR 33, www
4.4	Mechanisms for shareholder and employee feedback	SR 10, 14–15, 55 AR 31–32, 35
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the organisations performance	SR 46–47, AR 34, 66–67, www
4.6	Process of board to ensure avoidance of conflicts of interest	SR 10, AR 33
4.7	Process for determining qualifications of board members	SR 10, AR 31–35
4.8	Mission and value statements, codes of conducts and the status of their implementation	SR 2–3, 10–13, 64
4.9	Board-level processes for overseeing performance, risks and compliance	SR 10–11, AR 31–35
4.10	Process for evaluating board performance	AR 32–33, www
	Commitments to External Alternatives	
4.11	Appliance of the precautionary approach	SR 13, 38–39
4.12	Endorsement of external charters, principles or other initiatives	SR 1, 11, 13, 20–21, 25, 34–35, 38–39, 41–42, 61–64
4.13	Significant memberships in associations	SR 13, 16–17, 64, www
	Stakeholder Engagement	
4.14	List of stakeholders engaged by the organisation	SR 1, 13–17, 37, 52, 55, 64
4.15	Basis for identification and selection of stakeholders	SR 14–16
4.16	Approaches to stakeholder engagement	SR 10–12, 14–17, 25, 46–48, 50, 55, 61
4.17	Key issues raised through stakeholder engagement	SR 10–11, 14–17, 48, 50, 55
5.	**Performance Indicators**	
	ECONOMIC INDICATORS	
	Disclosure on Management Approach	
	Goals and Performance	SR 6–7, 36–37, 57, AR cover, 1-3, 6–10
	Policy	SR 6–7, 12
	Additional Contextual Information	SR 1–3, 10, 64, AR cover, 1–10, 44–49
	Economic Performance	
EC1	Direct economic value, generated and distributed	SR 2–3, 36–37, 57
EC2	Risks and opportunities due to climate change	SR 2–3, 18–19, 26–29, 32–35
EC3	Coverage of defined benefit pension plan obligations	AR 66, 79
EC4	Significant financial assistance from government	SR 25, AR 66
	Market Presence	
EC6	Policy, practices and proportions of spending on locally-based suppliers	SR 16–17, 20–21
EC7	Procedures for hiring locals (including proportion of local managers)	SR 16, 52, www
	Indirect Economic Inpacts	
EC8	Description of infrastructure investments that provide public benefit	SR 16–17
	ENVIRONMENTAL INDICATORS	
	Disclosure on Management Approach	
	Goals and Performance	SR 2–3, 6–7, 34–35, 38–41
	Policy	SR 12, 38
	Organisational Responsibility	SR 10–11, 38
	Training and Awareness	SR 38, www
	Monitoring and Follow-up	SR 10–11, 38–41, www
	Additional Contextual Information	SR 18–32, 56, 58–59 AR 10–11, 50–51
	Materials	
EN1	Weight of materials used	SR 58–59
EN2	Percentage of materials used that are recycled	SR 22, 44, 58–59
	Energy	
EN3	Direct energy consumption	SR 24–25, 39, 58–59, www
EN4	Indirect energy consumption	SR 58–59, www
	Water	
EN8	Total water withdrawal by source	SR 23, 58–59

Biodiversity	
EN11 Location and size of land owned, leased or managed for product activities	SR 8–9, 19, 23, 32, 59, www
EN12 Description of significant impacts of activities on protected areas	SR 18–19, 23, www
Emissions, Effluents and Waste	
EN16 Total direct and indirect greenhouse gas emissions	SR 28–31, 40, 43, 58–59, www
EN17 Other relevant indirect greenhouse gas emissions	SR 31, 58–59, www
EN19 Emissions of ozone-depleting substances	www
EN20 NO_x, SO_x and other significant air emissions	SR 40, 58–59, www
EN21 Total water discharge (quality and impact)	SR 23, 40, 58–59, www
EN22 Total weight of waste	SR 40, 44, 58–59
EN23 Total number and volume of significant spills	SR 39, 45, www
Products and Services	
EN26 Initiatives to mitigate environmental impacts of products and services	SR 11, 18–35, 38–39, 42–45, 64
EN27 Percentage of products sold reclaimed at end of product life cycle (by category)	SR 22–25, 44, 58–59
Compliance	
EN28 Value of fines and numbers of non-monetary sanctions for non-compliance	SR 39, 42, AR 51

SOCIAL INDICATORS

LA, Labour Practices and Decent Work

Disclosure on Management Approach	
Goals and Performance	SR 2–3, 6–7, 46–47, 50
Policy	SR 12–13, 46
Organisational Responsibility	SR 10–11, 46–47
Training and Awareness	SR 49, 51–53
Monitoring and Follow-up	SR 46–48
Additional Contextual Information	SR 53–55, 64, www
Employment	
LA1 Breakdown of total workforce	SR 8–9, 60, www
LA2 Total number and rate of employee turnover	SR 60, www
Labour/Management Relations	
LA4 Percentage of employees covered by collective bargaining agreements	SR 55, 60
LA5 Minimum notice period(s) regarding operational changes	SR 12, 54–55
Occupational Health and Safety	
LA7 Rates of injury, diseases, lost days, absenteeism and fatalities	SR 47, 51, 60, www
LA8 Education, training etc. regarding serious diseases	SR 51, www
Training and Education	
LA10 Average hours of training (per year per employee)	SR 53, 60
Diversity and Equal Opportunity	
LA13 Composition of governance bodies and breakdown of employees (for example regarding gender and minority group memberships)	SR 50, 60, AR 36–38
LA14 Ratio of basic salary (by men/women)	SR 12, 50, www

HR, Human Rights

Disclosure on Management Approach	
Goals and Performance	SR 1, 6–7, 13, 46–47
Policy	SR 12–13
Organisational Responsibility	SR 10–11, 55, www
Training and Awareness	SR 48, 50, 53
Monitoring and Follow-up	SR 13, 55
Additional Contextual Information	SR 12–13, 15–17, 48, 50
Investments and Procurement	
HR1 Percentage of significant investments agreements screened for HR issues	www
HR2 Major suppliers screened for HR issues	SR 11, 13, 38, www
Non-discrimination	
HR4 Incidents of discrimination	SR 50
Freedom of Association	
HR5 Operations where freedom of association and collective bargaining may be at significant risk	SR 13, 55, www
Child Labour	
HR6 Operations where there is a risk for incidents of child labour	SR 13, www
Forced and Compulsory Labour	
HR7 Operations identified as having significant risk for incidents of forced or compulsory labour	SR 13, www

SO, Society

Disclosure on Management Approach	
Goals and Performance	SR 12–15
Policy	SR 12
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SO1 Nature, scope and effectiveness of any programs and practices that assess and manage the impact of operations	SR 10, 12–17, 55
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SO3 Percentage of employees trained in organisation's anti-corruption policies and procedures	SR 12–13, www
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Public Policy	
SO5 Public policy positions and participation in public policy development and lobbying	SR 2–3, www
Compliance	
SO8 Value of significant fines and numbers of non-monetary sanctions for non-compliance with laws and regulations	www

PR, Product Responsibility

Disclosure on Management Approach	
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Monitoring and Follow-up	SR 14–15, www
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PR1 Life cycle stages in which health and safety of products and services are assessed	SR 32–33, www
Product and Service Labeling	
PR3 Product information required by procedures	SR 8–9, 20–21, 41, www
Marketing Communications	
PR6 Programs for adherence of laws, standards and voluntary codes related to marketing communications	www
Compliance	
PR9 Value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	www

Recognitions and assessments

Holmen is increasingly attracting attention for its work on sustainability. The Group features in a number of international corporate indexes.

HOLMEN VIEWS active work on sustainability and clear communication in this area as a way of strengthening its brand. It also has positive internal effects.

Holmen regards the evaluations of its efforts on sustainability by stakeholders as important in enabling it to continue to pursue its work on sustainability.

Holmen is listed in several corporate indexes. The purpose of these indexes is to make it easier for investors to identify companies that work in a responsible way on sustainability issues. Inclusion in an index confirms that the company acts responsibly from the economic, environmental and social points of view.

Company Indexes

GES Nordic Sustainability Index was established in 2008 and covers the 50 leading Nordic companies in the areas of the environment, social responsibility and corporate governance. Holmen has also been included in an equivalent Swedish index since the start of 2010. **www.indexes.nasdaqomx.com**

FTSE4Good Index Series. Companies in this index are notable for their well developed environmental work and good relations with their stakeholders. **www.ftse.com/ftse4good**

Storebrand SRI. Companies that are world leaders in the areas of environmental and social responsibility qualify for Storebrand's *Best in class list*. **www.storebrand.com**

Vigeo Rating. The VIGEO Ethibel Register Index contains companies judged to be above average in the areas of social and environmental sustainability. **www.vigeo.com/csr-rating-agency**

Dexia Asset Management. Holmen was included in the Dexia Money Market Euro Sustainable Fund in 2009. This fund contains companies that meet strict requirements on sustainability. **www.dexia-am.com**

KLD Indexes compiles sustainability indexes for institutional investors. Holmen is included in four such indexes, one of which is FTSE KLD Global Sustainability Index. **www.kld.com/indexes**

SIX STAR is a sustainability index launched by SIX Telekurs in 2009 in cooperation with Ethix SRI Advisors. A total of 260 Nordic listed companies were assessed on the basis of aspects such as corporate governance, the environment and social responsibility. Holmen features in SIX STAR Sweden Sustainability Index 25. **www.six-telekurs.se**

Environmental Funds

Swedbank Robur. Holmen is included in the Swedbank Robur fund families Ethica and Banco in the category of *Best practice*. **www.swedbankrobur.se**

Memberships

Global Compact. Holmen is a member of the UN's Global Compact, and in being so expresses its support for the UN's ten principles in relation to human rights, corruption and the environment. Holmen participates in the Swedish Global Responsibility Network and as of 2009 also in the Global Compact Nordic Network. **www.unglobalcompact.org**

ICC. Holmen has been affiliated to the International Chamber of Commerce's Business Commission on Sustainable Development for more than 10 years. This establishes 16 principles for environmentally aware leadership. **www.icc.org**

Assessments

Carbon Disclosure Project (CDP) is a non-profit organisation which works to bring about a good dialogue between stakeholders with climate impact as a common denominator. In the 2009 evaluation of Nordic companies, Holmen was judged to be fifth best in reporting on climate impact in the forest and paper sector. **www.cdproject.net**

Folksam. An index which highlights responsible enterprise. Holmen came tenth out of more than 200 companies rated with regard to environmental reporting and first with regard to human rights. **www.folksam.se**

Deloitte has assessed information supplied by Swedish companies on the environment, ethics and social responsibility since 1993. The sustainability report *Holmen and its World 2008* was judged sixth best out of a total of 36 company reports assessed. **www.deloitte.com**

Enterprise.com (e.com) is a company that primarily evaluates annual reports. Holmen was selected as an example of *best practice* for the way in which sustainability issues were reported and discussed in *Holmen and its World 2008*. **www.reportwatch.net**

The Sustainable Value Creation Survey. Holmen took part in 2009 in this survey in which the 100 largest companies on Nasdaq OMX Large Cap were asked about guidelines on the environment and social responsibility. Behind the initiative were fifteen Swedish institutional investors. **www.hallbartvardeskapande.se**

The Drottning Kristina-priset (Queen Kristina Award). Holmen received this award in 2009 for its efforts on environmental and climate issues and for fostering relations between Sweden and Spain.

We welcome your views and comments

Holmen and its World provides answers to many questions about Holmen's approach to sustainability – but it is a large subject and there are certainly many more. So we welcome further questions and comments on the topics that are covered in this report.

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More about Holmen

Holmen Annual Report 2009 provides detailed information about the Group's financial performance and conditions on its markets during the year.

Guidelines for Sustainable Forestry contains detailed instructions for the management of Holmen's forests. It includes the requirements laid down in the PEFC and FSC standards.

You may order these publications from Holmen.

Holmen and its World 2009

SUSTAINABILITY REPORT. *Holmen and its World* describes the Holmen Group from three perspectives: financial development, concern for the environment and social responsibility.

AVAILABLE IN THREE LANGUAGES. *Holmen and its World* is available in Swedish, English and Spanish.

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MORE INFORMATION ON THE INTERNET. More information is available on Holmen's website concerning the environmental activities at the Group's units in 2009. There is also a GRI register.

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