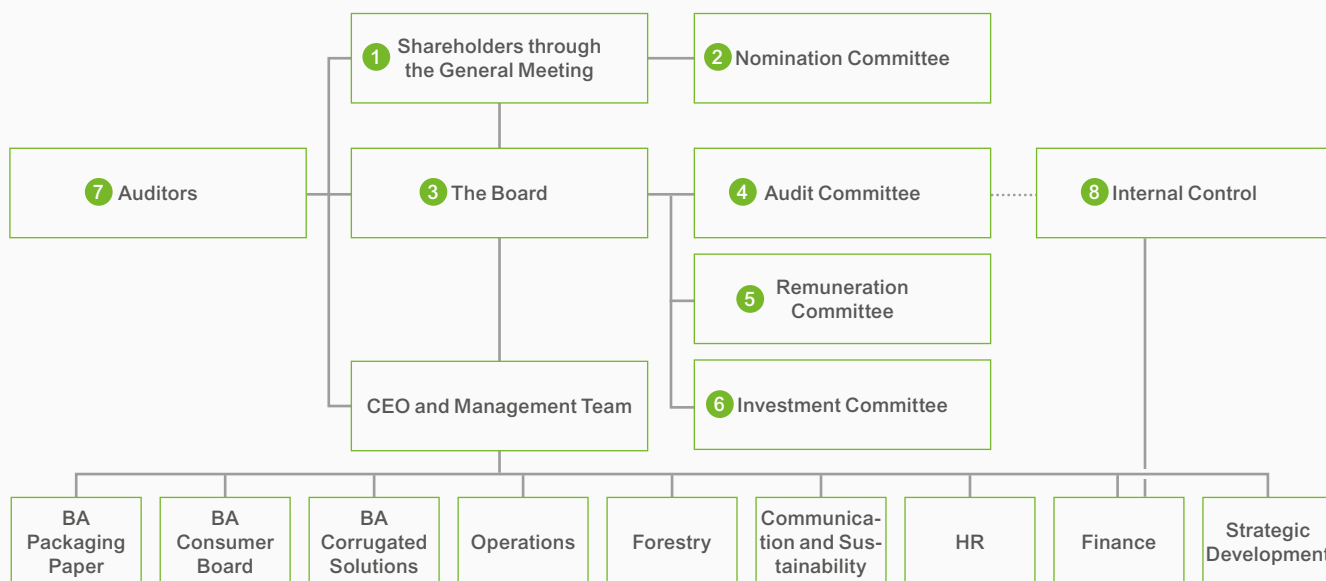


Corporate governance in BillerudKorsnäs

Corporate governance relates to decision-making systems by which the shareholders, directly or indirectly, control the company. The following section provides details about corporate governance within BillerudKorsnäs. This report on BillerudKorsnäs' corporate governance in 2017 has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance. The report has been reviewed by BillerudKorsnäs' auditor, see pages 109-111.



Corporate governance in BillerudKorsnäs

Examples of external regulations affecting BillerudKorsnäs' governance:

- The Swedish Companies Act
- Accounting legislation, including the Swedish Annual Accounts Act and IFRS
- Nasdaq Stockholm's Rulebook for Issuers
- The Swedish Code of Corporate Governance

Examples of internal regulations affecting BillerudKorsnäs' governance:

- Articles of association
- Board of Directors' instructions and rules of procedure
- BillerudKorsnäs' Code of Conduct
- BillerudKorsnäs' internal policy regulations
- Process descriptions for each business area and for each Group function

As a publicly quoted Swedish company listed on Nasdaq Stockholm, BillerudKorsnäs applies the Swedish Code of Corporate Governance ('the Code'). The Code is available at www.corporategovernanceboard.se, where a description of the Swedish model for corporate governance is also provided.

The Code is based on the principle of "comply or explain". This means that a company that applies the Code may deviate from particular rules but will then have to provide an explanation giving the reasons for the deviation. In 2017, as in previous years, BillerudKorsnäs deviated from the Code's rules that Board members should not also be the chairman of the Nomination Committee. This deviation from the Code is explained in more detail in the Nomination Committee section below. No other deviation from the Code occurred. During the year, BillerudKorsnäs complied with Nasdaq Stockholm's Rulebook for Issuers and good stock market practice.

Ownership structure and shares

BillerudKorsnäs' shares are listed on Nasdaq Stockholm. At year-end 2017, the total number of shareholders was 97 469, compared with 96 098 at the previous year-end. Each share carries an entitlement to one vote. The proportion of foreign ownership was 39.1% (41.2) of the number of shares on the market. Other groups of shareholders consisted of private individuals' holdings in Sweden, at 20.8% (19.3), and legal entities in Sweden, at 40.1% (39.6). The largest shareholder, Frapag Beteiligungsholding AG, owned 31 300 000 shares, corresponding to 15.1% of shares on the market. No other shareholder owned 10% or more of the number of shares at the end of 2017. Further details about the company's shares, shareholders, and the like are presented in the section "BillerudKorsnas shares", and on the company's website, www.billerudkorsnas.com.

1 General meeting of shareholders

A general meeting of shareholders in BillerudKorsnäs is the company's highest decision-making body. Shareholders exercise their voting rights at general meetings of shareholders. Notice of general meetings of shareholders is posted on the Company's website and published as an advertisement in Post och Inrikes Tidningar. An announcement that the notice has been issued is published simultaneously in Svenska Dagbladet.

Normally, the Annual General Meeting (AGM) is held in April or May. The AGM decides on matters such as the adoption of the Company's annual accounts, appropriation of the Company's profits and the discharge of Board members and the CEO from liability for the year. The AGM also elects members of the Board and auditors and votes on the establishment of a Nomination Committee, fees for the Board of Directors and auditors and guidelines for determining the salaries and other remuneration for the CEO and Senior Management Team. Shareholders attending the AGM also have the opportunity to ask questions about the Group's activities. Resolutions passed at a meeting of shareholders are disclosed after the meeting in a press release, and the minutes of the meeting are published on the Company's website.

2017 Annual General Meeting

The 2017 AGM took place on 10 May 2017 at Hotel Rival in Stockholm, and addressed matters customarily dealt with at the AGM. The AGM voted to re-elect the Board members Andrea Gisle Joosen, Bengt Hammar, Mikael Hellberg, Lennart Holm, Michael M.F. Kaufmann and Kristina Schauman to the Board, to elect Victoria Van Camp as a new Board member and to elect Lennart Holm as Chairman of the Board and Michael M.F. Kaufmann as Deputy Chairman of the Board.

The AGM also voted to introduce a long-term incentive programme (LTIP 2017). The minutes and other documents from the AGM are available on the Company's website.

2018 Annual General Meeting

BillerudKorsnäs' 2018 AGM will take place at 3 p.m. on 15 May 2018 at Hotel Rival, Mariatorget 3, Stockholm, and notice of the AGM will be issued in the first half of April 2018. Shareholders wishing to add an item to the agenda of the AGM may, in accordance with the instructions on the Company's website, propose the item to the Company no later than seven weeks before the meeting.

In addition to the legal requirements regarding shareholders' rights to participate in shareholder meetings, under BillerudKorsnäs' articles of association shareholders must register for shareholder meetings at least five working days before the shareholder meeting, and, where applicable, must also provide notification if a shareholder intends to be accompanied.

A full text of the notice of the 2018 AGM, including details of how to register for attendance at the meeting, is posted on the Company's website.

2 Nomination Committee

One task of the Nomination Committee is to produce proposals for Board members and auditors, as well as for fees for such persons, and a proposal for a chairman for the AGM, prior to the AGM. The current Nomination Committee instructions require BillerudKorsnäs to have a Nomination Committee consisting of four people appointed by the Company's major shareholders. Please see the table below for the composition of the Nomination Committee for the 2018 AGM. The composition of the Nomination Committee is based on ownership statistics on the last day of trading in August 2017. For further information about the Nomination Committee instructions, see the website www.billerudkorsnas.com.

The Nomination Committee held several meetings prior to the 2018 Annual General Meeting, as well as contacts between meetings by telephone and e-mail. In accordance with instructions on the company's website, shareholders were welcome to present proposals and opinions to the Nomination Committee by e-mail or post. Under the Code, Nomination Committee's reasoned statement concerning the Nomination Committee's proposal to the Board should include a brief description of the diversity policy which the Nomination Committee has applied in drawing up its proposal to the Board. The Nomination Committee has stated that it has applied rule 4.1 of the Code as diversity policy. There is a special section on the company's website www.billerudkorsnas.com headed "Nomination Committee" containing further information about the Nomination Committee and its proposals to the annual general meeting.

Composition of and voting representation on the Nomination Committee

Representative	Shareholder	Share of voting power, % ¹
Michael M.F. Kaufmann	Frapag Beteiligungsholding AG	15.1
Tomas Risbecker	AMF Insurance and Funds	9.8
Lennart Francke	Swedbank Robur funds	4.7
Thomas Wuolikainen	Fourth AP Fund	3.9

¹ At 31 December 2017.

Board member Michael M.F. Kaufmann was appointed Chairman of the Nomination Committee prior to the 2018 Annual General Meeting. This is a deviation from the stipulation by the Code that a Board member may not be chairman of the Nomination Committee, but in the interests of the Company and all

shareholders it is natural that the Board member appointed by the Company's major shareholder be chairman of the Nomination Committee. Under the Nomination Committee guidelines determined by the 2018 AGM, the chairman of the Nomination Committee should be the Board member appointed by the major shareholder. Michael M.F. Kaufmann has directed the work of the Nomination Committee in recent years.

3 The Board

Composition

The articles of association stipulate that the Board of Directors of BillerudKorsnäs has to consist of not fewer than six members and not more than ten members, with no more than six deputies. The 2017 AGM established that the Board of Directors should consist of seven members elected by the meeting, without deputies, namely Lennart Holm (Chairman), Michael M.F. Kaufmann (Deputy Chairman), Andrea Gisle Joosen, Bengt Hammar, Mikael Hellberg, Kristina Schauman and Victoria Van Camp. In addition, the employee organisations have appointed two employee representatives to serve on the Board. These are Gunnevi Lehtinen Johansson and Nicklas Johansson, and as deputies, Ulrika Gustafsson and Bo Knöös. Other than the employee representatives and their deputies, none of the Board members are employed by the Group. Of the Board members elected by the AGM, three are women and four are men.

The composition of the Board meets the Code's requirements as to independence in relation to the Company, the Company's management and the Company's major shareholders. For further details about the Board of Directors and information on the independence of the Board members, their duties outside the Group and their holdings of shares in BillerudKorsnäs, see the section "Board of Directors" on pages 66 – 67.

Organisation of the work of the Board

The Board of Directors is the Company's highest administrative body below the AGM. The Board of Directors is charged with the organisation of the Company and management of the Company's affairs, ensuring that the Company's organisation is structured such that accounting, asset management and the Company's financial affairs otherwise are supervised in a satisfactory manner and with assessing the Company's financial situation on an ongoing basis.

The work of the Board follows written rules of procedure to ensure that the Board obtains information on all issues, and that all aspects of the Company's activities relating to the Board are addressed. The Board has also established a number of general policies for the Company's activities. They include the Company's code of conduct, which summarises the Company's responsibilities, values and goals.

The Board's work follows an annual cycle in order for it to optimally accomplish its tasks. At the beginning of the year, the Board considers the year-end report and the annual report, as well as matters to be submitted to the AGM. At the end of the year, the Board considers the budget for the year ahead. Every quarter, the Board reviews the Group's earnings, and interim reports are approved for publication. A constitutive Board meeting is held in connection with the AGM at which members of the Board's committees are appointed and the Board decides on matters such as the right to sign on behalf of the Company. Once a year, the Board has an extra meeting primarily dedicated to strategy issues.

Work of the Board in 2017

The Board held 14 meetings in 2017, including the constitutive meeting. For information on attendance at these meetings, see table below. General counsel Andreas Mattsson acted as secretary to the Board meetings. Before each meeting, Board members received an approved meeting agenda and written material concerning issues to be addressed at the meeting.

The Board addressed, on an ongoing basis, strategic issues relating to the Company's operations and focus, follow-up of previous acquisitions, investments above a certain level, and other matters. An important aspect of the Board's work are the financial reports that are presented at each ordinary Board meeting. The Board also receives regular reports on the Company's financial position. At ordinary meetings, reports are submitted about ongoing work relating to business areas and Group functions.

During the year, the Board focused strongly on production-related issues, with regard both to measures to achieve improved stability in existing production capacity and to follow-up and monitoring of the major new investment projects in progress. These relate to the investment in a cartonboard machine at the Gruvön production facility and the investment in development

Attendance at board meetings and committee meetings

Member	Position	Board meetings ¹	Audit Committee meetings ²	Remuneration Committee meetings	Investment Committee meetings
Lennart Holm	Chairman	14/14		8/8	3/3
Michael Kaufmann	Deputy chairman	13/14		8/8	3/3
Andrea Gisle Joosen	Member	12/14	3/3		
Bengt Hammar	Member	13/14			3/3
Mikael Hellberg	Member	14/14	5/5	8/8	
Gunnevi Lehtinen Johansson	Member	14/14			
Nicklas Johansson	Member	14/14 ³			
Kristina Schauman	Member	14/14	5/5		
Victoria Van Camp ⁴	Member	9/10			2/3

¹ Jan Homan, Gunilla Jönson and Kjell Olsson (employee member) were members of the Board up to the 2017 AGM. Jan Homan and Kjell Olsson were absent from one (1) and three (3) meetings respectively in 2017. Gunilla Jönson was not absent from any meeting.

² Jan Homan was a member of the Audit Committee up to the 2017 AGM, but was subsequently replaced by Andrea Gisle Joosen, who thus was only able to attend the three (3) meetings held subsequently. Jan Homan was not absent from any meeting.

³ Nicklas Johansson was a deputy member at the start of the year, and later replaced Kjell Olsson as a member.

⁴ Victoria Van Camp was elected as a new Board member at the 2017 AGM, and was able only to attend the ten (10) Board meetings and two (2) Investment Committee meetings held thereafter.

of the production facility at Skärblacka into a world-leading centre for the manufacturing of machine-glazed kraft paper (MG paper). The Board also worked on strategically important issues, such as potential company acquisitions, including the intended acquisition of Bergvik Skog Öst which was communicated at the end of 2017 which had previously been discussed in detail by the Board on several occasions. In addition, the Board worked on the recruitment of a new CEO during the third quarter of 2017. Other recurring issues on the Board's agenda are the company's work on sustainability, innovation issues and health and safety. Presentations on the BillerudKorsnäs business areas by the heads of the business areas were made at the annual strategy meeting.

In addition to participating in the audit committee meetings, the Company's auditor also participated in a Board meeting at which Board members had the opportunity to ask the auditor questions without representatives of the Company's management being present.

Assessment of the Board and the CEO

BillerudKorsnäs has procedures for assessing the work of the Chairman and members of the Board each year. The assessment serves as input for an action plan for improvements and as background to the Nomination Committee's work as they assemble a Board. With respect to 2017, a detailed assessment of the Board's work was conducted by an external consultancy, including in-depth interviews with each member of the Board. The purpose of the assessment is to gain an understanding of Board members' views about how the Board's work is conducted and what measures could be taken to make the work of the Board more effective. It also aims to gain an understanding of what type of issues the Board believes should be accorded more scope and what areas may require additional capabilities within the Board. The results of the assessment were discussed by the Board and presented to the Nomination Committee. The Board also continuously assesses the work of the CEO. Once a year, an assessment is made of the CEO without the CEO being present.

Board committees

The Board currently has three Board committees as part of efforts to streamline and strengthen the work of the Board on certain issues: a remuneration committee, an audit committee and an investment committee. The committee members are appointed for one year at a time at the constitutive Board meeting and the work and authority of the committees are regulated by the committee instructions, which are established annually.

The committees have a preparatory and administrative role. Issues addressed at committee meetings are minuted and reported at the following Board meeting.

4 Audit Committee

To support the Board in its role in supervising auditing issues, the Board has appointed a separate audit committee. The audit committee's main role is to contribute to a good standard of financial reporting and ensure that the Company is audited in an expert, efficient and independent way. Without having an impact on the Board's other responsibilities and tasks, the audit committee is charged with addressing all important accounting issues and general taxation issues that affect the quality of the Company's financial reporting. With regard to financial report-

ing, particular attention is to be paid to the effectiveness of the Company's internal control and risk management. The audit committee is also charged with assisting in the preparation of proposals for decisions by general meetings on the election and remuneration of auditors.

To ensure that the work of the Board and the audit committee is performed in a structured manner, and to satisfy the Board's information requirements, the Company auditor reports directly to committees and the Board on certain occasions. The committee continuously reports the results of its work, in the form of observations, recommendations and proposed resolutions and action to the Board, which makes any decisions that result from the committee's work. The audit committee consists of the members Kristina Schauman (Chairman), Mikael Hellberg and Andrea Gisle Joosen. An employee representative attends the meetings of the audit committee.

Work in 2017

The committee held five meetings in 2017. For information on attendance at these meetings, see table on page 56. During the year, the committee addressed auditing issues, audit plans for 2017, enterprise risk management, internal control, financing issues, currency hedging issues and tax issues. The committee met prior to each interim report and the year-end report. These meetings addressed accounting and reporting issues related to the reports. The chairman of the audit committee reported regularly to the Board on committee meetings. The Board's work on internal control related to financial reporting is summarised in "Internal control and risk management for financial reporting".

5 Remuneration Committee

The principal function of the remuneration committee is to prepare the Board's decisions on issues relating to remuneration principles, remuneration amounts and other employment terms for members of the Senior Management Team, to monitor and evaluate programmes for variable compensation to the Senior Management Team that were both ongoing and completed during the year, and to monitor and evaluate the implementation of guidelines for remuneration to senior executives, remuneration structures and remuneration levels. More specifically, the committee's tasks include proposing a general policy on salaries, remuneration and other employment terms generally within BillerudKorsnäs, guidelines on remuneration to senior executives and to approve the CEO's proposal for salaries and remuneration for the Senior Management Team. The committee also makes proposals to the Board, which decides on the salary and other remuneration for the CEO. The remuneration committee consists of Board members Mikael Hellberg (Chairman), Michael M.F. Kaufmann and Lennart Holm.

Work in 2017

The committee held eight meetings in 2017. For information on attendance at these meetings, see table on page 56. In 2017, the committee considered bonus payments in 2016, and salary reviews for the Senior Management Team in 2017. The committee also addressed the outcome of LTIP 2014, evaluation of the LTIP 2017 incentive programme and the structure of the LTIP 2018 incentive programme. In addition, the committee discussed remuneration issues regarding the company's newly appointed CEO Petra Einarsson. The guidelines on remunera-

tion to the CEO and other senior executives, as well as the actual figures, are contained in Note 26.

6 Investment Committee

The Board has established a special investment committee whose main task is, on behalf of the Board, to examine and prepare certain issues relating to the Company's agenda regarding investments, corporate acquisitions and research and development, as well as assisting management with these issues.

The committee consists of Board members Lennart Holm (Chairman), Bengt Hammar, Michael Kaufmann and Victoria Van Camp.

Work in 2017

The committee held three meetings in 2017. For information on attendance at these meetings, see table on page 56. In 2017, principally considered issues concerning follow-up of the two major investments at Gruvön and Skärblacka. The committee also considered issues concerning other strategic growth opportunities such as company acquisitions, focusing in particular on the potential acquisition of Bergvik Skog Öst.

7 Auditors

The Company's auditors are appointed by the general meeting of shareholders. At the 2017 AGM, the audit firm KPMG AB, with principal auditor Ingrid Hornberg Román, was elected as the Company's auditor for the period until the end of the 2018 AGM. Ingrid Hornberg Román is currently also auditor for Apoteket AB, BAE Systems Bofors, BAE Systems Hägglunds, EQT Partners and Linas matkasse.

The auditor's duties include keeping the Board informed regarding the planning, scope and content of the annual audit, auditing interim reports and the year-end accounts in order to assess their accuracy and comprehensiveness and compliance of the accounts with generally accepted accounting practices and relevant accounting policies. Duties also include informing the Board about services provided over and above auditing services, the compensation for such services, and other circumstances affecting the independence of the auditors. To ensure that the work of the Board and the audit committee is performed in a structured manner, and to satisfy the Board's information requirements, BillerudKorsnäs' auditors met with the audit committee on five occasions and the Board, without the presence of the senior management, on one occasion in 2017.

CEO and senior management team

The Company's chief executive officer (CEO) is appointed by the Board of Directors. Petra Einarsson is the CEO of the Company and Christer Simrén is the Executive Vice President of the Company. The CEO is responsible for the ongoing management of the Company's and Group's business operations in accordance with instructions and regulations established by the Board. These instructions include responsibility for financial reporting, preparation of information and input for decisions, and ensuring that agreements and other measures do not conflict with applicable legislation or regulations.

The CEO and the Senior Management Team (SMT) are jointly responsible for daily operations. The CEO has appointed an

SMT that is responsible for different parts of the business. The SMT consists of the CEO and Executive Vice President (and COO), as well as the heads of the three business areas (Packaging Paper, Consumer Board and Corrugated Solutions) Senior Vice President Production and the heads of the group functions Forestry, Communication and Sustainability, HR, Finance and Technology & Strategic Development. In March 2018, the role as Executive Vice President was removed from SMT. For further information about the members of the SMT, see pages 64–65.

The role of the SMT is to establish Group-wide values and a long-term vision, as well as strategies and policies for the Group based on the objectives set by the Board. The SMT sets targets for operational activities, allocates resources and monitors the business' earnings. The SMT is also responsible for investment planning and follow-up, acquisitions and divestments, and for preparations for Board meetings. The SMT is taking active measures to involve employees in developing the corporate culture and to fulfil its values.

The CEO chairs SMT meetings and makes decisions in consultation with the other senior executives. The SMT usually meets monthly to review the financial performance of the preceding month, update forecasts and plans, as well as to discuss strategic issues. In addition, the SMT meets once a week for short teleconferences, and as necessary.

8 Internal Control

The Board is responsible for ensuring that BillerudKorsnäs has good internal control. BillerudKorsnäs' internal control function is responsible for implementing processes and regulations that ensure the internal control and quality of financial reporting. This function reports to the CFO and is also responsible for preparation and presentation of matters regarding internal control at meetings of the audit committee. For further information about internal control, please see the section "Internal control and risk management for financial reporting" on pages 62–63.

Guidelines for remuneration to senior executives

The 2017 AGM adopted guidelines on the remuneration of senior management in the Group. The guidelines state, for example, that BillerudKorsnäs has to apply market-related remuneration levels and employment terms that are appropriate in order to recruit and retain a Senior Management Team with a high level of expertise and capacity to achieve set goals. Remuneration may be in the form of fixed or variable salary, long-term incentive programmes and other benefits such as company car and pension. Fixed and variable salary shall be determined in relation to expertise, area of responsibility and performance. Variable remuneration is paid depending on actual results measured against detailed targets, up to a set maximum percentage of a fixed annual salary. The maximum percentage is between 30% and 70%. However, variable remuneration is to be paid only if the Company makes an operating profit. Notice of termination is normally 6–12 months, and if the Company gives notice, severance pay is to be a maximum of 12 months' salary.

For the complete resolution on principles for remuneration, see Note 26. The Board's proposal for guidelines in 2018 is presented in the section "Remuneration at BillerudKorsnäs".

Remuneration at BillerudKorsnäs

BillerudKorsnäs endeavours to attract, retain and develop the brightest talent through competitive remuneration clearly linked to performance. BillerudKorsnäs' short- and long-term incentive plans are closely linked to the Group's strategic and financial targets and are designed to deliver sustainable value for shareholders and in so doing support the realisation of the company's strategy.

BillerudKorsnäs has a clear approach to remuneration that is based on principles of competitive national and regional pay levels that help attract, retain and develop the brightest talent. The approach to remuneration is intended to support BillerudKorsnäs, the Group's managers and the employees in realising BillerudKorsnäs' vision and operating targets.

The purpose of long-term incentive programmes and guidelines for remuneration is to support BillerudKorsnäs by encouraging employees in key roles to feel a clear sense of ownership regarding fulfilment of the Group's overall objectives and strategies. The remuneration committee aims for remuneration to not be set in an overly automated way and for decisions to not be perceived as arbitrary or unfair.

Components of remuneration in BillerudKorsnäs

Fixed salary

Fixed salary is based on market pay levels and is set on the basis of a pay scale taking account of experience, skills and area of responsibility. Fixed salary is reviewed annually in the

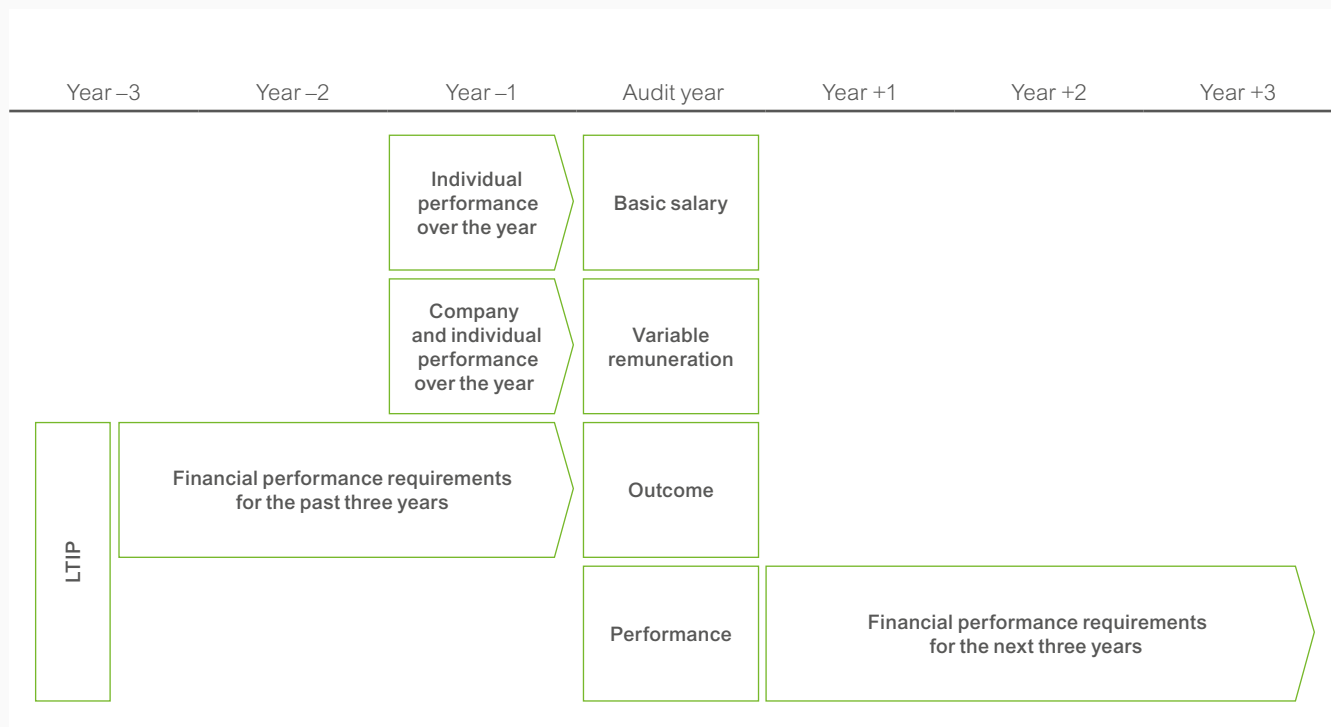
pay review, where pay is considered in accordance with performance and relative pay levels for the role in relation to the external market.

Variable remuneration

Variable remuneration is paid depending on actual results measured against detailed targets, up to a set maximum percentage of fixed annual salary. The Company uses general variable remuneration for all staff to highlight the link between individual performance the Company's earnings. Variable remuneration is paid only if the Company makes an operating profit.

Long-term share-based incentive programme (LTIP)

The purpose of an LTIP is partly to increase BillerudKorsnäs' ability to retain its most talented employees for key positions, and partly to encourage increased efforts among participants by linking their financial interests to those of the shareholders. To participate in the programme, participants must make their own invest in BillerudKorsnäs shares. The LTIP runs over three years



Long-term incentive programme (LTIP)

Programme	Number of participants	Savings shares	Max. allocation of BillerudKorsnäs shares	Shares to cover costs ¹	Percentage of total number of shares/ votes	Estimated cost (of which social security costs), SEKm	Maximum cost (of which social security costs), SEKm	Operating profit for 2017 is charged with, SEKm
2015	58	45 800	189 710	N/A	0.1%	16 (5)	42 (24)	2
2016	77	51 912	212 592	N/A	0.1%	19 (6)	57 (37)	6
2017	84	59 646	249 702	N/A	0.1%	15 (5)	63 (41)	3

¹ Shares that may be transferred by BillerudKorsnäs to cover certain payments, mainly social security costs.

and the outcome depends on the achievement of various financial and share price-linked performance requirements.

Retirement

BillerudKorsnäs offers pension benefits under a collective agreement (i.e. ITP1, ITP2 and SAF-LO) and offers a solution for employees with fixed pay above 10 income base amounts in terms of special advice and, where appropriate, a managerial pension plan.

Other benefits

These are set according to role and market-based remuneration and mainly take the form of car allowance and private medical insurance.

Long-term incentive programme (LTIP)

The 2010–2017 AGMs approved the introduction of long-term incentive programmes (LTIP 2010–2017) for BillerudKorsnäs and, in conjunction with this, a transfer of its own holding of treasury shares. The programme extends to senior executives and other key individuals within the BillerudKorsnäs Group. LTIP has a term of three years, and the outcome depends on meeting different financial and share price performance requirements that are deemed to be of considerable significance in terms of the future development of the Group. To participate in LTIPs, a person must own BillerudKorsnäs shares referred to as 'savings shares'. The general rule for the LTIP is that for each savings share that participants invest in, participants will be allocated, at no charge, one matching share right and three performance share rights. For LTIP 2013–2017, however, the CEO has been allocated one matching share right and five performance share rights for each savings share, and the Executive Vice President and the CFO have been allocated one matching share right and four performance share rights for each savings share they allocate to the programmes.

Provided that the terms of the respective programme are met, the share rights entitle holders to receive BillerudKorsnäs shares as follows: The allocation of BillerudKorsnäs shares takes place free of charge after the end of the three-year vesting period for the respective programme. For both rights, participants throughout the vesting period must remain an employee of the BillerudKorsnäs Group and must not sell their savings

shares dedicated to the programme concerned. The rights are assigned to an individual and cannot be transferred or pledged. They do not grant shareholder rights and no adjustment for dividend is made. For half (50 percent) of the Matching share rights allocated to participants under LTIP 2015, LTIP 2016 and LTIP 2017, the total share return on BillerudKorsnäs shares (TSR) for the period of measurement must exceed 0 percent in order for them to entitle holders to be allocated BillerudKorsnäs shares.

For rights to performance shares under LTIP 2015, additional financial performance targets must be met.

The requirements are based on:

- (a) BillerudKorsnäs' average operating margin,
- (b) BillerudKorsnäs' EBITDA margin (gross margin) in relation to the margin for a comparative group of specially selected publicly listed companies for the same period,
- (c) BillerudKorsnäs' total return compared with the total return for a comparative group consisting of publicly listed Nordic companies.

The performance requirements (a) and (c) grant shares on a straight-line basis between minimum and maximum levels, while performance requirement (b) either results in full allocation or no allocation.

For rights to performance shares under LTIP 2016 and 2017, the following financial performance targets must be met.

The requirements are based on:

- (a) BillerudKorsnäs' annual organic growth,
- (b) BillerudKorsnäs' average EBITDA margin (gross margin).

Performance requirements (a) and (b) grant shares on a straight-line basis between minimum and maximum levels. LTIP 2017 is also dependent on total return (TSR).

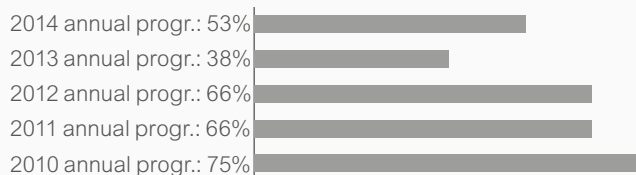
Completed long-term incentive programmes (LTIP 2010, LTIP 2011, LTIP 2012, LTIP 2013 and LTIP 2014)

The AGMs held in 2010, 2011, 2012, 2013 and 2014 resolved to introduce long-term incentive programmes (LTIP 2010, LTIP 2011, LTIP 2012, LTIP 2013, LTIP 2014) for BillerudKorsnäs for the period 2010–2012, 2011–2013, 2012–2014, 2013–2015 and 2014–2016 respectively, and 218 802, 68 472, 162 991, 138 184

and 176 099 shares respectively were allocated to the participants under the programmes. The proportion of performance targets met for the programme was 75%, 66%, 66%, 38% and 53% respectively. Dilution of outstanding shares was less than 0.1% per programme. The total cost of the programmes was carried as an expense on an ongoing basis in 2010–2017.

Historical data, completed long-term incentive programmes

Percentage of performance criteria set



Guidelines for remuneration of senior executives 2018

The Board proposes that the 2018 AGM approve the following guidelines for remuneration to senior executives. Senior management includes the CEO and other members of the Senior Management Team.

BillerudKorsnäs shall apply remuneration levels and employment terms that are in line with market practice in order to recruit and maintain a management team with a high level of competence and capability of achieving established goals. The remuneration shall motivate executives to do their utmost to secure the shareholders' interests. The remuneration may be in the form of fixed salary, variable salary, long-term incentive programmes and other benefits such as company car and pension. Fixed and variable salary shall be set in relation to competence, area of responsibility and performance. The variable remuneration is based on outcomes in relation to established goals and shall

be set to a maximum of 33.75% of the annual fixed salary for the senior management team and a maximum of 70% for the CEO. However, the variable remuneration shall only be paid on condition that the BillerudKorsnäs Group's operating result is positive. Long-term incentive programmes in the Company shall primarily be linked to certain predetermined financial and share price related performance criteria. The programmes shall ensure long-term commitment to the development of the Company and shall be implemented on market terms. Long-term incentive programmes shall run for at least three years. For more information of the existing long-term incentive programmes, see the Company's website.

Pension benefits shall either be defined-benefit or defined-contribution and will normally entitle pension from the age of 65. In certain cases, the retirement age may be lower, although 62 is the lowest age of retirement. Notice of termination is normally 6–12 months, and if the Company gives notice, severance pay is to be a maximum of 12 months' salary.

Remuneration and other employment terms for the CEO are prepared by the remuneration committee and determined by the Board. Remuneration and other employment terms for members of the Senior Management Team are determined by the CEO following approval by the remuneration committee.

It is to be possible in certain cases for members of the Board elected by the general meeting of shareholders to receive fees for services in their respective areas of expertise which do not constitute Board work. Compensation for these services shall be paid at market terms and be approved by the Board.

The Board of BillerudKorsnäs is entitled to deviate from these guidelines if there is a special reason in individual cases.

See Note 26 for the 2017 guidelines.

Internal control and risk management for financial reporting

BillerudKorsnäs' internal control and risk management for financial reporting is designed to manage risks and ensure a high level of reliability in the processes relating to the preparation of financial reports and to ensure that applicable accounting requirements and other requirements of BillerudKorsnäs as a publicly listed company are fulfilled.

Financial reporting

The Board is ultimately responsible for the internal control of financial reporting. Responsibility for maintaining an effective control environment is delegated to the CEO, who is responsible for ensuring that a process and organisational structure are in place to ensure the internal control and quality of financial reporting. Specifically for financial reporting, the Board has established an Audit Committee that assists the Board in regard to relevant guidelines and policies and significant reporting principles.

BillerudKorsnäs' internal control work is based on the internal control principles developed by the Committee of Sponsoring Organizations of the Tradeway Commission (COSO). These principles consist of the following five components:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring

For more information about BillerudKorsnäs' corporate governance work, please see the section Corporate Governance at BillerudKorsnäs on pages 54–58.

1 Control Environment

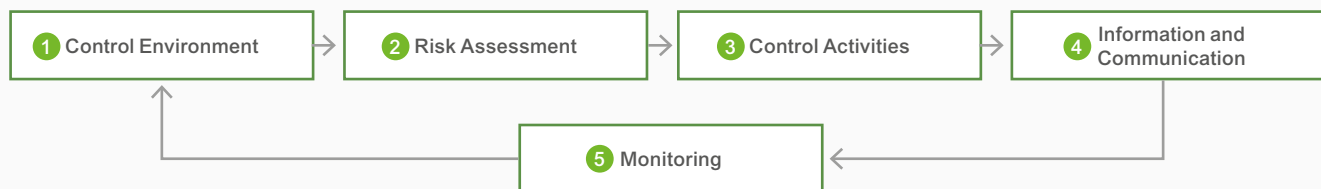
Control environment encompasses matters such as how targets are set, how valuations are monitored and how risks are managed. A good control environment is based on an organisational structure with clear decision-making paths and a corporate culture with shared values and an awareness among individuals of their role in maintaining good internal control.

For the Board of Directors, the CEO and all BillerudKorsnäs business areas and Group functions, the Company has policies, instructions and guidelines aimed at ensuring the clear division of roles and responsibilities to aid the effective and efficient management of risks identified within the business. The audit committee's main role is to contribute to a good standard of financial reporting and ensure that the Company is audited in an professional, efficient and independent way. The work of the audit committee is described in more detail on page 57.

The Senior Management Team reports regularly to the Board based on predetermined procedures. The audit committee also reports to the Board. The Senior Management Team is responsible for ensuring that essential internal controls are implemented as necessary to manage significant risks in day-to-day activities. This includes Group-wide policies and guidelines for how the individual employee is to understand his or her role in the work to maintain adequate internal control. These include an operating policy, code of conduct, financial policy, authorisation instruction, accounting and reporting instructions and credit guidelines. BillerudKorsnäs' shared service centre ensures effective and uniform management of financial processes through the development of uniform procedures and control systems. These documents are updated annually or as necessary to reflect applicable laws and regulations and the changes to processes that have been implemented.

2 3 Risk Assessment and Control Activities

Risk assessment involves identifying risks that may arise if the core requirements of financial reporting in the company are not met and takes place continually in BillerudKorsnäs' day-to-day processes. The Company has a Group Risk Management function with responsibility for Enterprise Risk Management (ERM), loss prevention and Group-wide insurance programmes. Within



the framework of ERM, the company continuously monitors items where there is an increased risk of material error, and ensures that adequate control activities are in place. ERM activities are reported twice per year to the Board.

For information regarding financial risk and important items subject to appraisal and assessment, please see the Risk Management and Sensitivity Analysis section and Note 35.

Control activities aim at preventing, detecting and correcting errors and deviations in financial reporting at each time of reporting. The Company's control activities are part of these accounting and financial reporting processes and include authorisation procedures, bank and account reconciliation, earnings analysis, automated and manual controls and the division of administrative and implementing units.

The Company has an internal control function whose purpose is to ensure good internal control and quality in financial reporting. This function implements processes and regulations that ensure the internal control and quality of financial reporting. This internal control function works to ensure that policies, instructions, guidelines and process descriptions are complied with, which is the basis for effective control activities within the main financial reporting processes. As part of the internal control work, a self-assessment is made of internal controls which means that the person responsible for control in each case identifies and assesses their controls. Improvement measures are introduced according to a plan which is prepared with the internal control function. The measures are then followed up during the coming financial year, when a new self-assessment is carried out. The results of this work are included in the annual reporting of the internal control function to the Audit Committee, which in turn reports to the Board of Directors. The internal control function therefore constitutes an important tool in the Board's monitoring of internal controls relating to financial reporting.

4 Information and Communication

Material policies, guidelines and manuals that are of significance to financial reporting are available on BillerudKorsnäs' intranet and management system. Relevant employees are regularly informed of amendments and updates to these. Work took

place during the year to develop the Group's policy framework for the purpose of ensuring completeness and uniformity on formulation, ownership and responsibility for updates.

Both formal and informal information channels carry important information from staff to the Senior Management Team and the Board. For example, BillerudKorsnäs has a whistleblower function that enables employees to report suspected irregularities. The whistleblower function was developed in 2017 so that it will also be available to external target groups such as customers and suppliers and to include the option of reporting in several languages. It is planned that the updated function will be launched in 2018.

Guidelines for external communication and a Communication Policy ensure that the Company meets the strict requirements on accurate information for financial markets.

5 Follow-up

The Audit Committee carries out preparatory work prior to the Board's assessment of the information submitted by the Senior Management Team and the company's auditors. The Audit Committee's tasks also include ensuring, on behalf of the Board, that actions are taken concerning the deficiencies and proposed actions identified in the external audit and by the internal control function. See the section "Corporate Governance at BillerudKorsnäs" for further information about the Audit Committee and its work.

Internal audit

In accordance with paragraph 7.3 of the Swedish Code of Corporate Governance, the Board has evaluated the need for a separate review function. In view of the structural organisation of internal control and the monitoring performed by the internal control function and by the financial management and controller organisation, the Board has decided that a separate internal audit or review function is not necessary at present. The issue of a separate internal audit function is reviewed annually.



Christer Simrén

Paulina Ekvall

Uno Brinnen

Susanne Lithander

Magnus Wikström

Peter Jhaveri

Senior Management Team

Petra Einarsson

President and CEO

Education: MSc in Economics and Business, Uppsala University.

Year employed: 2017

Year born: 1967

Other assignments: Member of the Board of SSAB and the Confederation of Swedish Enterprise.

Background: CEO of Sandvik Materials Technology. Member of the Board of the Swedish Association of Industrial Employers.

Shareholding¹: 3 000

Christer Simrén

Executive Vice President, COO

Education: MSc and PhD, Chalmers University of Technology, Gothenburg. MSc in Economics and Business, School of Business, Economics and Law, Gothenburg University.

Year employed: 2012

Year born: 1961

Other assignments: Member of the Board of Brenderup Group AB

Background: CEO of Korsnäs AB and Wermland Paper AB. Member of the management team of Kinnevik. Chairman of the Board of Grycksbo Paper Holding AB.

Shareholding¹: 63 269

Christer Simrén leaves BillerudKorsnäs in the beginning of 2018.

Mikael Andersson

Senior Vice President Corrugated Solutions

Education: MSc in Chemistry, Karlstad University. Executive MBA, Mgruppen.

Year employed: 2016

Year born: 1968

Other assignments: –

Background: Area VP, Nalco Water, Sales Director BillerudKorsnäs AB, VD Bycosin AB.

Shareholding¹: 5 825

Uno Brinnen

Senior Vice President Forestry

Education: MSc in Forestry, Swedish University of Agricultural Sciences (SLU), Umeå. Licentiate Degree in Forestry, Swedish University of Agricultural Sciences, Garpenberg.

Year employed: 2012

Year born: 1956

Other assignments: Board member of Svenska FSC® and Skogforsk. Member of KSLA.

Background: Director of Forestry, Korsnäs AB.

Shareholding¹: 9 000

Paulina Ekvall

Senior Vice President Corporate Human Resources

Education: Personnel and Working Life Line, Lund University, Ruter Dam Manager Development Programme, Ascend Executive Management Leadership Programme, Cape Town University, South Africa.

Year employed: 2017

Year born: 1968

Other assignments: –

Background: Sr Dir HR Arla Foods AB, VP HR Unilever Nordics, HR Director Nordics Johnson&Johnson Consumer, HR Director Pfizer Health AB, Head of HR Swedish Prison and Probation Service.

Shareholding¹: 1 000



Ulf Eliasson

Johan Nellbeck

Petra Einarsson

Henrik Essén

Mikael Andersson

Ulf Eliasson

Senior Vice-President Production

Education: MSc in Engineering, Chalmers University of Technology, Gothenburg.

Year employed: 2012

Year born: 1962

Other assignments:

Background: Senior Vice President Consumer Board BillerudKorsnäs, Mill Manager Korsnäs AB, Vice-President & Site Manager Rolls-Royce AB, Senior Vice-President & CEO Stora Enso Skoghall AB.

Shareholding¹: 4 893

Henrik Essén

Senior Vice President Communication and Sustainability

Education: MSc in Engineering, Royal Institute of Technology, Stockholm.

Year employed: 2011

Year born: 1974

Other assignments: Board Member of ACE (Alliance for Beverage Cartons and the Environment), deputy Board member of the Kempe Foundations.

Background: Senior consultant at AF AB and Pöryry Forest Industry Consulting AB.

Shareholding¹: 10 346

Peter Jhaveri

Senior Vice President Consumer Board

Education: MSc in Engineering, Lund University

Year employed: 2017

Year born: 1964

Other assignments: –

Background: CEO Tetra Recart AB, CEO Tetra Pak Malaysia, Singapore & Phillipines.

Shareholding¹: 4 200

Susanne Lithander

CFO

Education: MSc in Economics and Business, School of Business, Economics and Law, Gothenburg University.

Year employed: 2011

Year born: 1961

Other assignments: Board member of Svensk Exportkredit AB.

Background: CEO, Mercuri International Group. Executive Vice President & Head of Advisory Services, BU Global Services, Ericsson AB. Executive Vice President Finance & Operational Development, BU Global Services, Ericsson AB. Executive Vice President & Head of Business Operations, Ericsson Inc., TX, USA

Shareholding¹: 2 564

Johan Nellbeck

Senior Vice President Packaging Paper

Education: MSc in Economics and Business, Uppsala University. Executive MBA, Mgruppen.

Year employed: 2006

Year born: 1964

Other assignments: Board member of CEPI Eurokraft and FreeForm Packaging AB.

Background: Regional Sales Director, Tele2 Stockholm. Managing Director, AssiDomän Kraft Products Nordic Sales AB. Sales Manager, AssiDomän Scandinavia.

Shareholding¹: 10 000

Magnus Wikström

Chief Technical Officer (CTO)

Education: MSc and PhD in Engineering, Royal Institute of Technology, Stockholm. Executive MBA, Mgruppen.

Year employed: 2006

Year born: 1963

Other assignments: Board member of Wallenberg Wood Science Center and EcoXpac A/S.

Background: R & D Director Korsnäs AB, Research Manager Korsnäs Development, Project Area Manager STFI.

Shareholding¹: 6 119

¹ Own and related parties' shares at 1 March 2018.

Board of Directors

LENNART HOLM

Chairman of the Board since 2014, Board member since 2012, chairman of the investment committee, member

of the remuneration committee

Education: MSc in Chemical Engineering, Chalmers University of Technology, Gothenburg.

Year born: 1960

Other assignments: Chairman of the Board of Axolot Solutions AB, Hamnkrogen i Helsingborg Holding AB, Nexam Chemical Holding AB, Wellbo Fastighetsutveckling AB and Vida AB. Member of the Board of Holm och Gross Holding AB, Polygiene AB, Preventic Group AB and Re-Finance Scandinavia AB.

Background: Chairman of the Board and CEO of the Perstorp Group, active at Stora Enso and partner in PAI Partners SAS.

Shareholding¹: 3 000

Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.

MICHAEL M.F. KAUFMANN

Board member since 2005, Deputy Chairman of the Board and member of the remuneration committee

Education: MBA, Universities of Stuttgart and Erlangen-Nürnberg.

Year born: 1948

Other assignments: CEO, Frapag Beteiligungs Holding AG, Hartmann Liegenschaftsverwaltung GmbH, Kleinsölk Forstwirtschaftsverwaltung GmbH, MIKA Classic Cars GmbH and MIKA Privatstiftung. Chairman of the Board, Frapag America, Inc, HKW Privatstiftung, By Out Europe II, Frapag Slovakia and Grimmig Holding Romania.

Background: Formerly held various managerial positions in Frantschach/Mondi, Vienna, Austria.

Shareholding¹: 17 250

Independent/Not independent: Independent of the Company and management, not independent of the Company's major shareholders.

ANDREA GISLE JOOSEN

Board member since 2015, member of the audit committee.

Education: MSc International Business, Copenhagen Business School.

Year born: 1964

Other assignments: Board member of Dixons Carphone PLC, ICA Gruppen AB, James Hardie Industries PLC, Mr Green & Co AB and Phoodster AB.

Background: CEO of Boxer TV Access AB, Managing Director of Panasonic's business in the Nordics/Skandinavia, Chantelle and Twentieth Century Fox Home Entertainment.

Previously held management positions at Johnson & Johnson and Procter & Gamble.

Shareholding¹: 1 850

Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.

BENGT HAMMAR

Board member since 2014, member of the investment committee

Education: BA and MA in International Economy and Politics, Princeton University,

New Jersey, USA.

Year born: 1951

Other assignments: Director and senior adviser, Pöyry Capital Ltd.

Background: Managing Director, Head of Global Forest Products & Packaging, Barclays De Zoete Wedd Ltd. Executive Director, Head of European Forest Products & Packaging, Morgan Stanley & Co. Int.

Shareholding¹: 2 000

Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.

MIKAEL HELLBERG

Board member since 2014 (and 2010-2012), chairman of the Remuneration Committee, member of the Audit Committee.

Education: BSc in Economics, University of Minnesota, United States. Studies at Stockholm School of Economics.

Year born: 1954

Other assignments: Chairman of the Board of Delicato Bakverk AB, Berntson Brands AB, Svenska Bryggarföreningens/Sveriges Bryggerier AB, InHouse Group Sweden AB, Humlegårdens Ekolager AB and the Einar Belvén Foundation. Member of the Board of Fresk Group AB.

Background: CEO of Wasabröd AB, Pripps Bryggerier/Carlsberg Sverige AB, Alcro-Beckers AB and Nordic Head of Procter & Gamble HABC. Chairman of companies including AB Annas Pepparkakor, Björnkälder AB, NCS Colour AB, Wernersson Ost AB, Mobeon AB, Spring Mobile AB and Anticimex AB. Board member of Cederroth Intressenter AB, A-com AB and Colorama AB.

Shareholding¹: 20 000

Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.

KRISTINA SCHAUMAN

Board member since 2014, chairman of the Audit Committee

Education: MSc in Economics and Business, Stockholm School of Economics

Year born: 1965

Other assignments: Board member of ÄF AB, Livförsäkringsbolaget Skandia ömsesidigt, Orexo AB, Apoteket AB, Coor Service Management AB, BEWi Group AB and Ellos Group Holding AB.

Background: Various financial managerial positions in Stora Enso, ABB and Investor and top executive positions in OMX AB, Carnegie Investment bank and Apoteket AB.

Shareholding¹: 2 000

Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.

VICTORIA VAN CAMP

Board member since 2017, member of the Investment Committee

Education: MSc Engineering, mechanical engineering and doctorate in machine elements, Luleå University of Technology

Year born: 1966

Other assignments: CTO and President, Innovation and Business Development at AB SKF.

Background: Board member of VBG Group AB and PREERA. Director of Industrial Market Technology & Solutions, Director of Product Innovation Lubrication BU and several other positions in SKF Group.

Shareholding¹: 0

Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.

ULRIKA GUSTAFSSON

Deputy Board member since 2016, employee representative PTK

Education: Upper secondary school qualification in engineering, Chemistry, various tertiary-level courses

Year born: 1967

Other assignments: Chair of Unionen branch BillerudKorsnäs Gävle. Various assignments for Unionen at regional and central level. Board member of Korsnäs Social Fund Foundation.

Background: –

Shareholding¹: 0

Independent/Not independent: Independent of management and the Company's major shareholders, not independent of the Company (employed).

NICKLAS JOHANSSON

Board member since 2017, employee representative Swedish Paper Workers Union

Year born: 1968

Other assignments: Chair, Swedish Paper Workers Union local branch 165

Background: –

Shareholding¹: 0

Independent/Not independent: Independent of management and the Company's major shareholders, not independent of the Company (employed).

GUNNEVI LEHTINEN JOHANSSON

Board member since 2016, engaged in Audit Committee, employee representative PTK

Education: Chemistry studies at Åbo Akademi University, Turku.

Year born: 1969

Other assignments: Production controller in BillerudKorsnäs, Vice President of Junis.

Background: –

Shareholding¹: 200

Independent/Not independent: Independent of management and the Company's major shareholders, not independent of the Company (employed).

BO KNÖÖS

Deputy Board member since 2017, employee representative Swedish Paper Workers Union

Year born: 1964

Other assignments: Chair, Swedish Paper Workers Union local branch 96

Background: –

Shareholding¹: 0

Independent/Not independent: Independent of management and the Company's major shareholders, not independent of the Company (employed).



Lennart Holm



Michael M.F. Kaufmann



Andrea Gisle Joosen



Bengt Hammar



Mikael Hellberg



Kristina Schauman



Victoria van Camp



Ulrika Gustafsson



Nicklas Johansson



Gunnevi Lehtinen Johansson



Bo Knöös

¹ Own and related parties' shares at 1 March 2018.