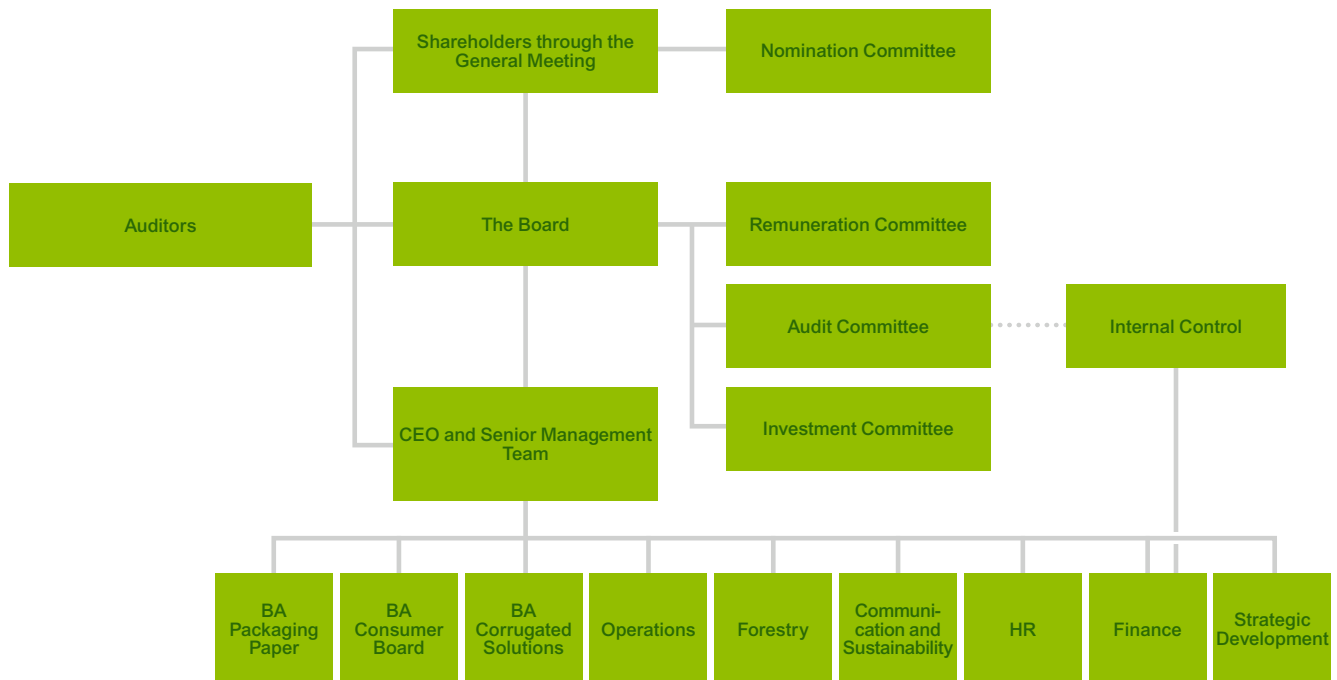


# Corporate governance at BillerudKorsnäs in 2015

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 2015 has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance and provides details of BillerudKorsnäs' corporate governance in 2015. The report has been reviewed by BillerudKorsnäs' auditor, see page 63.



#### 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
- Policies including operating, financial, credit and communication policies
- 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.bolagsstyrning.se](http://www.bolagsstyrning.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 2015, as in previous years, BillerudKorsnäs deviated from the Code's rules that a Board member should not also be the chairman of the Nomination Committee. This deviation from the Code is explained in more detail in the Nomina-

tion 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 2015, the total number of shareholders was 97 568, compared with 98 533 at the previous year-end. Each share carries an entitlement to one vote. The proportion of foreign ownership was 44.5% (34.8) of the number of shares in the market. Other groups of shareholders consisted of private individuals' holdings in Sweden, at 19.4% (21.6), and legal entities

in Sweden, at 36.1% (43.5). The largest shareholder, Frapag Beteiligungsholding AG, owned 31 300 000 shares, corresponding to 15.1% of shares in the market. No other shareholder owned 10% or more of the number of shares at the end of 2015. Further details about the company's shares, shareholders, and the like are presented in the 2015 Annual Report, under "BillerudKorsnäs shares", and on the Company's website: [www.billerudkorsnas.se](http://www.billerudkorsnas.se).

#### GENERAL MEETING OF SHAREHOLDERS

A shareholder meeting is the company's highest decision-making body. Shareholders exercise their voting rights at shareholder meetings. Notice of shareholders' meetings



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 shareholders' meeting are disclosed after the meeting in a press release, and the minutes of the meeting are published on the Company's website.

#### 2015 Annual General Meeting

The 2015 AGM took place on 5 May 2015 at Hotel Rival in Stockholm, and addressed matters customarily dealt with at the AGM. The AGM voted to re-elect Bengt Hammar, Mikael Hellberg, Jan Homan, Lennart Holm, Gunilla Jönson, Michael M.F. Kaufmann and Kristina Schauman to the Board, to elect Andrea Gisle Joosen 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 2015). The minutes from the AGM are available on the Company's website.

#### 2016 Annual General Meeting

BillerudKorsnäs' 2016 AGM will take place at 3 p.m. on 10 May 2016 at Hotel Rival, Mariatorget 3, Stockholm. Shareholders who wish to add an item to the agenda of the AGM may, in accordance with the instructions on the company's website have been able to submit proposals up to 22 March 2016.

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 2016 AGM, including details of how to register for attendance at the meeting, is available on the Company's website.

#### 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 persons appointed by the Company's major shareholders. Please see the table below for the composition of the Nomination Committee for the 2016 AGM. The composition of the Nomination Committee is based on ownership statistics at 30 September 2015. For further information about the Nomination Committee instructions, see [www.billerudkorsnas.se](http://www.billerudkorsnas.se).

Before the 2016 AGM there were three Nomination Committee minuted meetings, and also held contact in between meetings by telephone and email. As per the instructions on the Company's website, shareholders have been welcome to submit proposals and express views to the Nomination Committee by email or by post. The Company's website [www.billerudkorsnas.se](http://www.billerudkorsnas.se) has a Nomination Committee section with further information about the Nomination Committee.

Board member Michael M.F. Kaufmann was appointed chairman of the Nomination Committee ahead of the 2016 AGM. 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 2015 AGM, the chairman of the Nomination Committee should be the Board member appointed by the major shareholder. Michael M.F. Kaufmann has led the work of the Nomination Committee in recent years.

#### BOARD OF DIRECTORS

##### Composition

The articles of association stipulate that the Board of Directors of BillerudKorsnäs shall consist of no less than six members and no more than 10 members, with no more than six deputies. The 2015 AGM established that the Board of Directors should consist of eight members elected by the meeting, without deputies, namely; Lennart Holm (Chairman), Andrea Gisle Joosen, Bengt Hammar, Mikael Hellberg, Jan Homan, Gunilla Jönson, Michael M.F. Kaufmann and Kristina Schauman. In addition, the employee organisations appointed two employee representatives to serve on the Board. These are Helén Gustafsson and Kjell Olsson with deputies Stewe Cato and Tobias Söderholm. 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 five 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 22–23.

#### COMPOSITION OF AND VOTING REPRESENTATION ON THE NOMINATION COMMITTEE

Representative	Shareholder	Share of voting power, % <sup>1</sup>
Michael M.F. Kaufmann	Frapag Beteiligungsholding AG	15.1
Peder Hasslev	AMF Insurance and Funds	6.6
Lennart Francke	Swedbank Robur funds	4.2
Pia Axelsson	Fourth AP Fund	3.0

<sup>1</sup> as of 30 December 2015.



### 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 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, guidelines, procedures, values and goals. Other key policy documents are the Company's operational policy, finance policy, credit guidelines, and communication policy.

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 deals with the year-end and annual reports, as well as the issues 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 a meeting primarily dedicated to strategy issues.

### Work of the Board in 2015

The Board of Directors met 13 times in 2015. All Board members attended all Board meetings, with the exception of Board members Jan Homan, Helén Gustafsson and Kjell Olsson, each of whom was absent from one meeting. 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 received regular reports on the Company's financial position. At ordinary meetings, reports are submitted about ongoing work relating to business areas and Group functions.

Important issues addressed in particular by the BillerudKorsnäs Board in 2015 included matters regarding the divestment of the Baltic pellet business SIA Latgran, investment plans for Gruvön, the closure of the production facility at Tervasaari and an investigation of a transfer of the Tervasaari machine to Skärblacka. The Company's sustainability work, innovation initiatives and work on improving health and safety were also recurring issues at Board meetings,

as well as matters regarding strategic growth opportunities.

Presentations were made by the heads of BillerudKorsnäs' business areas and the Board visited the Company's Gruvön production facility. 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. For 2014, an extensive independent assessment of the Board's work was carried out by an external consultant. For 2015, an internal assessment of the Board's work was carried out. Each Board member completed an extensive questionnaire about issues such as how well the Board fulfils the duties with which it is tasked, the composition and capabilities of the Board, the Board's work methods, the effectiveness and efficiency of the Board's work and assessment of individual performance. 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 evaluates 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.

#### **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 that affect the quality of the Company's financial reporting. With regard to financial reporting, 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

shareholder 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 Board members Kristina Schauman (Chairman), Mikael Hellberg and Jan Homan. Employee representative Tobias Söderholm attends the meetings of the audit committee.

#### **Work in 2015**

In 2015 the committee had six meetings. All members elected by the AGM attended all of the committee's meetings. During the year the committee addressed various auditing issues, the audit plans for 2015, risk analysis, internal controls, 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 in 2015".

#### **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 2015**

The committee held five meetings in 2015, one of which was by correspondence. All committee members were present at these meetings. In 2015, the committee considered bonus payments in 2014, and salary reviews for the Senior Management Team in 2015. The committee also addressed the evaluation of the LTIP 2015 incentive programme and the structure of the LTIP 2016 incentive programme. The guidelines on remuneration to the CEO and other senior executives, as well as the actual figures, are contained in note 24 of the 2015 Annual Report.



## INVESTMENT COMMITTEE

The Board may also form temporary committees to address specific issues. 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 and Gunilla Jönson.

## Work in 2015

The committee held four meetings in 2015. All committee members were present at these meetings. In 2015, the committee mainly addressed issues concerning the two major investment planning projects that were initiated in the year, one of which relates to investing in a new paperboard machine at the Gruvön production facility and the other which relates to the enhancement and further development of the structure of production within the area of packaging paper. The committee also address issues concerning other strategic growth opportunities such as corporate acquisitions.

## AUDITORS

The Company's auditors are appointed by the general meeting. At the 2015 AGM, 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 2016 AGM. Ingrid Hornberg Román is currently also auditor at Apoteket AB, BAE Systems Bofors AB, BAE Systems Hägglunds AB, EQT Partners AB and Linas Matkasse.

The auditor's duties include keeping the Board informed regarding the planning, scope and content of the annual audit, auditing selected interim report 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 with the Board without presence of the senior management on one occasion in 2015.

## CEO AND SENIOR MANAGEMENT TEAM

The Company's chief executive officer (CEO) is appointed by the Board of Directors. Per Lindberg is the CEO of the Company and Christer Simren 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 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) and the heads of the group functions Forestry, Communication and Sustainability, HR, Finance and Technology & Strategic Development. For further information about the members of the SMT, see pages 20–21.

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.

## 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 the 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 in 2015" on pages 18–19.

## GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The 2015 AGM adopted guidelines on the remuneration of senior management in the Group. The guidelines state, for example, that BillerudKorsnäs shall 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 competence 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 percent. However, variable remuneration shall 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 shall be a maximum of 12 months' salary.

For the complete resolution on principles for remuneration, see note 24 of the 2015 Annual Report. The Board's proposed guidelines for 2016 are set out in the section "Remuneration at BillerudKorsnäs in 2015" on page 17.

# REMUNERATION AT BILLERUDKORSNÄS 2015

BillerudKorsnäs endeavours to attract, retain and develop talent by means of competitive remuneration. The Group's short- and long-term incentive plans are closely linked to the Company's strategic and financial targets and are designed to deliver sustainable value for shareholders and support the achievement of the Company's strategy.

BillerudKorsnäs has a clear approach to remuneration. It is based on principles of competitive national and regional wage levels that help attract, retain and develop the brightest talent. This is intended to support the business and its managers in realising the Company's vision and operating targets.

Long-term incentive programmes and remuneration guidelines are intended to support the Company by motivating all senior managers and staff to focus on achieving the strategic agenda. 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.

## REMUNERATION COMPONENTS WITHIN BILLERUDKORSNÄS

### Fixed salary

Fixed salaries are set according to skills, area of responsibility and performance, based on market considerations.

### Variable remuneration

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

### Long-term share-based incentive programme (LTIP)

The purpose of 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 and viewpoints with those of the shareholders.

To participate in the programme, participants must invest in BillerudKorsnäs shares. The LTIP runs over three years and the outcome depends on the achievement of various financial and share price-linked performance requirements.

### Pension

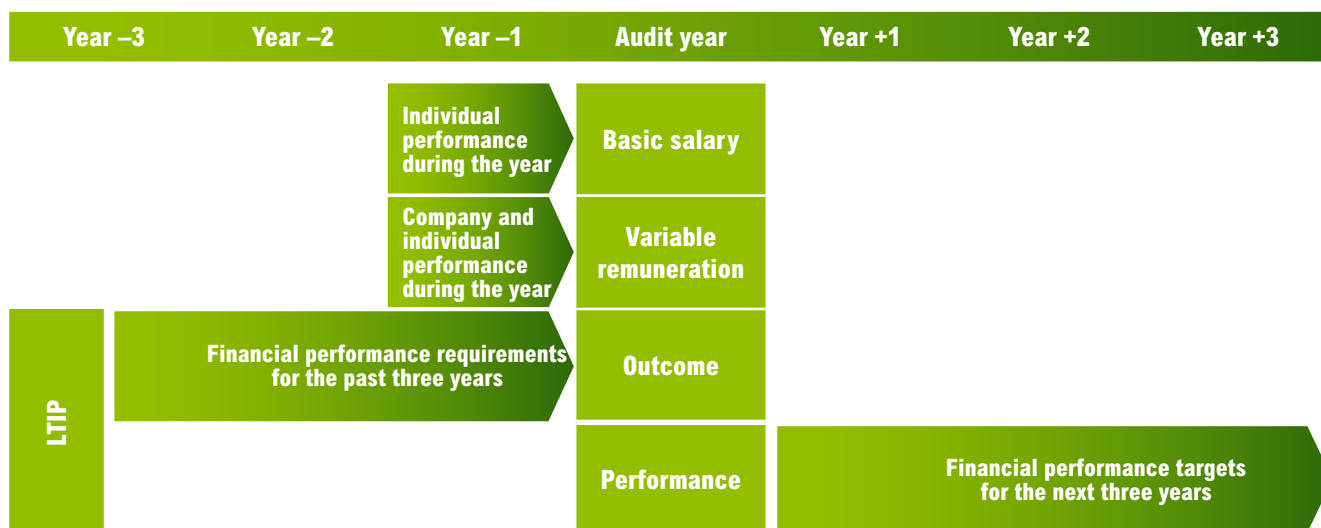
Pension benefits must be chiefly defined contribution plans and will normally provide entitlement from the age of 65.

### Other benefits

These are set according to skills and area of responsibility, and mainly take the form of a car allowance.

### LONG-TERM INCENTIVE PROGRAMME (LTIP)

The 2010–2015 AGMs approved the introduction of long-term incentive programmes (LTIP 2010–2015) 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 2013–2015, 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 CFO have been allocated one matching share right and four performance share rights for each savings share they allocate to both 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 must remain an employee of the BillerudKorsnäs Group throughout the vesting period and must not sell their savings shares. 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%) of the matching share rights allocated to participants under LTIP 2014 and LTIP 2015, the total share return on BillerudKorsnäs shares (TSR) for the 2014–2016 financial years must exceed 0% in order for them to entitle holders to be allocated BillerudKorsnäs shares.

Performance shares (for all outstanding programmes) also require additional financial performance requirements to be met.

The requirements are based on:

- BillerudKorsnäs' average operating margin in absolute terms,
- BillerudKorsnäs' operating margin for LTIP 2013 and the gross margin for LTIP 2014 and 2015 in relation to the operating margin for a comparative group of specially selected publicly listed Nordic companies for the same period,
- 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.

## LONG-TERM INCENTIVE PROGRAMME (LTIP)

Program	No. of participants	Saving shares	Max. allocation BillerudKorsnäs shares	Shares for cost recovery <sup>1</sup>	Percentage of total number of shares/votes	SEKm		
						Estimated cost (of which social security costs)	Maximum cost (of which social security costs)	Operating profit for 2015 is charged with
2013	23	65 935	293 708	76 000	0.1%	12 (7)	33 (21)	6
2014	67	71 116	309 448	90 000	0.1%	20 (9)	52 (29)	6
2015	69	62 569	271 178	N/A	0.1%	25 (10)	60 (34)	5

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

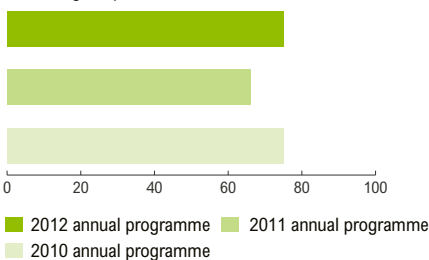
## COMPLETED LONG-TERM INCENTIVE PROGRAMMES (LTIP 2010, LTIP 2011 AND LTIP 2012)

The AGMs for 2010, 2011 and 2012 resolved to introduce a long-term incentive programme (LTIP 2010, LTIP 2011 and LTIP 2012) for BillerudKorsnäs for 2010–2012, 2011–2013 and 2012–2014, and 218 802, 68 472 and 162 991 share rights, respectively, were allocated under the programmes. 75%, 66% and 75%, respectively, of the performance targets for the programme were met. Dilution of outstanding shares was less than 0.1% per programme. The total cost of the programmes was expensed on an ongoing basis in 2010–2015.

## HISTORICAL DATA, COMPLETED LONG-TERM INCENTIVE PROGRAMMES

### OUTCOME

Percentage of performance criteria set



## GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES FOR 2016

The Board proposes that the 2016 AGM approve the following guidelines for remuneration to senior executives. Senior management includes the CEO and other members of the Senior Management Team.

BillerudKorsnäs should apply market-related remuneration levels and employment terms that are appropriate in order to recruit and retain a management team that has the high level of competence and capacity to achieve set goals. Forms of remuneration should motivate

the Senior Management Team to do its utmost in the best interests of the Company's shareholders. 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 compared to explicit targets, up to a maximum percentage of a fixed annual salary that may vary between 30% and 70%. However, variable remuneration shall be paid only if the Company makes an operating profit. Long-term incentive programmes at the Company shall primarily be linked to certain predetermined financial and share price performance requirements. The programmes should ensure long-term commitment to the development of the Company and should be implemented on commercial terms. Long-term incentive programmes should have a term of at least three years. For further information about the existing long-term incentive programmes, please refer to the Company's website.

Pension benefits should either be defined-benefit or defined-contribution plans and will normally provide pension entitlement after the age of 65. In certain cases, the age may be reduced but never lower than 62. Notice of termination is normally 6–12 months, and if the Company gives notice, severance pay shall 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.

Board Members, elected at General Meetings, may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board.

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

See note 24 for the 2015 guidelines.



# INTERNAL CONTROL AND RISK MANAGEMENT FOR FINANCIAL REPORTING IN 2015

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.

This year's report is presented below.

## EXTERNAL 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 Treadway 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 in 2015 on page 11.

### 1. Control Environment

The control environment encompasses matters such as how targets are set, how valuations are monitored and how risks are managed. An effective 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 an adequate standard of financial reporting and ensure that the Company is audited in a professional, efficient and independent way. The work of the audit committee is described in more detail on page 14.

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 shall understand his or her role in the work to maintain adequate internal control. These include an operating policy, code of conduct, finance policy, authorisation instruction, accounting and reporting instructions and credit management. 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 occur continually in BillerudKorsnäs' day-to-day processes. The company continually monitors items where there is an increased risk of material error, and

ensures that adequate control activities are in place.

For information regarding financial risk and important items subject to appraisal and assessment, please see the Risk Management and Sensitivity Analysis section and note 33 in the 2015 annual report.

Control activities aim to prevent, detect and correct 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 executing units.

The Company has an internal control function whose purpose is to ensure effective internal control and quality in financial reporting. The function implements processes and framework 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. The result of this work is reported 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. Relevant employees are regularly informed of amendments and updates to these. 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. 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 2015" 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.

#### PRIORITY AREAS IN 2015

In 2015, the business prioritised the creation of Group-wide financial processes through harmonisation. BillerudKorsnäs has a shared service centre that ensures efficient and uniform handling of financial processes. The service centre manages reporting, accounts payable, accounts receivable, payroll and other financial procedures. The service centre covers all Swedish and Finnish units.

During the 2015 financial year, the Company's Code of Conduct was revised and employees also underwent an online training course to ensure that they had both read and understood the content of the Code of Conduct. Specific work was also

carried out to streamline the Group's capital and the Group has now achieved its published target of 10% in working capital as a percentage of net sales.

There was also a focus on continuing to implement Group-wide IT environments. Work also continued on implementing a shared ordering, inventory and invoicing system. In addition, a Group-wide tool was developed to collect and analyse purchasing volumes using a shared contract database for purchasing agreements, and this has now been fully implemented. In the 2015 financial year, a price database was also developed in order to monitor contractual prices in comparison with indexed prices. And a new Group-wide system was implemented to screen agreement counterparties against applicable sanction regulations. Focused work was also carried out on creating a Group-wide management system. This work is expected to be completed in 2016.

In the first half of 2015, a Group Risk Management function was also introduced with responsibility for Enterprise Risk Management, loss prevention and Group-wide insurance programmes.



## SENIOR MANAGEMENT TEAM



**Top row from left: Ulf Eliasson, Uno Brinnen, Christer Simrén, Henrik Essén, Lennart Eberleh, Susanne Lithander and Magnus Wikström.  
Bottom row from left: Karin Hågfeldt, Johan Nellbeck and Per Lindberg.**

**PER LINDBERG**  
**President and CEO**

**Education:** MSc and PhD, Chalmers University of Technology, Gothenburg.

**Year employed:** 2005

**Year born:** 1959

**Other assignments:** Board member of Nordstjernan AB, Bergvik Skog AB and Middlepoint AB. Chairman of the Swedish Forest Industries Federation and member of IVA Royal Swedish Academy of Engineering Sciences Division VIII — Forest Technology.

**Background:** Managing Director, Korsnäs AB. Vice President, Investment AB Kinnevik. Management and strategy consultant, Applied Value Corporation, US.

**Shareholding<sup>1</sup>:** 116 547

**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:** –

**Background:** CEO of Korsnäs AB and Wernland Paper AB. Member of the management team of Kinnevik. Chairman of the board of Grycksbo Paper Holding AB.

**Shareholding<sup>1</sup>:** 25 200

**UNO BRINNEN**

**Senior Vice President Forestry**

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

**Shareholding<sup>1</sup>:** 6 500

**LENNART EBERLEH**

**Senior Vice President Corrugated Solutions**

**Education:** MSc in Engineering, Technische Universität Carolo Wilhelmina Braunschweig, Germany.

Executive MBA, Mgruppen.

**Year employed:** 2001

**Year born:** 1969

**Other assignments:** –

**Background:** Sales Manager, Stora Enso Gruvön. Stora Support Team, Stora Kopparberg Bergslags AB. Product Manager, Stora Gruvön.

**Shareholding<sup>1</sup>:** 20 000

**ULF ELIASSON**

**Senior Vice President Consumer Board**

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

**Year employed:** 2012

**Year born:** 1962

**Other assignments:** Chairman of SPCI (Svenska Pappers- och Cellulosa Ingenjörssällskapet – Swedish Society of Paper and Cellulose Engineers).

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

**Shareholding<sup>1</sup>:** 6 500

**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:** Other assignments: Board member of ACE (Alliance for Beverage Cartons and Environment).

**Background:** Senior consultant at ÅF AB and Pöyry Forest Industry Consulting AB.

**Shareholding<sup>1</sup>:** 4 000

**KARIN HAGFELDT**

**Senior Vice President Corporate Human Resources**

**Education:** Human Resource Management programme, Umeå University. Executive MBA, Stockholm School of Economics.

**Year employed:** 2011

**Year born:** 1970

**Other assignments:** –

**Background:** HR Lead Global Supply Chain & Strategy, AstraZeneca. Head of HR Sweden Operations, AstraZeneca. HR Manager, Ericsson.

**Shareholding<sup>1</sup>:** 11 500

**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 and Eltel 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.

**Shareholding<sup>1</sup>:** 3 413

**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, FreeForm Packaging AB and NINE AB.

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

**Shareholding<sup>1</sup>:** 10 000

**MAGNUS WIKSTRÖM**

**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 Innventia AB and EcoXpac A/S.

**Background:** R & D Director Korsnäs AB, Research manager Korsnäs Development, Project area manager STFI.

**Shareholding<sup>1</sup>:** 8 219

<sup>1</sup> Own and closely related persons' shares as of 7 March 2016.



# BOARD



## 1. 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 Vida AB, Nexam Chemical Holding AB, Tuve Holding AB, Brunkeberg Systems AB, Vigmed Holding AB, Polygiene AB, Chamber Tech AB, Axolot Solutions AB and Hamnkrogen i Helsingborg Holding AB. Board member of Dermazip AB, Holm och Gross Holding AB and Preventic Försäkrings AB.

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

**Shareholding<sup>1</sup>:** 3 000

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

## 2. MICHAEL M.F. KAUFMANN

Board member since 2005, member of the remuneration committee

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

**Year born:** 1948

**Other assignments:** CEO, Frapag Beteiligungsholding AG. CEO, HKW Privatstiftung.

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

**Shareholding<sup>1</sup>:** 9 500

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

## 3. ANDREA GISLE JOOSEN

Board member since 2015

**Education:** MSc International Business, Copenhagen Business School.

**Year born:** 1964

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

**Background:** CEO of Boxer TV Access AB, Managing Director of Panasonic's business in the Nordics, Chantelle and Twentieth Century Fox Home Entertainment. Previously held management positions at Johnson & Johnson and Procter & Gamble.

**Shareholding<sup>1</sup>:** 500

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

## 4. BENGT HAMMAR

Board member since 2014 and 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.

**Shareholding<sup>1</sup>:** 2 000

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

## 5. MIKAEL HELLBERG

Board member since 2014, 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 Delicato Bakverk AB, Berntson Brands AB, Fresk Group AB, Wallvision AB and the Einar Belvén Foundation. Board member of companies including Segeltorp Holding 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, Björnkläder AB, NCS Colour AB, Wernersson Ost AB, Mobeon AB, Spring Mobile AB and Anticimex AB.

**Shareholding<sup>1</sup>:** 20 000

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

<sup>1</sup> Own and closely related persons' shares as of 7 March 2016.





**6. JAN HOMAN**

Board member since 2012 and member of the audit committee  
**Education:** Business studies, University of Commerce, Vienna, Austria.  
**Year born:** 1947  
**Other assignments:** Chairman of Frapag Beteiligungs-holding AG. Board member of Constantia Flexibles Group, Erste Group Bank AG and Slovenska Sportitlna. Head of European Aluminium Foil Association and Flexible Packaging Europe.  
**Background:** CEO of Constantia Flexibles Group and CEO of Constantia Teich Group.  
**Shareholding<sup>1</sup>:** –  
**Independent/Not independent:** Independent of the Company and management, not independent of the Company's major shareholders.

**7. GUNILLA JÖNSON**

Board member since 2003 and member of the investment committee  
**Education:** MSc and PhD in Mechanical Engineering, Chalmers University of Technology, Gothenburg.  
**Year born:** 1943  
**Other assignments:** Senior Professor in Packaging Logistics, Engineering Faculty LTH, Lund University. Member of the steering group at LUFO (Lund University Food Studies). Member of Invest in Skåne AB, chairman/member of various scientific programme committees and assessment groups, and member of the Royal Swedish Academy of Engineering Sciences (IVA).  
**Background:** Dean of Faculty of Engineering, Lund University. Various executive and other positions at SCA Packaging. Research Director, Swedish Packaging Research Institute.  
**Shareholding<sup>1</sup>:** 3 728  
**Independent/Not independent:** Independent of the Company and management, independent of the Company's major shareholders.

**8. 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 ÅF AB, Livförsäkringsbolaget Skandia ömsesidigt, Orexo AB, Apoteket AB, Coor Service Management 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.  
**Shareholding<sup>1</sup>:** 1 000  
**Independent/Not independent:** Independent of the Company and management, independent of the Company's major shareholders.

**9. STEWE CATO**

Deputy Board member since 2015, employee representative Pappers  
**Year born:** 1953  
**Other assignments:** –  
**Background:** –  
**Shareholding<sup>1</sup>:** –  
**Independent/Not independent:** Independent of management and the Company's major shareholders, not independent of the Company (employed).

**10. HELÉN GUSTAFSSON**

Board member since 2010, employee representative PTK  
**Education:** Degree in Chemical Engineering, Institute of Technology, Linköping University.  
**Year born:** 1971  
**Other assignments:** Production Technician/Personnel Supervisor at BillerudKorsnäs.  
**Background:** –  
**Shareholding<sup>1</sup>:** 517  
**Independent/Not independent:** Independent of management and the Company's major shareholders, not independent of the Company (employed).

**11. KJELL OLSSON**

Board member since 2012, employee representative Pappers  
**Year born:** 1959  
**Other assignments:** Chairman of Pappers Dept. 3 trade union in Gävle.  
**Background:** –  
**Shareholding<sup>1</sup>:** 45  
**Independent/Not independent:** Independent of management and the Company's major shareholders, not independent of the Company (employed).

**12. TOBIAS SÖDERHOLM**

Deputy Board member since 2012, employee representative PTK  
**Education:** MSc in Chemical Engineering, Chalmers University of Technology, Gothenburg.  
**Year born:** 1975  
**Other assignments:** Project Manager, R & D, at Billerud-Korsnäs.  
**Background:** –  
**Shareholding<sup>1</sup>:** –  
**Independent/Not independent:** Independent of management and the Company's major shareholders, not independent of the Company (employed).

<sup>1</sup> Own and closely related persons' shares as of 7 March 2016.