

Group Directive – Performance Management

1 Introduction and purpose

Billerud's vision is to challenge conventional packaging for a sustainable future. The company has a position as a leading, innovative and sustainable player in the global paper and packaging industry with operations and presence around the world. This Group Directive supplements the Group People Policy.

2 Scope and application

This Group Directive applies to Billerud and its subsidiaries ("Billerud" or "the Group") and covers Billerud's global business activities and operations. The Directive applies to all persons working at or for Billerud, including board members, employees, trainees and consultants.

The Directive Owner is responsible for the communication and implementation of this Directive. All Billerud Representatives are however individually responsible for reading, understanding and following this Directive.

3 Performance Management

Billerud's long-term success and ability to fulfill our mission and objectives is dependent on attracting, developing and retaining the right people and competencies. Our employees are one of our most important sources of differentiation and competitive advantage. In alignment with the Group strategy, this Directive supports driving performance and winning with our people. The annual performance management process is based on clarity, leadership, and employee engagement. The outcome of the performance management process is tied to how Billerud reward our employees, for example in the annual salary review process, the annual bonus process and the Group's long term incentive process. Information on these can be found in the Reward Directive.

The annual performance management process is initiated by the manager in the beginning of the year, where not only the annual objectives are set for the year, but all other important frameworks are discussed to ensure they are established with both the manager and employee- such as the Groups' values, strategy and safety commitment. The aim of the process is not only to drive performance and choose appropriate rewards, but also to motivate and develop our people to create a winning business where all employees' goalsetting works towards ensuring success through the Group Strategy.

All employees shall have an individual development plan as part of the annual Performance Management process. During the year, at least one formal review should be done and documented to define how the employee is performing against set objectives and behavioural standards. The ambition should be to have continuous follow-ups during regular 1-to-1 dialogue between the direct manager and the employee. At the end of the year, the manager initiates an end of year review where the manager and employee go through the on-the-job performance together in depth, including delivery against set objectives, behaviour in relation to the Groups values and other relevant work environment situations. The final output of the end of year review is a performance



rating, mentioned more in depth below, that sets the base for the annual salary increase and short-term incentive for the year.

3.1 Sustainable Leadership

Performance Management is the Group's tool for Sustainable Leaders to drive change and performance to ensure The Group meet the goals set through the Group Strategy and Functional alignment. The Sustainable Leadership Program provides tools to evaluate and develop our employees and help leaders to lead employees in the right direction, continuously aiming towards our goals and creating a clear expectation of what it means to be a leader at Billerud.

Development of our leaders is one of the key factors that contributes to higher performance of our employees and enables us to create a high performing organization. Leaders within the Group shall be able to lead performance, manage change and coach our employees towards success. The Sustainable Leadership Program has its foundation in the performance management process.

3.2 The Performance Management Conversations

Leaders within the Group shall be properly trained to coach employees during the performance management conversations. Each local HR representative is responsible for holding local trainings, created centrally to ensure a consistent message. It is then the Manager's own responsibility to ensure their own understanding and apply the process with their employees.

A clear schedule for the Performance Management conversations shall be set well in advance and suitable for both the manager and the employee. At the end of the performance year, annual performance conversations shall be held. Guidance in more detail can be found in the performance management material, valid for the performance year.

The manager is responsible for working with performance management on an ongoing basis throughout the year and should not limit a coaching approach just to the performance management conversations.

3.3 The Performance Rating

In connection with the annual Performance Management conversations at the end of the performance year, a performance rating shall be set. The performance rating consists of a five-step scale, rating performance, behavior and achieved goals on a range from *Excellent-*, *Very Strong-*, *Strong-*, *Improvement needed-*, to *Unacceptable*. The basis for setting this rating shall be: a) the employee's performance in relation to job fundamentals; b) the employee's behaviors in line with the Group's values; c) the employee's delivery in relation to annual objectives. Billerud does not utilize a forced distribution of ratings, however, common sense must apply in the feasibility of performance distribution and consider the Group's greater delivery expectations against strategic goals and the overall business unit's annual performance.

To ensure a solid performance of all employees, there is an expectation that employees with a performance rating of "Unacceptable" shall have a Performance Improvement Plan (PIP) setup by the manager with support of HR, if requested. Employees with a performance rating "Improvement needed" shall also have a PIP, if the manager estimates that the conditions to reach "Strong" in the coming year cannot be managed with an ordinary Individual development plan.



3.4 The calibration process

The performance ratings shall be calibrated to ensure that appraisals are just and not arbitrarily conducted. The distribution of the performance rating shall be harmonized and eventual subjectivity in the assessment shall be removed. The functional head or HR representative shall inform the manager about the process, valid for that performance year, and for that respective mill, division, or function. The manager shall prepare the calibration material and participate in the calibration session by actively challenging reasoning and bias, sharing experiences, asking questions and showing their engagement.

4 Documentation, audit, and control

The Manager is responsible to register the performance rating and other defined information according to the process in the applicable system. Further, the responsible manager saves the individual development plan and other documentation related to the Performance Management process to be able to follow the employee's development over time. If a manager leaves, the data shall be made available to the new manager so that the employee's continuous development is not lost.

If the employee leaves, these documents are erased and/or discarded in accordance with the Off Boarding Directive.

5 Accountability, monitoring and compliance

This Group Directive has been approved by the Policy Owner or assigned. The Directive Owner, Director People Development - Group HR & Communication is responsible for the implementation of this Group Directive, including:

- (i) to develop more detailed rules (if needed) for the subject matter, consistent with the purpose and intent of this Group Directive,
- (ii) to ensure that the Group Directive and underlying supporting documents are communicated and known to Representatives,
- (iii) to monitor and follow-up compliance with the Group Directive and underlying steering documents; and
- (iv) to take other actions, including corrective and reporting measures necessary to achieve the purpose and intent of this Group Directive.

Billerud's Representatives are expected to report violations (including suspected violations) of this Group Directive to the immediate manager or Directive Owner. Anonymous reporting of wrongdoings (whistleblowing) can be made through Billerud's Confidential Reporting System (Speak-Up Line). If you would have questions or feedback on this Group Directive, please contact the Directive Owner or Legal & Compliance."

