



BILLERUDKORSNÄS

Annual and Sustainability Report 2020

We challenge
conventional
packaging for
a sustainable
future



We have clickable navigation.

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BillerudKorsnäs' mission to challenge conventional packaging for a sustainable future clearly sets out why we exist and how we view our role in society. Challenging the conventional and thinking outside the box are essential if we are to develop the innovative and sustainable packaging solutions our planet needs, hand in hand with our customers and partners.

This year's Annual Report and Sustainability Report

BillerudKorsnäs reports the Group's financial and non-financial information in a joint report. The report reflects BillerudKorsnäs' mission and integrates financial, sustainability and corporate governance information to provide a full and cohesive description. BillerudKorsnäs' statutory annual report, which includes the Directors' report and financial statements, can be found on pages 43–110.

The BillerudKorsnäs sustainability report is prepared in accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting, GRI Standards, and is externally audited. It comprises pages 26–42, 63–67 and 114–121, plus the GRI Appendix which is available at <http://billerudkorsnas.com/Sustainability>.

Sustainability reporting also includes the statutory sustainability report under Chapter 6, Section 11 of the Annual Accounts Act.



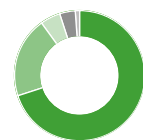
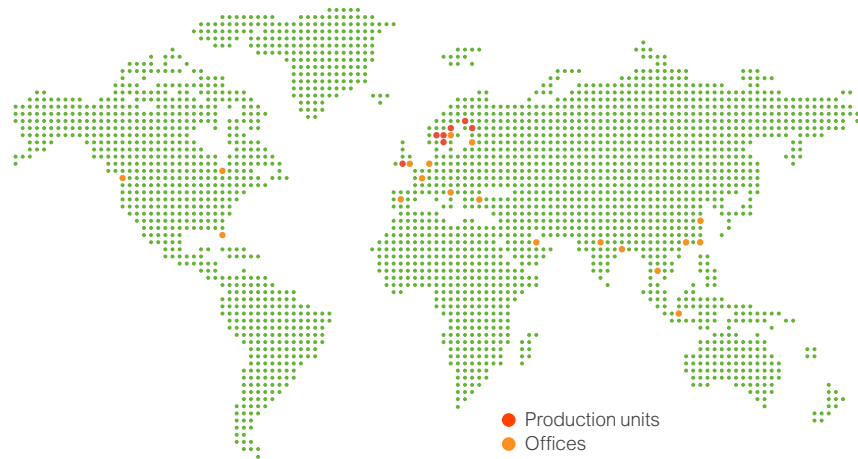
A leading packaging innovator

BillerdKorsnäs offers innovative packaging solutions and sustainable packaging materials made from natural cellulose fibre. We are a leading producer and create value through our deep knowledge of materials and optimally designed packaging. Our materials are used primarily in consumer sectors, where the requirements for packaging are high in terms of both function and design.

Global market

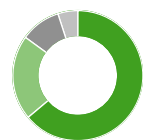
We have around 2 000 customers in over 100 countries. These customers are packaging manufacturers, brand owners and large retail and supermarket chains. While Europe is the core market, we are gradually strengthening our presence in the leading growth markets of Asia, as well as in the Americas.

Our wood raw material comes from responsibly managed forests and the manufacturing takes place at eight resource-efficient production units with a total capacity to manufacture over three million tonnes of material per year.



Net sales by region, %

- Europe, 70
- Asia, 20
- America, 5
- Africa, 4
- Other, 1



Net sales by market segment, %

- Food & Beverages, 64
- Industrial, 21
- Consumer & Luxury Goods, 10
- Medical & Hygiene, 5

Net sales, SEK bn

23.9

EBITDA, SEK bn

2.7

Number of employees, approx.

4 400



Net sales split, %

- Product area Board, 57
- Product area Paper, 32
- Solutions and Other, 11



EBITDA¹ split, %

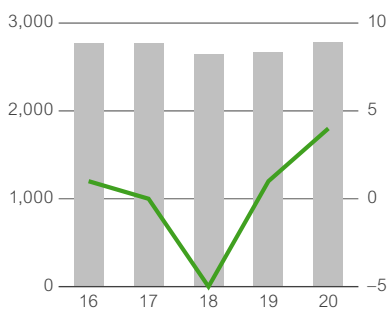
- Product area Board, 64
- Product area Paper, 36

¹The Group's EBITDA excluding EBITDA for Solutions and Other and for Currency hedging etc.

2020 in brief

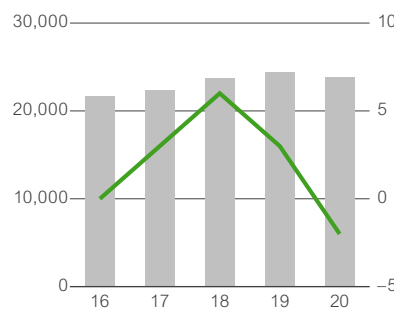
Sales decreased mainly due to challenging market conditions in certain product segments. Lower market prices were partially offset by higher sales volumes, reduced raw material costs and efficiency measures. Our climate footprint shrank but the accident rate was unacceptably high.

Sales volumes, ktonnes and growth, %



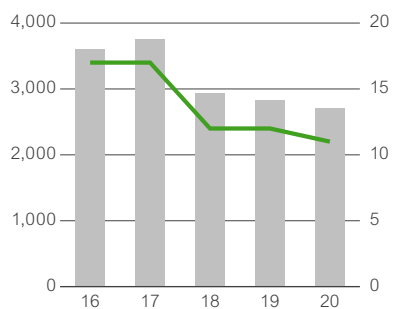
This year's sales volumes increased by 4% to approximately 2.8 million tonnes of high-quality packaging material.

Net sales, SEKm and growth, %



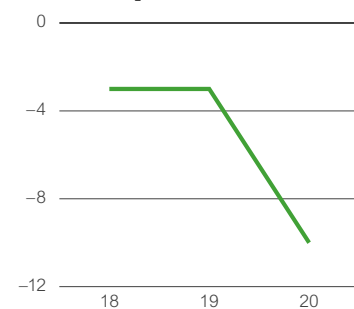
Net sales decreased by 2%, mainly due to challenging market conditions.

EBITDA, SEKm and EBITDA margin, %



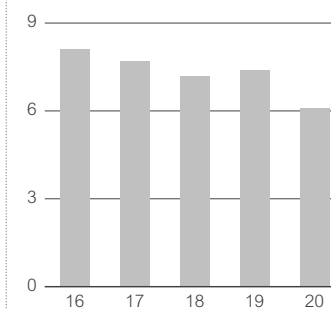
Profitability was affected by lower market prices in the product area Paper. The EBITDA margin was 11%.

Reduced CO₂ emissions (Scope 1 & 2), %



CO₂ emissions decreased by 7 percentage points in 2020, mainly as a result of more stable production.

Accident rate own employees



The lost time injuries per million hours worked for employees declined to 6.1.

Key figures

	2020	2019	2018	2017	2016
Net sales, SEKm	23 884	24 445	23 692	22 345	21 657
Operating profit before depreciation/amortisation (EBITDA), SEKm	2 712	2 830	2 943	3 760	3 606
Gross margin (EBITDA margin), %	11	12	12	17	17
Operating profit/loss, SEKm	774	1 086	1 430	2 241	2 045
Operating margin, %	3	4	6	10	9
Capital employed, SEKm	24 667	24 938	23 687	19 548	16 906
Return on capital employed, %	3	4	7	12	12
Profit/loss before tax, SEKm	679	1 265	1 341	2 103	1 937
Net profit/loss, SEKm	660	6 720 ²	1 037	1 638	1 518
Earnings per share, SEK	3.19	32.50 ²	5.01	7.91	7.33
Dividend per share, SEK	4.30 ¹	4.30	4.30	4.30	4.30
Cash flow from operating activities, SEKm	2 331	2 319	2 502	3 316	3 742
Investments in intangible assets, property, plant and equipment, SEKm	1 250	2 868	5 120	4 196	1 607
Interest-bearing net debt/EBITDA, multiple	2.0	1.9	3.2	1.5	1.1
Average number of employees	4 468	4 596	4 502	4 395	4 274

¹ Board's proposal. ² Including profit from discontinued operations of SEK 5 709 million, corresponding to SEK 27.61 per share.

Net sales growth

-2%

EBITDA margin

11%

Key events



Significant progress for the new machine at Gruvön

BillerudKorsnäs' new board machine in Gruvön, with its annual capacity of 550 000 tonnes, began producing coated material during the year and the certification process for liquid packaging board is under way. The technical ramp-up was fully implemented by the end of the year, and the focus has now shifted to commercial development. The customer response to the coated material from KM7 has been very positive.

Measures due to the coronavirus pandemic

COVID-19 brought new challenges but no major disruptions to the business. Early measures were taken to protect employees' health, safeguard deliveries and prepare contingency plans. The maintenance shut-downs at the production facilities, which were planned for the spring, had to be postponed and were successfully completed in the autumn thanks to careful planning and thorough measures to ensure safety.

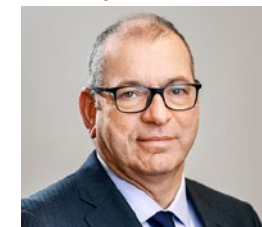
Streamlined organisation

A new organisational structure was introduced to pave the way for increased efficiency. The new organisation follows the business flow: Wood supply, Operations and Commercial. The organisational change resulted in a smaller Executive Management Team and a new reporting structure comprising the operating segments Product area Board, Product area Paper, and Solutions and Other.

Recognition for sustainability

BillerudKorsnäs maintained its leading position in the Dow Jones Sustainability Index for the third year in a row. The results from this year's ranking show that BillerudKorsnäs is among the top 10% most sustainable of the companies evaluated and the company with the highest score in the Containers & Packaging category. BillerudKorsnäs also achieved top marks for its sustainability work in evaluations by Sustainalytics, EcoVadis and CDP.

Christoph Michalski new President and CEO



In November, Christoph Michalski took over as the new President and CEO of BillerudKorsnäs. Christoph Michalski was most recently CEO of Vinda International Holding, a leading Asian producer of innovative and

high-quality tissue and hygiene products, and has previously also held senior positions within the SCA Group, Unilever and Fonterra.

CEO's statement

Dear Shareholders,

The year 2020 was an extraordinary period in which the COVID-19 pandemic threatened people's health, lives and livelihoods around the world. Our hearts go out to all those who have been affected by serious illness, the passing of loved ones or financial hardship. At BillerudKorsnäs, we have been relatively unscathed and are humbled by the resilience of our business and our employees' ability to handle challenges and adapt to new working conditions. In the past year, we have taken precautionary measures to prevent the spread of infection and to secure our operations and deliveries. The packaging industry has been relatively less affected by the pandemic and BillerudKorsnäs' largest market segment, packaging materials for food and beverages, has been resilient.

Good basis for value creation

The global packaging market is growing and BillerudKorsnäs is well positioned to capture a share of that growth. The world is undergoing a rapid transformational shift towards environmentally friendly packaging and e-commerce, and we are perfectly placed to capture values in that transformation. We have strong positions in attractive niche segments and our materials' strength and purity mean they are lightweight and have a smaller environmental footprint than alternatives.

In recent years, the company has invested heavily in paper and board production in Skärblacka and Gruvön, and has divested 90% of its holding in Bergvik Skog Öst. Following these structural changes, BillerudKorsnäs is a pure packaging company, providing materials made from fibre and innovative packaging solutions. The ramp-up of the new board machine at Gruvön has come a long way and is now at the stage of commercializing and certifying high-value qualities. We are also taking a proactive lead on sustainability. Nevertheless, we also face challenges, such as increased competition for wood supply and regulations on single-use packaging, and renewable and recyclable materials.

Review of 2020

Demand declined for some of our product segments due to lower industrial activity and changes in consumer behaviour as people

spent more time at home. Net sales for the year declined by 2% due to lower market prices for sack and kraft paper, while our sales volumes increased by 4% to around 2.8 million tonnes. Lower raw material costs and savings had a positive impact on profitability but did not offset the effects of lower market prices and the ramp-up of our new board machine at Gruvön. The EBITDA margin was 11%. The company's financial position remains healthy and the Board proposes a dividend of SEK 4.30 per share.

Key activities and achievements

Although challenging market conditions, we continued to develop our offering. Our board offering strengthened with the CrownBoard product portfolio and the launch of Pure Performance, a white top kraftliner that combines high strength, excellent printability and purity in a single material. Within the product area Paper, reusable carrier bags made from our FibreForm® material were introduced in UK supermarkets, and packaging made from our Xpression E-com paper attracted increased interest from global retailers. We also launched Recyclable Flow-Wrap, a packaging solution for fast-moving consumer goods that meets barrier requirements, which enables a shift from plastics to paper and can be installed on existing flow-wrapping machines.

Demand for Managed Packaging's services also declined as a result of the pandemic. Strict cost controls were put in place to mitigate lower sales in this business unit, and we expanded our service offering by introducing a digital life cycle assessment tool to show customers the amount of carbon dioxide emissions and water used during the lifespan of packaging.

Within operations, we made progress in our efforts to achieve stable production and our production volumes increased. In terms of health and safety, however, the accident rate was unacceptably high. Due to the pandemic, we carried out all annual maintenance shutdowns in the autumn, a challenging task that went well thanks to robust safety preparations. At the same time, upgrades were made to our flagship board machine at Gruvön, which increased its production volumes, and the machine started delivering coated material with very positive feedback from customers.



Our cost and efficiency programme, initiated in 2019, progressed and delivered structural savings of SEK 335 million related to operational efficiencies, procurement and fixed costs.

Our wood supply was stable and market prices for pulp wood declined in the second half of the year. The spruce bark beetle situation was a challenge for many forest owners, and we worked together with other forest operators to minimize damage and inform forest owners about what measures they can take to prevent the insect from spreading.

For the third year in a row we maintained our leading position in the containers and packaging category of the Dow Jones Sustainability Index. This achievement is the result of many years of integrated sustainability work, covering everything from human rights to climate strategy.

Prospects for 2021

Thanks to government support and the widespread roll-out of vaccines, 2021 is looking brighter than last year. It is, however still too early to celebrate, as coronavirus continues to affect life in large parts of the world and the macro-economic situation remains uncertain. As market conditions are hard to predict, we are ensuring that we are prepared for difficulties that may arise. At the time of writing, we are seeing continued stable demand for most of our materials, along with price improvements for some segments. Demand in some segments will, however, continue to be affected by the pandemic.

It goes without saying that we will strengthen further our efforts to reduce the accident rate and accident severity in our operation. While we took many and successful precautions for the pandemic, we could only deliver a flat performance in 2020 on operational health and safety. We will do everything we can to bring a step change in 2021.

Priorities for the current year

First, we will prioritize our quality management work to further increase customer satisfaction. BillerudKorsnäs has a reputation for reliability and high-quality products and we intend to maintain this. We will constantly work to improve our offering and increase customer value, ensuring good profitability.

The commercial ramp-up of our new board machine at Gruvön will continue to be a top priority in 2021. We will take important steps in certifying liquid board qualities together with our customers, and we aim to grow our cartonboard business. The machine's output will increase

and the product mix will be gradually improved to produce a higher percentage of premium qualities.

Investing in a new recovery boiler at Frövi will be an important project, as the current boiler will not meet emissions requirements in a few years' time. A new recovery boiler will ensure continued long-term operation of the Frövi site, and will also improve production stability and efficiency. This project will be financed by cash flow from operating activities.

Competition for raw materials from the forests is growing and we must therefore focus on ensuring a competitive wood supply by establishing and developing long-term relationships with forest owners and sawmills.

We will also continue to pursue efficiency measures throughout our operations. Our cost and efficiency programme aims to achieve annual run-rate savings of an additional SEK 315 million by the end of 2021. This would result in total structural savings of SEK 650 million under the programme.

Future outlook

Our ambition is to further increase sales and profitability. The backbone of our current strategy is securing a competitive wood supply and ensuring safe and stable production. We expect that by 2025 we will have realized the majority of the currently visible growth and profit opportunities. Over the next few years, we will further develop opportunities that deliver this growth and profitability beyond 2025.

Climate change and plastic pollution is increasingly driving political agendas on sustainability and the need for a circular economy. Sustainability issues in which we have a significant impact, such as safety and the climate, will undoubtedly remain integral parts of our strategy. We support the 10 principles of the UN Global Compact and are endeavouring to reduce our carbon footprint to achieve our targets set in accordance with Science Based Targets. Our longer-term outlook will also encompass initiatives to strengthen our production capabilities and capture opportunities offered by the growing fibre packaging market, including developing innovative and commercially viable packaging solutions that meet new customer needs.



Christoph Michalski
President and CEO

“Climate change and plastic pollution is increasingly driving political agendas on sustainability and the need for a circular economy. Sustainability issues in which we have a significant impact, such as safety and the climate, will undoubtedly remain integral parts of our strategy.”

Christoph Michalski,
President and CEO

Our business model and its impact

BillerudKorsnäs' operations create value for customers, shareholders, employees and other stakeholders, while also contributing to positive effects on the climate, as packaging based on our renewable material replaces less sustainable alternatives. As part of the packaging industry, we are constantly working to improve, often in collaboration with customers and suppliers, so that our business does not have a negative impact on society and the planet.

External factors

- The climate crisis and the circular economy are driving the sustainability agenda
- Growing interest in the forest as a resource
- Urbanisation is increasing demand for packaged goods
- Digitalisation is opening up opportunities
- Increased focus on health and safety [Page 10.](#)

Resources

- Around 4 400 committed employees with expertise in fibre-base materials
- 8 efficient production units producing premium materials
- More than 10 million cubic metres of wood raw material per year from responsibly managed forests
- About 16 TWh energy per year
- Long-term relations with stakeholders all along the value chain plus a customer base of around 2 000 customers
- Strong brand known for innovative and sustainable packaging solutions

Our business model

OUR MISSION

We challenge conventional packaging for a sustainable future

OUR STRATEGY

Strategic priorities for profitable growth

[Page 12.](#)

BUSINESS FLOW

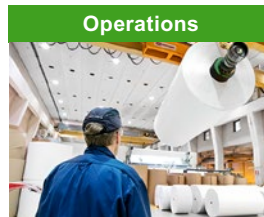


Wood supply

We ensure a stable wood supply...

...through long-term relationships with forest owners, forest companies and saw-mills.

[Page 25.](#)



Operations

We produce renewable materials from primary fibre...

- Liquid packaging board, cartonboard and containerboard, 1 842
 - Sack paper, kraft paper and market pulp, 946
- (Sales volumes, ktonnes)

[Page 23.](#)



Commercial

...that are used to make sustainable packaging for:

- Food & Beverages, 64%
 - Industrial, 21%
 - Consumer & Luxury Goods, 10%
 - Medical & Hygiene, 5%
- (Net sales per market segment)

[Page 17.](#)

Examples of outcomes 2020

2 788

thousand tonnes of fibre-based material was delivered to our customers

5.4

million tonnes of CO₂ equivalents in a positive climate effect

1 500

over 1 500 participants in our customer webinars

889

SEKm was paid in dividends to shareholders

1 250

SEKm in operative investments with focus on achieving safer and more stable production

6.1

accidents resulting in absence per million hours worked

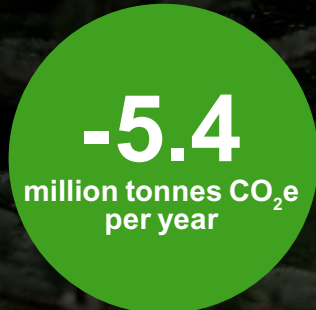
Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

Industry leader in the Dow Jones Sustainability Index for the third year in a row.

[Read about targets and outcomes on page 15.](#)
[Read about climate benefits on the next page.](#)

Our material contributes to a positive climate effect

Climate change is the critical issue of our age. Society needs to do everything it can to break its dependence on oil and replace fossil fuels and materials with renewable alternatives. BillerudKorsnäs contributes to the transition to a climate-neutral society by stimulating responsible forestry and replacing fossil-based products. The potential is realised when customers and consumers choose our paper instead of fossil packaging materials. Our total positive climate effect is estimated at 5.4 million tonnes of carbon dioxide equivalents when all the products, net carbon storage in the forests and fossil emissions in the value chain are taken into account.



Read more on page 31

Read the report quantifying our climate effect here:

<https://www.billerudkorsnas.com/sustainability/climate-impact>



Eco-smart packaging challenges cans

Developing an alternative to cans has long been a challenge, but innovative development work and advanced technology led to the introduction of Tetra Recart®, a liquid packaging board with an eye-catching design where the food is sterilised in the packaging itself. The packaging board is tailored to customers' processes and filling machines and is one of many climate-smart packaging solutions that BillerudKorsnäs has developed in partnership with customers. The packaging is currently used in more than 50 countries.

Transition to a climate-neutral society

The packaging solutions of the future need to be climate-smart along the whole value chain – from raw material extraction to recycling. As we continue working towards our mission, we are in no doubt that wider society's focus on sustainability boosts our competitiveness.

Strong global driving forces are affecting the packaging industry – more goods need to be packaged, while at the same time packaging needs to be adapted so that the entire value chain causes the lowest possible carbon emissions. Every part of the packaging chain needs to be transformed so that we do not cross the line of what our planet can withstand. The ability to develop commercially viable climate-smart and circular packaging solutions will be a crucial competitive advantage in the industry over the long term.

1 The climate crisis and the circular economy are driving the sustainability agenda

The UN's Sustainable Development Goals (SDGs) to combat climate change, the Paris Agreement and growing awareness about the climate are driving society in a carbon-neutral direction. The roadmap for a sustainable economy in the EU, for example, aims for Europe to have no net greenhouse gas emissions by 2050.

A shortage of natural resources and a growing problem of plastic waste are increasing the need for a rapid transition to a more circular economy and driving legislation promoting packaging that is renewable and recyclable or reusable.

2 Growing interest in the forest as a resource

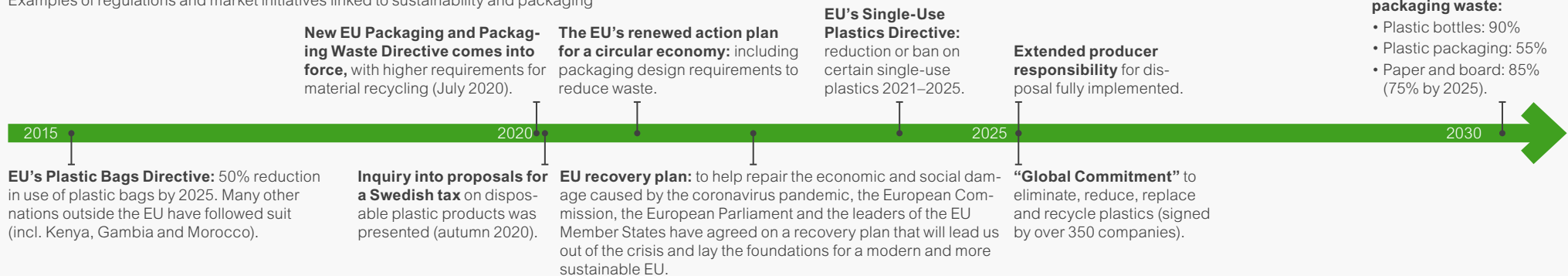
The forest is an important natural resource and we are seeing increased competition for the forest as a raw material for the production of everything from energy to buildings and materials. The most effective approach is for all the parts of the tree to be used where they best come into their own.

Forests are also a climate resource that can limit climate change and preserve biodiversity. Managing the forest responsibly is a prerequisite for the forest to both function as a carbon sink and provide renewable raw materials. There are several policy initiatives that are going to affect the way the forest is used.



A turning point for the packaging industry

Examples of regulations and market initiatives linked to sustainability and packaging



3 Urbanisation is increasing demand for packaged goods

With a growing proportion of the planet's population moving from rural areas into cities, people are increasingly far removed from raw materials and local food supplies. At the same time, there is growing urban demand for prepackaged food, drinks and consumer goods, along with convenient on-the-go and stay-fresh packaging.

The packaging must first and foremost be safe and effective, so that it protects the contents in transit to the cities, but also renewable, recyclable or reusable in order to be sustainable from an environmental and climate perspective. With increased consumption also comes a major need for infrastructure and systems to handle large material flows, for example through recycling, in order to create circularity.

A growing middle class is also driving demand for premium materials for brand-building consumer packaging.

4 Digitalisation is opening up opportunities

Digitalisation and sustainability must go hand in hand, in order for the advanced technology to promote responsible solutions. One possibility for the packaging industry is that a high degree of digitalisation and access to data in real time will challenge the traditional value chain and open up opportunities for new business, logistics and distribution models, where digital interfaces bring opportunities to effectively reach many stakeholders. The increase in e-commerce is a prime example, driving demand for packaging materials because of the extra steps in the distribution chains. Durable e-commerce packaging that protects the goods in transit, can be optimised in terms of capacity, and at the same time offers a positive unboxing and returns experience for the recipient, requires high standards of material, function and design. Utilising the forest more considerably and efficiently, automating steps and processes in material production and adapting packaging for automated warehouses are some of the other possibilities offered by digitalisation.

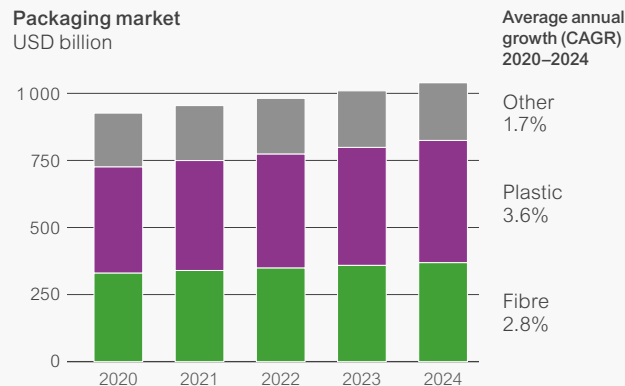
5 Increased focus on health and safety

As the focus on health and safety increases generally across society, so does the focus on food hygiene and product safety for food and drink. Food packaging is able to handle certain challenges relating to a safe and sustainable food supply. However, the packaging needs to be adapted to the type of food, the distribution distances and the mode of transport being used, in order to meet strict food safety standards. The ongoing global COVID-19 pandemic has further increased the focus on food products with a long shelf life and hygienic handling, where packaging is part of the chain. Packaging also needs to be durable to prevent food waste and plays an important role in meeting requirements for product traceability and climate impact information, with full traceability from raw material to food production to packaging materials now widely expected.

Overall, developments around the world show that our mission to challenge conventional packaging for a sustainable future is more relevant than ever. Learn more about BillerudKorsnäs' strategy on pages 12–14. [↗](#)

“ At BillerudKorsnäs, we believe that climate change is the critical issue of our time. It is crucial that we are able to deliver on the climate challenge and offer the materials of the future, with wood fibre as the raw material and with products that are recyclable and reduce the need for plastic in society. We see incredible potential here.”

Teemu Kara, Senior Manager Business Intelligence



The estimated value of the global packaging market in 2020 was approximately USD 930 billion, with expected growth of approximately 3% per year until 2024. Growth is expected to be highest in Asia, whose packaging market is currently about the size of Europe's and North America's combined.

Despite a strong global focus on sustainability, the value of packaging containing plastics is expected to grow at a faster rate than the value of packaging made of paper and board. Packaging made of glass, metal and other materials is expected to grow at a much slower pace.

Packaging for food and dairy products is a relatively resilient market segment that accounts for almost a third of total packaging demand. However, the highest growth is expected in the shared packaging segment, which accounts for a relatively small share of the total market.

Source: SmithersPira

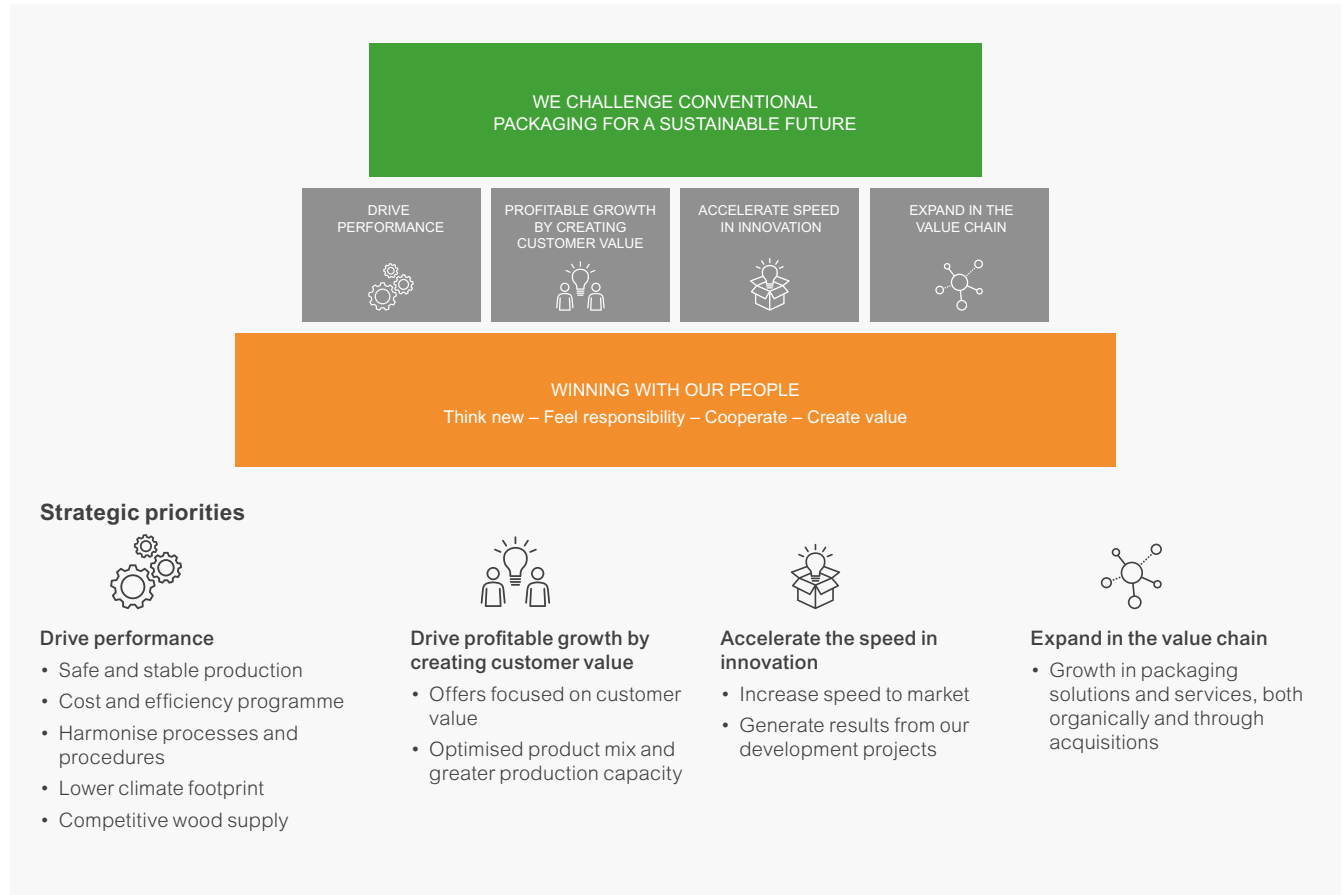
Strategy for profitable growth

Global trends show that our mission to challenge conventional packaging for a sustainable future is highly relevant. The focus over the next few years is on improving profitability and delivering on our initiatives for profitable growth.

Sustainability runs through our entire business and is the foundation on which the strategy rests. Our employees' expertise, innovation and strategic collaboration with customers and partners are crucial for the development and change work required to achieve the Group's goals. Our fundamentals are strong and we can increase our long-term competitiveness by continuing to strengthen our leading positions in primary fibre-based premium segments.

Good profitability is necessary for continued investment as we steadily challenge less sustainable packaging solutions. In the near term, profitability will be improved by ensuring the successful ramp-up of our new board machine KM7, delivering on our cost and efficiency programme and continuing our drive for safe and stable production. At the same time, we will secure an efficient wood supply over the long term and commercialise new recyclable packaging solutions on a rolling basis.

Our strategy extends to 2024 and includes four strategic priorities and ten clear initiatives (see illustration). The sustainability issues on which we can have a large impact – safety, climate impact and the materials of the future – are integrated into the strategy.



Strategic initiatives

Safe and stable production

We have had a programme in place since 2018 to increase availability and efficiency, in order to realise the potential that exists in our production structure and the investments that have been made in recent years. In all efficiency work, safety is given the highest priority and we believe that an accident-free workplace goes hand in hand with stable, disruption-free production.

Cost and efficiency programme

Since 2019, we have been running a programme of cost-saving and efficiency-enhancing measures that are expected to generate structural savings of around SEK 650 million by the end of 2021. Measures include purchasing savings, efficiency improvements throughout the business, and personnel reductions.

Harmonise processes and procedures

Clear roles and responsibilities, harmonised core processes and efficient IT infrastructure will ensure that we have optimal processes and procedures in place to manage and monitor our operations. These elements will guarantee efficiency while also contributing to stability.

Lower climate footprint

Our business is at its most sustainable when it works efficiently. We support the principles of the Global Compact and have adopted Science Based Targets on the climate. Scenario analyses will play an important role in our decisions on future investments in production infrastructure.

Competitive wood supply

Wood is our most important input. Long-term relationships and partnerships are crucial in securing a competitive wood supply that is sustainable far into the future. We will be a constructive partner for forest owners and sawmills, to safeguard both our wood needs and sustainable forestry, and we will continue in our drive to optimise every step in the value chain.

Offers focused on customer value

We will grow in attractive market segments where the end products have high added value. Our leading positions exist largely in premium segments, which is ideal from a customer value and profitability perspective. We work constantly to develop new niche products, often in collaboration with our customers.

Optimised product mix and greater production capacity

While the investments of recent years have increased production capacity, they have also paved the way for a significantly improved product mix with a higher proportion of premium grades and longer production series, not to mention increased flexibility in meeting changes in demand. Work on achieving the full potential of all the machines is in full swing and new opportunities are being evaluated on a continuous basis.

Increase speed to market

We conduct research and development based on advanced material development in combination with upscaling to industrial processes. We see opportunities to increase the pace of our innovation work so that we can accelerate the process from idea to market launch.

Generate results from our development projects

In addition to our development of materials, we work to create new, sustainable packaging solutions that can be launched over several product generations. If the resulting products are to be commercially viable, it is essential for these projects to be integrated with customers, brand owners and strategic partners.

Growth in packaging solutions and services

We strive to expand in the value chain by creating value for brand owners. One key factor in this is finding new applications that make the most of our primary fibre-based material. Another factor is service-driven systems and holistic solutions for brand owners, based on materials produced by us and others.



Completed in 2020



Ramp-up at Gruvön

Significant progress was made during the year in the ramp-up of our new board machine KM7 at the Gruvön mill, a process that began in 2019. Uncoated and coated liner, cup stock and cartonboard were all delivered to customers and the feedback was very positive. Following a number of modifications to the machine during the autumn, the focus is now on commercial development, with gradually increasing volumes and stepped improvements to the product mix.

Cost savings

Our cost and efficiency programme, which includes purchasing savings, efficiency improvements throughout the business and personnel reductions, generated structural savings of SEK 335 million. The savings were mainly attributable to greater operating efficiency and purchasing, but reduced external services, personnel reductions and a general increase in efficiency in sales and administration also played their part.

More efficient organisation

As part of the drive to improve efficiency, a new organisational structure was introduced in 2020. The new organisation mirrors the value chain and enables a more efficient way of working, not to mention better adaptability. To reduce complexity and facilitate efficient working methods, we also worked on optimising and standardising the Group's IT platform.

Systematic improvement work

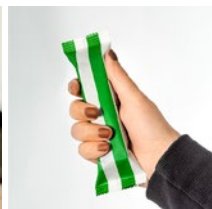
Our systematic improvement work to achieve safe and stable production has seen positive results, including a decrease in the number of work-related accidents among employees. This year's Overall Equipment Efficiency (OEE, see page 23) was slightly up on the previous year.

Well-developed service offering

Our service offering has great market potential and is constantly evolving. To increase knowledge about the environmental impact of packaging throughout the value chain, a digital tool for life cycle assessment was introduced, showing customers the total carbon emissions and water use during the life of specific packaging.



Adez is a registered trademark of The Coca-Cola Company.



BillerudKorsnäs' Recyclable Flow-Wrap.



Development of new packaging solutions

During the year, our resources in product and application development were gathered into a single organisation with the primary goal of developing and launching new products and packaging solutions within a timeframe of up to five years. The long-term development work was focused on the areas of sustainable barriers, transparency, dry moulding and paper bottles.

Examples of progress:

- A reusable carrier bag is now available in supermarkets in the UK. The secret behind the strong, reusable carrier bag is BillerudKorsnäs' kraft paper Fibre-Form®.
- The launch of Recyclable Flow Wrap – an innovative, paper-based packaging solution for fast-moving consumer goods. The solution enables a shift from plastic to paper and meets the barrier requirements posed by confectionery and bakery products. The packaging solution can be installed on existing and new flow wrap machines.
- Paboco®, a joint venture between BillerudKorsnäs and the bottle manufacturer ALPLA, is developing a recyclable and degradable paper bottle for carbonated drinks and other applications. Coca-Cola, one of the brands collaborating with Paboco, launched its first prototype of the paper bottle, as a clear step in overcoming the remaining technical challenges for a commercially viable packaging.

Focus forward



The commercial ramp-up at Gruvön will mean continued certification of liquid packaging board and a gradual increase in sales of first-class cartonboard. The new board machine is expected to reach EBITDA break-even in 2021 and make a significant contribution to profits in the years ahead.

Improved production efficiency will continue to be a core focus. Bringing all the mills into one organisation has improved the potential to share knowledge.

The cost and efficiency programme continues, with the aim of achieving structural savings under the programme of SEK 650 million by the end of 2021.

The Group's investments in 2021 are expected to amount to SEK 2 billion, of which approximately SEK 700 million relates to the investment in a new recovery boiler at the Frövi mill, which is planned to be operational by the end of 2023.

2021 will see the launch of a programme for sustainable employeeship. Through clear expectations, tools and support, we want our employees to be able to drive their own development, show commitment, stay healthy and last for a long time.

Targets and target fulfilment

BillerudKorsnäs has five long-term financial targets regarding the company's growth, profitability, return on capital employed, financial position and dividends to shareholders. To support our proactive sustainability work, we highlight three key targets linked to safety, the climate footprint and the materials of the future.

Growth target

Target 3–4%



Outcome -2%

Our long-term objective is for growth of 3–4% per year. The target was not achieved for 2020, mainly due to challenging market conditions. Net sales decreased by 2%. Currency fluctuations had no significant effect on the net sales.

¹ For comparable units.

EBITDA margin

Target >17%



Outcome 11%

The target of an EBITDA margin above 17% has not been achieved in the last three years. In 2020, profitability was negatively affected by lower prices and start-up effects of the new board machine at Gruvön, which were only partially offset by lower wood prices and cost savings.

Return on capital employed

Target >13%



Outcome 3%

Return on capital employed (ROCE) shall long-term exceed 13%. The target has not been achieved over the last three-year period, largely due to major investments in the Gruvön facility during 2016–2020.

Interest-bearing net debt/EBITDA

Target <2.5



Outcome 2.0

The ratio of interest-bearing net debt to EBITDA shall be less than 2.5. The sale of Bergvik Skog Öst in 2019 significantly strengthened the balance sheet. At the end of 2020, the ratio of interest-bearing net debt to EBITDA was 2.0.

Dividend policy

Target 50%



Outcome 135%

The target is to issue a dividend to shareholders amounting to 50% of the net profit. For 2020, a dividend is proposed that exceeds the target. The proposed dividend is SEK 4.30, which is the same amount as the dividends for 2018 and 2019.

Sustainability targets linked to focus areas

BillerudKorsnäs' sustainability work focuses on three areas that are strategically crucial for our future competitiveness and our ability to make a real difference – safety, climate impact and the materials for the future.

Additional sustainability-related targets are presented on page 114. [↗](#)

Reduced CO₂ emissions

Target 2030: -59%



Outcome -10%

The target is to decrease the emissions of greenhouse gases (Scope 1 and 2) with 59% by 2030. The emissions have decreased with 10% since the base year 2016.

Accident rate own employees

Target 3.2



Outcome 6.1

In 2020, the long-term injury frequency rate (LTIFR) for employees was 6.1 and the target for the year was not reached. During 2021 work continues to decrease the amount of accidents.

Customer survey

Target >77%



Outcome 77%

The target is that over 77% of customers should consider that BillerudKorsnäs' work on sustainability creates value. The target was reached in 2019 and the customer survey is carried out bi-annually.

Our business

The business is organised into the business flow functions Commercial, Operations and Wood supply and is governed through the product areas Board and Paper. In addition, we offer packaging solutions and related services to brand owners.



Commercial

All commercial activities are gathered in Commercial. In selected premium segments, our aim is to increase customers' competitiveness and create new applications for our products. Read more on page 17. [↗](#)

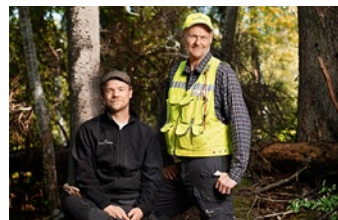
Product area Board and Product area Paper together account for about 90% of our net sales. Read more on pages 18–21. [↗](#)

In addition to packaging materials, we offer packaging solutions and related services to brand owners. Read more on page 22. [↗](#)



Operations

BillerudKorsnäs' production facilities are modern and geographically well located, close to the wood raw material. We strive to increase production stability and availability through targeted improvement work. Read more on pages 23–24. [↗](#)



Wood supply

Wood from growing forests is our most important raw material resource in the drive to challenge conventional packaging. Long-term relationships and partnerships are crucial in a business that by nature needs to be long-term. Read more on page 25. [↗](#)

Commercial

Sustainable packaging materials of the highest quality

We offer high-quality materials for liquid packaging board and other cartonboard, as well as paper for applications with particularly tough demands. The strength of our materials enables low grammages with a smaller environmental footprint.

Our renewable packaging material based on forest raw material is strong, clean and durable. In the right applications, these properties create great value both for the climate and for our customers who manufacture packaging or need to package their goods.

Premium material with attractive properties

Made from primary fibre, our products are mainly used to package up food and consumer goods, but also for other applications that are subject to high quality requirements. The unique strength and durability of our materials enables less material to be used compared with the alternatives, which in turn means lower weight while maintaining performance. Segments such as liquid packaging board, food packaging and medical packaging have particularly stringent requirements concerning product safety and purity, as the packaging must provide optimum protection and preservation of the contents. For consumer goods, where packaging is an important part of the brand, properties valued by customers

include the material's formability, print surfaces, colour reproduction and scope to create tactile surfaces. The strength and elasticity of the material are key competitive advantages for our sack paper, which is mainly used for packaging building materials.

Quality and customer value

Our deliveries meet high customer expectations concerning quality, service level and reliability. The key to our quality work is an active customer dialogue, based on regular customer surveys. We have a total of around 2 000 customers in 100 countries and sales are managed through the Board and Paper product areas (see pages 18–21). We work consistently with value-based sales with a focus on improving our customers' competitiveness. With insights into customer needs and how the properties of our materials match these, we can deliver high added value for customers and strengthen our positions in the market. The sales organisation, represented by 13 sales offices, works both to develop existing customer relationships and to generate new sales and enable geographical expansion.



Focused development work

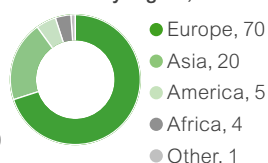
Our resources in product and application development have been gathered into a single organisation with the primary goal of creating new, profitable products and packaging solutions for commercialisation within a time frame of up to five years. We work to create the materials of the future and new packaging solutions from our high-quality materials so that brand owners, retailers and food chains can opt for more sustainable alternatives. The development work is commercially driven, with product management as a clear internal customer for the sake of efficient progress. To solve the challenges associated with scaling up industrial processes, the solutions are developed in collaboration with machine manufacturers and packaging manufacturers.

Net sales by market segment, %



BillerudKorsnäs' materials are used in segments with long-term growth in demand.

Net sales by region, %



Europe is our largest market, but we are working to increase our sales in Asia and America, where we see good growth opportunities.

New packaging solutions

An important and growing part of our business is introducing new applications for our products and thereby meeting the increased demand for sustainable alternatives to conventional fossil-based plastic, aluminium and glass packaging. We currently have a strategic portfolio of offers for brand owners and retailers who want to switch from fossil-based to fibre-based materials in their packaging. A good example is our renewable, degradable and food-safe FibreForm® paper, with its extraordinary elasticity, which continues to conquer new segments and is already used for trays and blister packs, as well as reusable carrier bags in the food trade.

Product area Board

The Board product area includes liquid packaging board, cartonboard and containerboard, which are mainly used to produce packaging for liquid food, consumer products and fragile industrial products and food.

Market and position

BillerudKorsnäs is one of the leading suppliers of liquid packaging board, with competitive production assets. We are the global leader in long-life ambient packaging for liquids. The liquid packaging board industry is relatively consolidated, with the ten largest material manufacturers accounting for over 90% of the total capacity.

The market for liquid packaging board amounts to 4–5 million tonnes per year, with growth expected to be around 2% per year. Demand for liquid packaging board is growing despite the economic downturn, with the largest growth being noted in developing markets as cohesive food chains are established. To some extent, the increased demand is due to the packaging manufacturers' ability to introduce new packaging and applications.

In the market for cartonboard, which amounts to an estimated 40 million tonnes per year, BillerudKorsnäs is a niche player in the

top quality segments. We have strengthened our position as a supplier of first-class cartonboard with the launch of the Crownboard product family.

Demand for high-quality primary fibre cartonboard is expected to continue growing as a result of rising consumption and prosperity. The material is often used for consumer products where the packaging is part of the brand. The fastest growing markets for cartonboard are in Asia, but we also see growth potential in other parts of the world, such as Europe and the US market.

The global market for containerboard (fluting and liner) amounts to almost 160 million tonnes per year, of which primary fibre-based material makes up around a quarter. In this market, BillerudKorsnäs is a niche player in the semi-chemical fluting and coated and uncoated white kraftliner segments. In fact, we are one of the leading European manufacturers of these materials.



57%
of net sales
(SEKm 13 600)

1 855
SEKm, EBITDA

Demand for fluting and liner made from both primary fibre and recycled fibre is expected to grow in step with megatrends such as population growth, urbanisation and increased e-commerce.

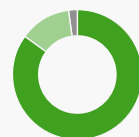
The year 2020

- Net sales rose by 6%, driven primarily by increased volumes of cartonboard and containerboard.
- EBITDA increased by 5%, largely as a result of lower costs and positive developments on the new board machine in Gruvön.
- Great progress was made in ramping up the new board machine. Certification of the materials for liquid packaging board was initiated, coated products were delivered and feedback from customers was very positive.
- BillerudKorsnäs launched Pure Performance, a white kraft liner with a three-layer construction, which combines high strength with excellent printability and purity.



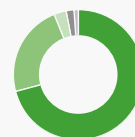
Sales by product category, %

- Liquid packaging board, 57
- Containerboard, 29
- Cartonboard, 12
- Other, 2



Net sales by market segment, %

- Food & Beverages, 85
- Consumer & Luxury Goods, 13
- Industrial, 2



Net sales by region, %

- Europe, 71
- Asia, 23
- America, 3
- Africa, 2
- Other, 1

Key figures

SEKm	2020	2019
Net sales	13 600	12 861
of which liquid packaging board	7 745	7 583
of which cartonboard	1 659	1 467
of which containerboard	3 886	3 626
Operating expenses, net	-11 745	-11 090
EBITDA	1 855	1 771
<i>EBITDA margin</i>	14%	14%
Operating profit/loss	516	662
<i>Operating margin</i>	4%	5%
<i>Return on capital employed</i>	3%	4%
Sales volumes, ktonnes	1 842	1 665

Product categories	Market positions ¹	Applications	Estimated growth
<p>Liquid packaging board Liquid packaging board is used in packaging for beverages and other liquid foods. <i>Competition:</i> Primary fibre-based liquid packaging board competes mainly with plastic but also with other packaging materials. <i>Other major manufacturers:</i> Stora Enso and Klabin.</p>	<p>#1 Liquid packaging board, long-life ambient packaging, globally</p> <p>#2 Liquid packaging board, all types of packaging, globally</p>	 <ul style="list-style-type: none"> • Milk • Juice • Sports drinks • Smoothies 	<p>• Preserved foods such as chopped tomatoes, beans and sauces</p> <p>Annual volume growth 2016–2024¹, %</p> 
<p>Cartonboard Cartonboard is used for premium products, where the packaging is often part of the brand's image. Materials and surfaces that allow for unique designs and graphics, print quality, flexibility and moisture resistance are just some of the functions that are in demand. <i>Competition:</i> High-quality board competes primarily with other materials, mainly plastic. <i>Other major manufacturers:</i> WestRock and Stora Enso.</p>	<p>#5 Cartonboard, Europe</p>	 <ul style="list-style-type: none"> • Exclusive drinks • Perfumes • Beauty and healthcare products • Confectionery 	<p>• Household products and industrial goods in the premium segment</p> <p>• Fashion articles</p> <p>• Food in the premium segment</p> <p>Annual volume growth 2017–2022², %</p> 
<p>Fluting and liner Fluting is the wavy layer in corrugated board, which is used for fragile and heavy industrial products and in food packaging. Liner is the outer, printable layer of corrugated board boxes. <i>Competition:</i> Fluting made from primary fibre has competition from recycled fibre-based fluting and materials made of plastic and wood. With liner, the competition comes from recycled fibre-based coated and uncoated white top testliner. <i>Other major manufacturers:</i> Mondi and Metsä Board.</p>	<p>#2 Semi-chemical fluting, Europe</p> <p>#4 White kraftliner, Europe</p>	 <ul style="list-style-type: none"> • Fruit and vegetables • Exclusive drinks • Beauty and healthcare products • Confectionery 	<p>• Heavy components for the automotive industry, white goods and electronics</p> <p>• Home electronics</p> <p>• Secondary or store packaging for consumer goods</p> <p>Annual volume growth 2016–2030³, %</p> 

¹ Based on capacity, Pöyry.

¹ BillerudKorsnäs analysis, Pöyry, Vision Hunters, Zenith.

² Smithers: The Future of Folding Cartons to 2022.

³ Pöyry: World Paper Market 2017.

Product area Paper

The Paper product area includes premium quality kraft and sack paper, which is mainly used in packaging for medical applications, dry food and the construction industry.

Market and position

Estimates put the market for kraft paper and sack paper at more than 10 million tonnes per year, and the ten largest players in this industry are thought to account for around 40% of the total capacity. BillerudKorsnäs is a relatively large producer of kraft paper, with a focus on Europe. We have a particularly strong position in the machine glazed (MG) paper segment, where we have become a world leader as a result of our investment in Skärblacka in 2018.

Kraft paper is expected to continue with its stable long-term growth, although in 2020 the coronavirus pandemic had a negative impact on certain end markets – not just the industrial ones but also consumer segments such as paper for food service, carrier bags for clothing stores and products for health care and hygiene. In the case of kraft paper, competition comes mainly from plastic packaging, and in many cases it is possible to replace the plastic by introducing new areas of use for kraft paper. The fact that sustain-

ability is high on the agenda of both companies and consumers is a major driver of this development.

BillerudKorsnäs is also a leading manufacturer in the market for sack paper, which is slightly smaller than the kraft paper market. We have a very strong position in the white sack paper segment in the European market. In the global market for brown sack paper, which is primarily used for cement sacks, we are one of many players.

Demand for sack paper is growing primarily in emerging markets, driven in part by urbanisation and real estate investment, where macroeconomic factors such as interest rates and property prices play a role. The renovation trend among consumers is having a positive effect and greater environmental awareness is a consistent driving force, with sack paper offering major advantages over non-biodegradable materials.



32%
of net sales
(SEKm 7 576)

1 035
SEKm, EBITDA

The year 2020

- Net sales decreased by 15%, mainly due to lower market prices.
- EBITDA fell by 26%. Lower market prices were only partially offset by reduced raw material costs and cost savings.
- BillerudKorsnäs launched Recyclable Flow Wrap, a packaging solution made of kraft paper with high barrier performance for confectionery and bakery products.
- A new agreement was entered into for the delivery of pulp, steam and electricity to the facility in Pietarsaari.



Sales by product category, %

- Kraft paper, 46
- Sack paper, 32
- Market pulp, 22



Net sales by market segment, %

- Industrial, 55
- Food & Beverages, 27
- Medical & Hygiene, 13
- Consumer & Luxury Goods, 5


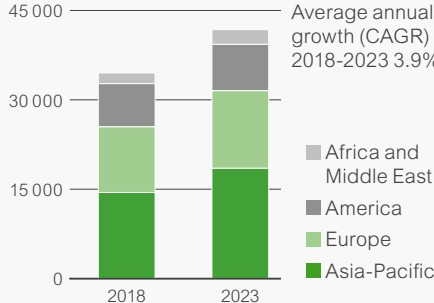

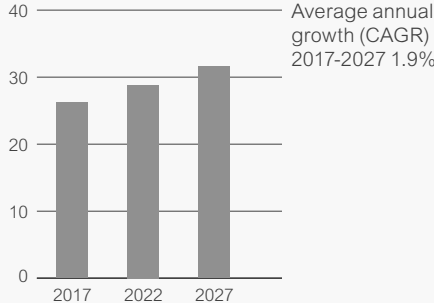


Net sales by region, %

- Europe, 66
- Asia, 15
- Africa, 9
- America, 8
- Other, 2

Key figures

SEKm	2020	2019
Net sales	7 576	8 888
of which sack paper	2 442	2 912
of which kraft paper	3 435	3 628
of which market pulp	1 669	2 306
Operating expenses, net	-6 541	-7 488
EBITDA	1 035	1 400
<i>EBITDA margin</i>	14%	16%
Operating profit/loss	558	885
<i>Operating margin</i>	7%	10%
<i>Return on capital employed</i>	10%	16%
Sales volumes, ktonnes	946	1 007

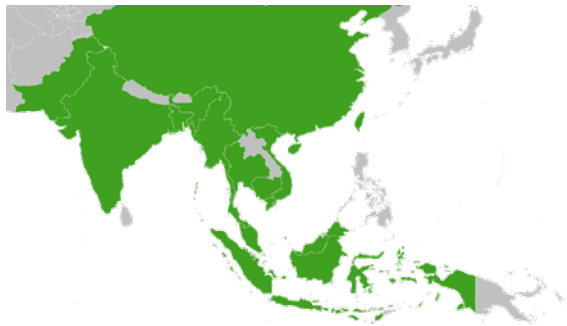
Product categories	Market positions ¹	Applications	Estimated growth
<p>Kraft paper</p> <p>Kraft paper is used primarily in packaging for medical equipment and food packaging aimed at users that require very high standards of purity, printability, sterilisation, flexibility and strength.</p> <p><i>Competition:</i> The primary competition comes from plastic packaging solutions.</p> <p><i>Other major manufacturers:</i> Mondi and Heinzl Papier.</p>	<p>#5 Kraft paper, globally</p> <p>#1 MG paper, globally</p>	 <ul style="list-style-type: none"> • Dry foods such as flour, sugar and grain • Carrier bags • Medical packaging • Flexible and formable packaging • Steel interleaving • Bread bags • Greaseproof paper • Release liner for hygiene products 	<p>Consumption value of sack and kraft paper in the food sector, USDm¹</p>  <p>Average annual growth (CAGR) 2018-2023 3.9%</p>
<p>Sack paper</p> <p>Sack paper is used to make sacks with high strength. The sacks must protect the contents and be able to be filled without splitting or generating dust, which contributes to a clean and healthy work environment.</p> <p><i>Competition:</i> Comes mainly from sack solutions made of plastic or bulk distribution.</p> <p><i>Other major manufacturers:</i> Mondi and Segezha.</p>	<p>#4 Sack paper, globally</p>	 <ul style="list-style-type: none"> • Building materials, such as cement • Industrial minerals • Chemicals • Food 	<p>Global demand for industrial sack paper, billion sacks²</p>  <p>Average annual growth (CAGR) 2017-2027 1.9%</p>

¹ Based on capacity, Pöyry.

¹ Smithers: The Future of Sack and Kraft Paper to 2023.
² Freedonia: Global Sack Kraft Paper, 2018.

Innovative packaging solutions

Our expertise in functional and sustainable packaging solutions makes us well equipped to create value further up the value chain, enabling us to meet brand owners' demands for innovative packaging solutions and custom, full-service solutions.



Managed Packaging – custom solutions for global brands

Through Managed Packaging, BillerudKorsnäs offers custom packaging solutions, based on our own materials and those of others, plus ancillary services to global brand owners and retail chains with production in Asia. Our packaging expertise is an enormous asset as we optimise solutions for lower resource consumption or apply our design know-how to the creation of a positive unboxing and returns experience in e-commerce. Operational savings that we identify often go hand in hand with reduced material consumption and a lower carbon footprint. Our tool for life cycle assessment informs customers about how different stages in the packaging chain affect the environment.

Transparency and control along the value chain

Managed Packaging has a network of more than 80 quality-assured production partners, primarily in East Asia, enabling the management of complex production programmes over a large geographical area. With us as a partner, the customer gets a single point of contact plus full transparency and control over their entire packaging chain.

The packaging solutions that we offer can be divided into transport packaging, which is optimised to reduce transport and handling costs, and consumer packaging, where the packaging also forms part of the brand. We have three development centres, with value-creating packaging design usually carried out in Portland, USA and Gruvön in Sweden. The development centre in Shenzhen, China plays a particular role in adjusting and completing the design, optimising material specifications and maximising production efficiency.

Iconic form will be completely bio-based

This year saw the development and testing of prototypes for recyclable paper bottles for Absolut Vodka, with the same iconic shape as the legendary glass vodka bottle.



Investments in future solutions

Through BillerudKorsnäs Venture, we invest in promising start-ups with a focus on sustainable packaging solutions, in order to create value and increase knowledge about solutions further up the value chain. We invest with a long-term perspective and work actively on the companies' development. In January 2021, we divested our holding in BioBag, leaving an investment portfolio that includes enterprises such as Kezzler, with its cloud-based platform for packaging traceability.

Paper-based bottles

Another of our investment companies is Paboco®, a joint venture between BillerudKorsnäs and the bottle manufacturer ALPLA. Paboco's remit is to develop and commercialise a sustainable and recyclable paper bottle, and the brands Coca-Cola, Absolut, Carlsberg and L'Oréal have joined us on the development journey. The latest prototype, developed for Absolut, consists of 57% fibre and 43% recycled plastic and is being tested with consumers and the development work to create a completely bio-based bottle continues.

Recyclable Flow Wrap

– new packaging standard for confectionery

BillerudKorsnäs is breaking new ground with the launch of a Recyclable Flow Wrap that enables a switch from plastic to barrier-coated paper when packaging confectionery products.

BillerudKorsnäs' flow wrap is made of primary fibre from sustainably managed forests and can be recycled as paper. The packaging solution offers medium to high barrier performance, as well as meeting the needs of brand owners and legislators under pressure to reduce waste and increase recycling.

Recyclable Flow Wrap has been developed in collaboration with the machine manufacturer Syntegon Technology and the solution can be installed on both existing and new flow wrap machines.



Operations

Efficient production close to the raw material

BillerudKorsnäs' production facilities are modern and geographically well located, close to the wood raw material. We strive to increase production stability and availability through targeted improvement work.

In recent years, major investments have been made in a new board machine in Gruvön, with maximum capacity of 550 000 tonnes per year, and in the production of machine glazed kraft paper in Skärblacka. The challenge of realising the potential in our production structure has the highest priority, since optimising the product portfolio across all our machines will improve resource efficiency and quality. Less waste means lower costs.

Safety first

Safety is given top priority in our efficiency drive, and an accident-free workplace goes hand in hand with the work on stable, disruption-free production. Read more about our safety work on page 28. [↗](#)

Increased availability and stability

Production is at its most profitable and resource efficient when each machine is running at optimum speed and producing high quality for as many of the hours of the day as possible. Our production stability has not been satisfactory in recent years and the focus of our improvement work is therefore on improving availability and efficiency, with Overall Equipment Efficiency (see illustration) as a key performance indicator. Important aspects of this work include analysing the root causes of unplanned production stoppages and identifying what can be done more efficiently and with higher quality. Improvement teams, with representatives from all units, are responsible for sharing experiences and implementing good solutions. The new functional organisation that was introduced during the year makes this vital work possible through company-wide coordination regarding improvement work, maintenance, purchasing and investments.

Our production is energy-intensive and accounts for a significant part of the company's environmental and climate impact. Read more about how we work with resource efficiency in production on page 39. [↗](#)



Improved production stability for greater profitability

Overall Equipment Efficiency (OEE), percentage points

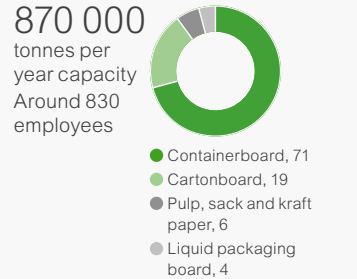


Our production facilities

Gruvön, Sweden



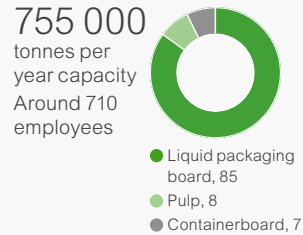
Produces liner, fluting, cup stock, liquid packaging board and formable paper. The new board machine, KM7, has increased the facility's capacity. The new machine was brought on stream in mid-2019 and, in connection to that, three older machines were shut down. Gruvön also has a development centre with expert knowledge of packaging optimisation.



Gävle, Sweden



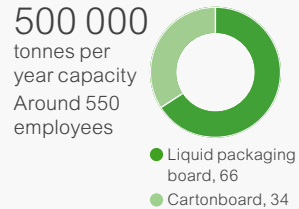
Produces liquid packaging board and white top kraftliner, which is the outer, printable layer of corrugated board boxes. Each day the plant produces material for 200 million (single portion) drink packages, which means that a quarter of the portioned drinks in the world use liquid packaging board made by BillerudKorsnäs in Gävle.



Frövi/Rockhammar, Sweden



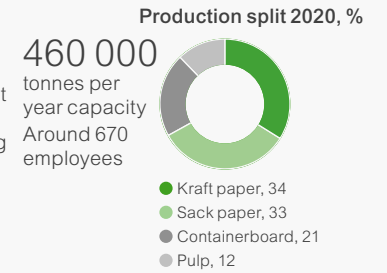
The facility in Frövi produces liquid packaging board and cartonboard. The Rockhammar mill produces unbleached and bleached Chemo Thermo Mechanical Pulp (CTMP) for delivery in baled form to Frövi. Frövi/Rockhammar also has a development centre and laboratory with expertise in packaging optimisation and support for printing and conversion.



Skärblacka, Sweden



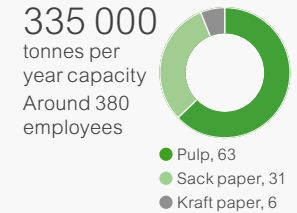
Produces high-quality machine glazed kraft paper (MG paper), brown sack paper, fluting and market pulp. Since the investment in 2018, the production unit is a world-leading MG centre. It has two laboratories, with expertise in barriers and various types of sealing system, for the development of packaging for food and medical products.



Karlsborg, Sweden



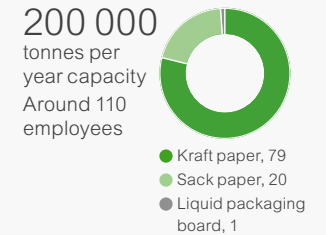
The facility produces kraft paper and sack paper plus market pulp. Karlsborg also has a development centre that offers value-creating knowledge and services in pulp optimisation and the development of new packaging solutions for bags and sack paper grades.



Pietarsaari, Finland



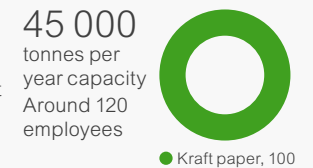
The facility in Pietarsaari produces kraft paper and sack paper. It also produces advanced, high-performance paper grades for a range of technical applications such as abrasive papers, reel and ream wrapping.



Beetham, UK



Produces paper for medical equipment, food packaging and other industrial applications. Specific applications include grease-resistant paper for the fast-food industry and direct-seal sterile barrier paper.



Wood supply

Competitive wood supply

Wood from growing forests is our most important raw material resource in the drive to challenge conventional packaging. Long-term relationships and partnerships are crucial in a business that by nature needs to be long-term.

Each year we buy pulpwood, wood chips and pulp corresponding to around 11 million cubic metres of raw material, for conversion into renewable packaging materials. The purpose of our business is to challenge conventional packaging for a sustainable future.

Long-term relationships and partnerships

Our total fibre costs are a major expense comprising three parts: raw material price, harvesting costs and raw material transport to our production units. We work to establish sustainable, long-term solutions, of which the wood supply agreement with Bergvik Skog Öst is a prime example. Under this agreement, BillerudKorsnäs will buy around 1 million cubic metres of wood per year over the next 14 years. Agreements such as these create a good basis for a stable wood supply over the long-term. We strive to optimise every part of the chain and see a long-term approach as a key to strengthening important relationships with all the stakeholders involved in the wood business.

Competitive and responsible forestry

BillerudKorsnäs is one of Sweden's largest wood buyers, with purchases of pulpwood and wood chips accounting for around 10% of all forest raw materials harvested in the country. Long-term relationships with forestry companies, forest owners and sawmills are crucial

Wood supply 2020, %



71% of the purchased wood raw material is of Swedish origin. 50% of Swedish forests are owned by private forest owners. Every year targeted initiatives are carried out to encourage more of these to certify their forest through our FSC® and PEFC™ group certification.

¹⁾ Russia, Uruguay, UK, Ireland and Germany.

in meeting our demand for sustainable and cost-effective raw materials and for responsible forestry. We harvest about a quarter of the wood raw material we use ourselves, on the land of Bergvik Skog Öst or private forest owners, giving us direct influence over the aspects that are important from a sustainability perspective. In order to influence how the forest is managed and harvested on land that we ourselves do not use, we set requirements for wood suppliers and ensure that all the raw material comes from responsibly managed forests.

A competent and growing wood purchasing organisation

165 of BillerudKorsnäs' employees work in wood supply. About 40 of these are wood buyers based in different geographical districts, with responsibility for both wood purchases and forest planning before harvesting. This growing professional group, with good local knowledge, has a strategic role to play as more and more forest owners seek long-term collaborations, in order to meet their increasing need for advice, forestry plans, various forestry services and certification.

Transport and warehouse optimisation

Optimising transport is important from both a climate and a cost perspective. We place demands on our partners and work with digital transport management systems that help to handle larger volumes and to find return flows so that the vehicles are always as fully loaded as possible. In places where rail transport is not possible, we try to expand the possibility for carriers to use longer trucks that can carry more wood on each run. Maintenance of forest roads is an important factor in making heavy transport possible. Measures are also constantly being put in place to improve internal information on each production unit's stock of and need for wood raw material, to enable optimum stock control and efficient re-routing of deliveries.

Read more about Sustainable wood supply on page 34. [↗](#)



Together with parts of the forest industry, we are involved in a unique collaboration with the Swedish Forest Agency, the Swedish Mapping, Cadastral and Land Registration Authority and the Swedish University of Agricultural Sciences to co-finance the ongoing laser scanning of Swedish forests. Digital maps and current forest data help to improve the precision and quality of planning and silviculture measures.

A woman with long blonde hair and safety glasses stands on the left, wearing a black long-sleeved shirt with bright yellow-green reflective stripes on the sleeves. A man with short dark hair and safety glasses stands on the right, wearing a dark blue long-sleeved shirt with bright yellow-green reflective stripes on the sleeves and a logo that reads "BILLERUDKORSNÄS" with a crown icon above it. They are both smiling and looking towards the camera. The background is a blurred industrial setting with metal structures and stairs.

We contribute to a circular and sustainable future

A circular and sustainable society is the driving vision of BillerudKorsnäs. Working proactively on sustainability throughout the value chain and manufacturing packaging materials and solutions that are climate-efficient and recyclable means that we are constantly improving our capacity to challenge conventional packaging.

We are working to achieve a sustainable, circular society with packaging solutions that are renewable, recyclable and climate-efficient

Focus areas



Safety first

- Safe work environment
- Stable and efficient production



Climate impact

- Minimise CO₂ emissions
- Renewable alternatives instead of fossil resources



Materials for the future

- Product sustainability
- Innovate new ways of using fibres



Sustainability foundation

Sustainable wood supply | Responsible supply chain | Engaging workplaces
Resource-efficient production | Community engagement | Responsible business



A clear direction for our sustainability efforts

The three focus areas – safety first, climate impact and materials for the future – are all strategically crucial to our future competitiveness and our capacity to make a real difference. The focus areas are supported by ongoing work on sustainability which encompasses a number of fundamental sustainability issues that we need to tackle, follow up and report on in all manner of ways.

ported by ongoing work on sustainability which encompasses a number of fundamental sustainability issues that we need to tackle, follow up and report on in all manner of ways.

Sustainability issues dominate the global agenda in many ways, generating plenty of green investments, technology development and political initiatives to power a sustainable transition. All of this benefits BillerudKorsnäs and strengthens our business in climate-efficient and recyclable packaging materials and solutions based on renewable raw materials.

BillerudKorsnäs seeks to be a trailblazer in the global packaging industry in combatting climate change. We are uniquely positioned to drive the transition to a climate-neutral and circular economy, and to make our ambition a reality, we need to actively push for change where the impact of our influence is greatest. In the years ahead, we will therefore be focusing our sustainability initiatives on the following areas: safety first, climate impact and materials for the future.

Based on the goal of the Paris Agreement, we have adopted climate targets as part of the Science Based Targets initiative, thus undertaking to actively contribute in keeping global warming below 1.5°C.

Stable position as industry leader

For the third year in a row, BillerudKorsnäs was declared an industry leader in the Dow Jones Sustainability Index 2020. We were rewarded for our well-integrated work on sustainability and our commitment to meeting customers' sustainability requirements. This year's ranking placed BillerudKorsnäs among the ten percent most sustainable companies in the world, achieving the highest score in the Containers & Packaging category.



Our contribution to the 2030 Agenda

The UN's Sustainable Development Goals (SDGs) are an important framework for the future, giving all of us an opportunity and a responsibility to steer progress in the right direction. Based on our operations and our strategic sustainability work, we have selected six of the SDGs and a number of tangible targets. Progress towards all these is followed up through the Group's sustainability targets. Read more about the targets and how we are maximising our positive contribution and minimising our negative impact in the respective sections on the following pages.



Safety first

Building an extensive safety culture is a strategic issue for BillerudKorsnäs. The goal of systematic work on health and safety is to result in zero-injury operations, but also more stable production and improved product quality.

	Target 2020	Outcome
Accident rate, own employees, LTIFR	3.2	6.1
Accident rate, contractors, LTIFR	3.2	13.7

A safe workplace is about something as self-evident as no-one's health or safety being put at risk by them going to work. Looking out for oneself and for others is also part of something bigger; a chain that leads to us also looking after our resources and being keen to deliver the highest quality because we care about our customers. Systematic work on health and safety basically produces ripple effects in the form of more stable production and higher product quality, which in turn feeds into increased resource-efficiency and profitability. In other words, creating safe workplaces is both a strategic and a business-critical question for BillerudKorsnäs.

Rules, procedures and behaviours create a safety culture

It takes time, and numerous measures, to build a safety culture. For own employees, lost time injuries per million hours worked (LTIFR) have decreased compared to previous years. When it comes to LTIFR for contractors, there is an increase compared to last year. Several initiatives are underway to work more focused with our contractors, with the goal of reducing the number of accidents. From 2021 the goal for LTIFR is changed from an absolute target to an annual decrease in LTIFR by 30%

To develop a safe working environment, BillerudKorsnäs is taking two parallel tracks.

The first track involves using standards and procedures to create order and organisation, building on Group-wide and locally developed standards covering work at the production units and in the forest. These clearly state what is to be attained in terms of safety, procedures for working safely, and control and follow-up processes.

The second track involves developing attitudes and behaviours that ensure a safe working environment. Here, leaders have an important role to play by providing good examples to follow every day. The previously implemented Incident and Injury Free programme (IIF) is a central tool in work to establish a sound safety culture. In brief, IIF promotes development over a number of phases: from reactive behaviour, to employee awareness of their own responsibility, leading to proactive behaviour to minimise the risks and take responsibility for their own safety and that of colleagues.

Ongoing initiatives for a culture where safety always comes first

At the start of the year, BillerudKorsnäs made the decision to postpone the planned maintenance shutdowns at Gävle, Gruvön, Skärblacka and Pietarsaari. It was decided that under the prevailing circumstances, it was not possible to prepare and put in the necessary safety measures to prevent the transmission of COVID-19. During the year, safety work otherwise continued in a number of prioritised improvement areas such as safe shutdowns and clarity regarding roles and responsibilities. In 2020 employees also signed a personal undertaking to comply with the principles that underlie BillerudKorsnäs' safety policy.

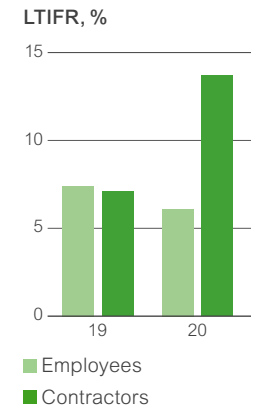
Immediate measures put in place following tragic events

All contractors must follow and respect BillerudKorsnäs' procedures and behaviours for a safe workplace. Our responsibility includes clarifying the expectations we have and the demands we make, and following up and taking action where shortcomings are found on the part of the contractors we hire. Our contractors are obliged to report all accidents and serious near misses and this information is included in the internal reporting of the number of accidents resulting in absence per million hours worked (LTIFR).

Two work-related fatalities occurred during the year in conjunction with tree felling in Latvia. The tragic accidents took place on two different occasions and the victims were employed by one of BillerudKorsnäs' contractors. After investigating the respective accidents, BillerudKorsnäs launched a number of training activities with the contractor to prevent such accidents from ever happening again.

Our contribution to the 2030 Agenda (target 8.8)

- Safety is at the top of the agenda and the commitment and participation of all employees means we can build a zero-accident, safe and inclusive environment.
- No employee is to risk injury in our workplaces. In 2020, 82 accidents occurred for our employees and contractors, whereof two deaths. This shows the importance of the issue and of further increasing the pace of the intensive work on building a safety culture.





Good cooperation ensured a safe shutdown

Due to the pandemic, the annual maintenance shutdown at the production plant in Karlsborg was considerably more challenging than usual. Extensive preparations were needed to ensure that the maintenance shutdown could be carried out as safely as possible for the 400 or so contractors travelling to the site and for the employees and the local community. It was clear to BillerudKorsnäs that our responsibility did not end when the working day ended, although it was difficult to control what contractors did after leaving the production plant. In order to prevent an outbreak of COVID-19, BillerudKorsnäs contacted Region Norrbotten, Kalix municipality's crisis management team and Kalix hospital to start a collaboration.

Frequent, regular meetings between employees at Karlsborg and Kalix municipality led to a number of measures being put in place to prevent transmission. More information was provided in shops, restaurants and hotels on how to prevent the spread of COVID-19, for example. Additionally, the health service was prepared to cope with higher patient numbers and evening checks on restaurants and hospitality venues were stepped up.

Thanks to our collaboration with Kalix municipality and the careful preparations, Karlsborg was able to carry out a safe maintenance shutdown without exacerbating transmission of COVID-19.

Climate impact

With products based on raw material from the forest, BillerudKorsnäs' contributes to large amounts of fossil oil remaining underground. Our ambitious climate targets mean we take responsibility for reducing our emissions to mitigate climate change.

	Target 2030 ¹	Outcome
Science Based Targets: Reduction in total emissions in Scope 1 and 2, %	59	10
Science Based Targets: Reduction in total emissions in Scope 3, %	30	17

¹ Base year is 2016, outcome is measured as reduction compared to base year and target year is 2030.

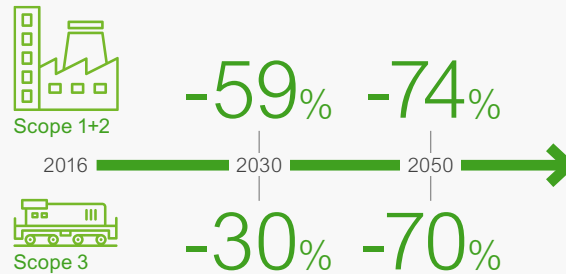
Minimising the carbon dioxide emissions and maximising the climate benefit that arise along the value chain is a vital strategic priority for BillerudKorsnäs. Products made from renewable wood put us in a good starting position, efforts are constantly necessary to reduce emissions from our production and in our value chain.

We increase our customers' opportunities to reduce their climate footprint by replacing material based on fossil plastic, aluminum and glass with our renewable packaging materials. Smart packaging solutions mean we also decrease the amount of air in packaging, enabling better use of the transport space, with lower emissions as a positive effect. Packaging that preserves the contents well, reduces waste and enables efficient recycling of the material also improves consumers' opportunities to contribute to a sustainable transition and a circular economy. See page 31 for more about how BillerudKorsnäs' operations and products contribute to a positive climate effect.

Ambitious climate targets to combat climate change

In 2017, BillerudKorsnäs decided on long-term climate targets to be attained by 2030 and 2050 in line with Science Based Targets. The aim is to drive efforts to reduce emissions at the pace demanded to mitigate climate change. BillerudKorsnäs has also

Cutting greenhouse gases

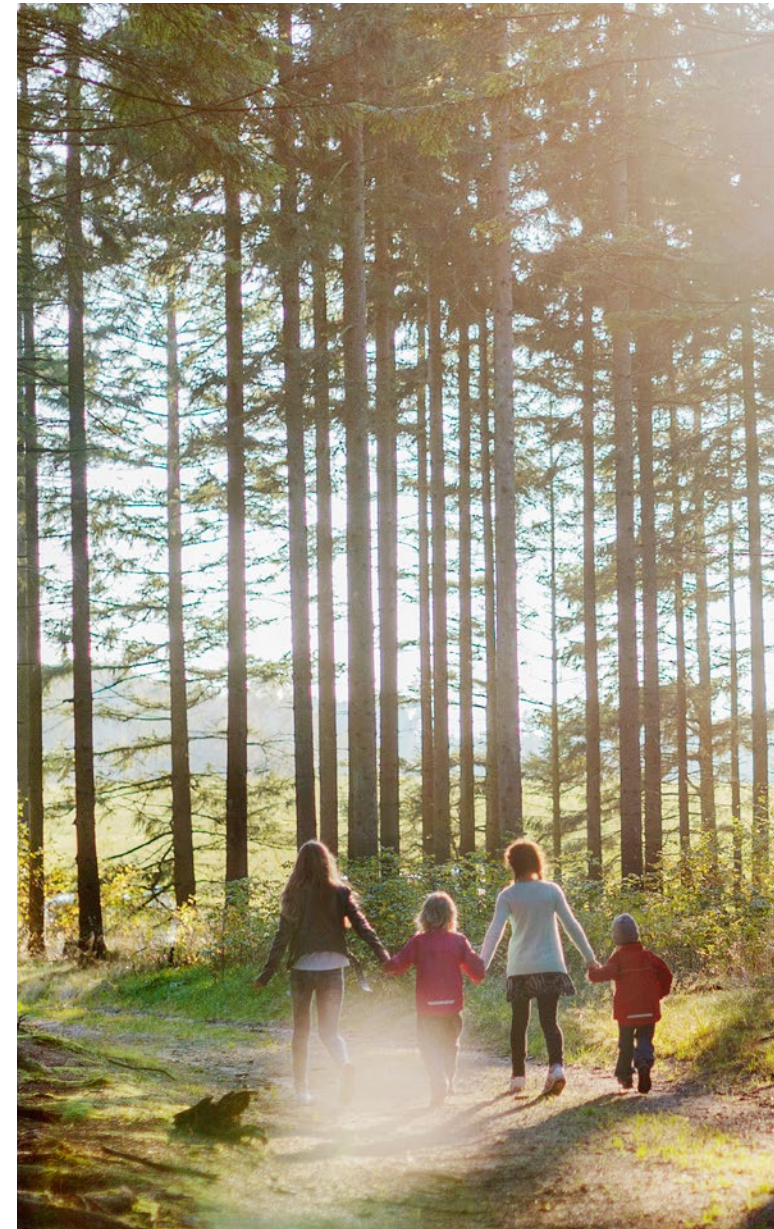


The Science Based Targets set are challenging but firm. Progress towards 2030 will predominantly be about continuing to reduce our direct and indirect emissions¹ by replacing fossil sources with renewable alternatives. In parallel, future potential technological breakthroughs may produce major direct effects that aid the transition to a fossil-free society.

¹ Scope 1–2: Direct emissions from own operations and indirect emissions from purchased energy. Scope 3: Indirect emissions from purchasing goods and services, such as transport and chemicals. For more information on outcomes, see page 123.

launched the adaptation of climate-related information in line with TCFD (Task-force for Climate-related Financial Disclosure) recommendations, read more on page 121.

Reducing our carbon footprint continues to be a central aspect of our strategic priorities. Intense work continued during the year to determine which measures and investments need to be put in place by 2030 for us to attain our ambitious climate targets and mitigate our climate risks.

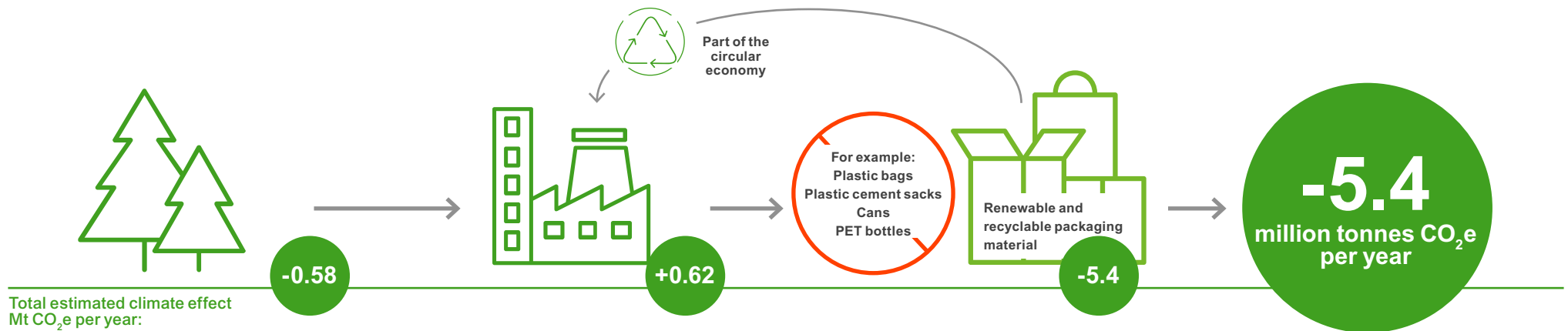


Our contribution to the 2030 Agenda (targets 9.4, 13.1)

- ⊕ We take an active role in the transition of the industry and the market to climate-smart production.
- ⊖ Paper manufacturing is an energy-intensive process, even though today we use 97% renewable fuels.

Important contribution to a positive climate effect

The important role of the forest in combating climate change is well known. It is, however, less well-known that the products from the forest's raw material contribute to large amounts of fossil oil remaining underground. Replacing plastic, glass and aluminium packaging with paper-based solutions can thus achieve a positive climate effect.¹



1. Net carbon sequestration in the forest

Active forestry with good growth offers major climate benefits. Net carbon sequestration in our own managed² forest holdings is estimated to 0.58 million tonnes CO₂ per year.

2. Fossil emissions along the value chain

BillerudKorsnäs' own production is 97% fossil-free. In our value chain, the largest sources of carbon emissions are the chemicals and transports used. See page 116 for more information about our emissions.

3. The climate effect of replacing fossil products with bio-based alternatives

When customers, and ultimately consumers, choose packaging that originates from sustainably managed forests instead of packaging made from e.g. plastic and aluminium, BillerudKorsnäs' products contributes to an estimated annual reduction of 5.4 million tonnes of carbon dioxide from the atmosphere. The result is based on 2019 production figures. The calculation is based on the biogenic carbon contained in the paper packaging being part of a cycle where the emissions are absorbed by the forest, while fossil carbon leads to a net addition to the atmosphere.

BillerudKorsnäs' operations and products contribute a powerful and positive climate effect. The positive climate effect of BillerudKorsnäs' operations, estimated at 5.4 million tonnes of fossil carbon dioxide per year is equivalent to the emissions of a third of all domestic transport in Sweden. This figure, based on 2019 data, also includes the negative climate impact of operations.

¹ Read more in the report BillerudKorsnäs – a climate-positive corporation at <https://www.billerudkorsnas.com/sustainability/climate-impact>

² Wholly owned Marma Skog group and partly-owned Bergvik Skog Öst.

Materials for the future

Our materials offer great potential for society to succeed in making the transition to a circular economy and replacing plastic and other fossil materials. Our ambition is to drive the development of sustainable packaging to meet the expectations of tomorrow. This will put us in a good position to help in the transition towards a more sustainable future.

	Target 2020 ¹	Outcome
Proportion of customers who consider that BillerudKorsnäs' work on sustainability creates added value, %	77	77

¹ The target is measured through our customer survey. The latest customer survey was performed in autumn 2019.

Paper is a unique material because it is renewable, recyclable and climate-smart. However, going all the way and being able to offer the materials of the future in all segments demands both technical advances and cooperation throughout the entire value chain, turning our materials into climate-smart packaging that reduces the need for plastic and other more complicated materials.

External drivers with a strong link to sustainable packaging

The EU is a strong driver in the development towards a circular economy and 85% of all paper and board packaging is to be recycled by 2030. The European Green Deal, the European Commission's programme for the years ahead, contains a number of action plans and packages of legislation on waste management and packaging recycling, bans on disposable items made from plastic, and extended producer responsibility for packaging. All in all, these have a major impact on the development of the whole packaging sector.

Meeting the world's demands by developing the material of the future

BillerudKorsnäs' customers are mainly found in segments in which both statutory requirements and consumer demands are already high.

It is vital that we are able to live up to the constantly growing expectations of customers and consumers, also in terms of the sustainable packaging of the future. The transition from fossil materials is a global challenge, as is the recycling of packaging made from composite materials, where we are able to offer solutions and work together on development. The ambition is to apply in-depth expertise on materials and packaging to further develop our products and produce new ones in order to help our customers to an even greater extent.

The focus in the next five-year period is therefore to work in close collaboration with customers to develop new products capable of replacing fossil materials. This will mainly be achieved by the Product & Application Development function within Commercial. The resources for more long-term work on innovation are gathered under the Group function Technology and are twofold; firstly through our own Product Innovation Centres and secondly through strategic external collaborations.

One example of a project to produce the material of the future focuses on using microfibrillated cellulose (MFC) to develop board properties aimed at achieving the same strength and durability with less material consumption. Other examples include developing sustainable and more easily recyclable bio-based barriers capable of replacing plastic, as well as a recyclable and biodegradable paper bottle.

BillerudKorsnäs is engaged in a number of strategic external collaborations to further develop materials for the future and circular systems. These include the national platform Treesearch, which researches new materials from forest raw material, the national industrial research institute RISE and the industry alliance 4evergreen, which works to increase the contribution of fibre-based packaging to a circular economy.



Xpression E-com

– paper for e-commerce bags that cuts CO₂ emissions by 50%
The result of an independent life cycle analysis by RISE shows that e-commerce bags made from BillerudKorsnäs' paper Xpression E-com can reduce fossil CO₂ emissions by 50% compared with a plastic bag. You can download the study at www.billerudkorsnas.com

Impact during product lifetime

Our customers' interest in detailed environmental assessment is growing all the time. BillerudKorsnäs uses life cycle assessments (LCA) and environmental product declarations (EPD) to evaluate the environmental performance of products in more detail. We have also developed a new digital tool for LCA of packaging, which is mainly used within Managed Packaging. In 2021 we will be developing the tool further to cover a larger proportion of our products.

Our contribution to the 2030 Agenda (targets 9.5, 12.2, 12.3)

- ⊕ We are a global leader in manufacturing packaging material for food and take responsibility for keeping food safe and fresh during distribution to the global market.
- ⊕ We invest in research, product development and innovation which largely takes place in the production units linked to smaller communities.
- ⊖ Global paper recycling rates must increase. Our innovation and knowledge is the key to even better circular flows.
- ⊖ In pace with the increasing need for digital and innovative working methods, a different type of technical expertise is needed in the industry.

Our responsibility and influence throughout the value chain

BillerudKorsnäs works actively to maximise positive and minimise negative impacts along the value chain. Collaboration with business partners and other stakeholders is essential to drive change where it makes the biggest difference.

1. Forest raw material

The forest is a resource that meets many needs. Our production units transform over ten million cubic metres of wood raw material into packaging material every year. Managing the forest impacts it in different ways. Capacity to influence: ●●○ Medium

Our impact:

- The forest is home to many species of fungi, flora and fauna, some of which are impacted positively, others negatively.
- The forest is a social and cultural asset as an area for recreation and we take this into account.
- Regeneration felling increases the breakdown of the biomaterial in the soil for a time and the carbon balance is changed. When new trees start to grow, the forest binds carbon dioxide in again.

2. Purchasing

The operations purchase large amounts of wood raw material, transports, chemicals, energy, materials and services, mainly in OECD countries. Capacity to influence: ●●○ Medium

Our impact:

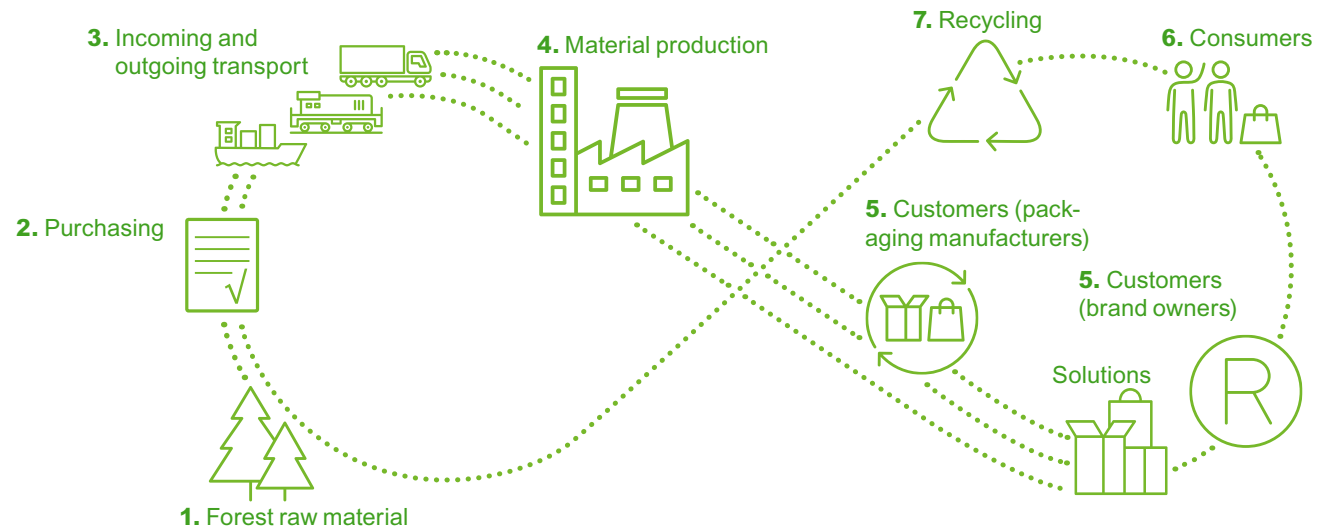
- Tough demands for suppliers, planners and wood buyers and an extensive supplier assessment and follow-up process.
- Collaboration and development to reach established climate targets.

3. Incoming and outgoing transports

BillerudKorsnäs' transport mainly comprises incoming transport of raw materials to the production units and outbound transport of products to customers from the production units. Capacity to influence: ●●○ Medium

Our impact:

- Indirect impact through greenhouse gas emissions from transport suppliers.



4. Material production

BillerudKorsnäs' production units account for the company's most significant direct impact from its production of pulp, paper and board. Capacity to influence: ●●● High

Our impact:

- Direct impact through the production units' emissions to air and water.
- Indirect impact through energy consumption and use of materials, such as chemicals, in production.

5. Customers

BillerudKorsnäs' customers are in the international packaging market and comprise packaging manufacturers and brand owners. At Managed Packaging we offer brand owners packaging solutions and services for greater control and effectiveness of packaging primarily from OEM manufacturers in Asia for delivery to Europe and North America. Capacity to influence: ●●○ Medium

Our impact:

- Giving customers an opportunity to reduce their climate footprint by replacing material based on fossil plastic, aluminium and glass with fibre from forest raw material.
- Extensive programme to check working conditions and the environmental approach of production partners in Managed Packaging.

6. Consumers

Consumers encounter BillerudKorsnäs' packaging material practically everywhere – on the store shelf, in the frozen foods aisle, in the fridge and on the move. Capacity to influence: ●○○ Low

Our impact:

- Packaging materials and solutions that are renewable, preserve the contents well, reduce waste and enable efficient recycling of the material mean consumers can make a greater contribution towards more sustainable development.

7. Recycling

BillerudKorsnäs' products are based on renewable material and, as recycled fibre, become an important element in the manufacture of corrugated board, for example. Paper fibres can be sent for material recovery up to seven times, after which they are used to produce energy. Constant input of primary fibre is necessary to keep the recycling loop going. Capacity to influence: ●○○ Low

Our impact:

- Enabling the transition to a circular economy based on renewable and recycled raw materials.

Sustainable wood supply

BillerudKorsnäs uses sustainable forestry to make use of the productive potential of the forest while protecting and preserving the social and biological assets of the forest. This involves forestry in balance with nature conservation and timber production.

	Target 2020	Outcome
Proportion of wood supply from Europe, %	96	99
Proportion of group-certified forest owners (FSC® and PEFC™), no.	200	213

The renewable raw material from the forest is BillerudKorsnäs' most important raw material resource and responsible forestry that boosts the climate benefit and biodiversity is fundamental. This enables all the assets of the forest to be made use of, which is important for us at BillerudKorsnäs. BillerudKorsnäs processes the forest raw material to create packaging solutions that effectively meet the soaring demand for renewable materials.

Harvesting on our own and private forest owners' land

At BillerudKorsnäs' production units in Sweden about ten million cubic metres of wood raw material is transformed into renewable packaging material every year. BillerudKorsnäs harvests about a quarter of the wood raw material itself, partly within the long-term management contract with Bergvik Skog Öst AB. BillerudKorsnäs owns 10% of Bergvik Skog Öst and manages about 300 000 hectares of productive forest land. Our own harvesting also takes the form of purchased harvesting rights from private forest owners.

Increase the proportion of field purchases

Other wood raw material is obtained from major forest actors, the majority of Swedish origin. Approximately one quarter is imported, currently almost exclusively from countries in the EU plus Norway. BillerudKorsnäs is gradually increasing the proportion of raw material from private forest owners. As part of this initiative, the wood purchasing organisation is set to grow with an influx of new employees each year.

Competitive advantage with a certified raw materials chain

Forest certification recognises sustainable forestry, taking the production, environmental and social aspects into account. As customers' demands for a certified raw material chain grow, it is becoming increasingly important to offer wood raw material from certified forests.

All wood raw material purchased by BillerudKorsnäs is evaluated and controlled under the international FSC® and PEFC™ Chain of Custody standards, and to check the origin of wood, the procedures under the standard FSC® Controlled Wood, Controlled Sources in PEFC™ Chain of Custody and the EU Timber Regulation (EUTR) are followed.

In the role as a supplier of high-quality forest services, every year targeted initiatives are carried out to encourage more private forest owners to certify their forest through the company's FSC® and PEFC™ group certification. The number of private forest owners certified through BillerudKorsnäs totalled 213 by the end of the year, covering an area of productive forest of approximately 100 000 hectares. The goal is to increase the number of group-certified private forest owners by 15 per year, to attain 260 group-certified private forest owners by 2024.

Important efforts to protect forest assets

Responsible forestry is vital to preserving biodiversity. Using action plans, BillerudKorsnäs monitors environmental considerations in forest management by evaluating parameters central to the forest's biodiversity such as dead wood, burning, deciduous-dominated forests, regard for biotopes of high conservation value, buffer zones and forestry measures in designated forests that require management in order for their natural assets to be preserved. Sustainable forestry is also about making the most of the climate benefit provided by the growing forest, by managing it



in line with its varying capacity to bind carbon dioxide over its life cycle. Read more about climate effect on page 31.

Harmful spruce bark beetles and endangered woodpeckers

The spruce bark beetle continued to pose a challenge for forest owners during the year. The beetle not only damages the forest, it also affects the industry by producing flows with a higher proportion of dry spruce wood. BillerudKorsnäs continues to work with other actors in the sector to minimise the damage and inform forest owners of the measures they can take to prevent the spread of the spruce bark beetle.

Work on biodiversity is also reflected in BillerudKorsnäs' financial support for the Swedish Society for Nature Conservation's White-Backed Woodpecker Project. The woodpecker is a rare bird species which depends on a habitat consisting of older deciduous forest with plenty of dead wood. The project works on release, feeding and measures to improve habitats in Swedish forests, including the woodland managed by BillerudKorsnäs. Within this project, targeted forest conservation measures are also carried out to improve the habitat of the woodpecker in other selected geographical areas.

Our contribution to the 2030 Agenda (target 15.2, 15.5)

- We always ensure that the wood raw material we use comes from responsibly managed forests and that forest ecosystems are protected.
- Approximately 10% of the world's deforestation is linked to wood products. We see it as our responsibility to spread awareness of climate benefit, biodiversity and ecosystems.

Responsible supply chain

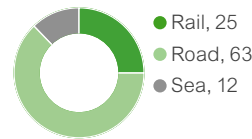
BillerudKorsnäs' supply chain is to be sustainable. Therefore we carry out extensive work to evaluate our suppliers and require environmental, ethical and social responsibility.

	Target 2020	Outcome
Proportion of purchasing value with supplier assessment, %	75	79
Transport of wood raw material and finished products, g CO ₂ eq/tonne km	12.4	12.4

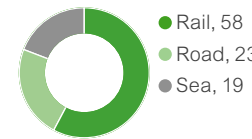
BillerudKorsnäs buys in large amounts of wood raw material, transports, products, chemicals, energy and services every year. To ensure a responsible supply chain, all purchasing decisions must be made in line with principles of business ethics and suppliers must comply with the set sustainability criteria. BillerudKorsnäs' suppliers are covered by the Supplier Code of Conduct, which is based on international standards and frameworks, including the UN Global Compact. The Code of Conduct is part of the agreement for suppliers with a purchasing value of more than SEK 1 million. It makes our expectations and minimum requirements clear in terms of statutory compliance, business ethics, human rights and labour law, health and safety, and the environment.

BillerudKorsnäs' purchasing is divided into three main areas: Group purchasing, wood purchasing and logistics purchasing. In addition, there is a smaller purchasing area, Managed Packaging, which uses production partners to provide packaging solutions and services to brand owners. The Group uses supplier assessments in all areas. In no case did assessments of suppliers show any significant risk of child labour, forced labour or lack of freedom of association. Nor were any supplier agreements terminated as a consequence of this year's supplier assessments.

Transport to production units 2020, %



Transport from production units 2020, %



Group purchasing: number of assessed suppliers doubled in 2020

BillerudKorsnäs' Group purchasing primarily concerns the production plants and the majority of our purchasing takes place in OECD countries. In the same way that BillerudKorsnäs is evaluated by the company EcoVadis in its capacity as a supplier, we use them as a third-party solution for assessing the sustainability performance of our own suppliers. This gives us important capacity for increasing both the quality and the speed of supplier assessments. Every supplier is assessed on an annual basis through a survey adapted to the number of employees, geographical location and sector, with a focus on four areas: the environment, labour law and human rights, ethics and anti-corruption, and sustainable procurement. The suppliers must also be able to document their responses.

Purchases of direct material, that is critical from a supply and sustainability perspective, are prioritised in supplier assessments. In this area, the proportion of the purchase value assessed was 97%.

In 2020 a total of 320 (122) suppliers were assessed. All of these suppliers passed the evaluation, but 49 (29) suppliers are required to perform improvement measures before the next assessment.

Purchasing of wood raw material: governed by origin and standards

All wood raw material is controlled under international standards, read more on page 34.

Assessments when purchasing transport

BillerudKorsnäs' purchased transports mainly comprises incoming transport of wood raw material to the production plants and outgoing transport of products from the production plants to customers. Evaluation of the logistics companies that transport wood raw material and products takes the form of adapted supplier assessments covering health and safety, working conditions and the environment, etc. Evaluations of transporters of wood raw material did not show any significant deviations in 2020. As far as outgoing transport is concerned, suppliers responsible for 81% of the transport procurement costs were assessed.

Close partnerships with suppliers to constantly improve performance

Managed Packaging's operations build on a strong supplier network where we strive to develop close, long-term supplier relationships. The starting point is BillerudKorsnäs' Supplier Code of Conduct, which clearly sets out our requirements and expectations of suppliers. Suppliers' compliance with the Code of Conduct is regularly monitored through our own audits, third-party audits and brand owner audits. If a non-compliance finding is discovered during an audit, the supplier must immediately produce a plan to tackle it. If the matter involves breach of a point where zero tolerance is the rule, the collaborative relationship is paused until the supplier is able to show that the matter has been remedied. Where there is a high risk or a need for improvement, a dialogue is initiated with the supplier on an action plan with a clear deadline for when the non-compliance is to be rectified.

The result of this year's supplier assessments in Managed Packaging

Despite the major impact of COVID-19 on this year's work on supplier assessments, it was still possible to maintain a close dialogue with suppliers and keep up the auditing process. In 2020 Managed Packaging conducted a total of 42 (82) supplier audits in China and South-East Asia, four (43) of which concerned new suppliers. The lower number of new supplier audits in 2020 is explained by COVID-19 impacts.

Three of the suppliers audited in 2020 showed breaches of zero-tolerance issues and the relationship was paused. However, the suppliers rectified the findings immediately after the assessment and the relationship was able to be resumed with subsequent additional checks. A number of other findings such as extensive overtime, insufficient personal protective equipment, handling of hazardous waste, etc. were also identified. Of these, 58% of all findings that require improvement measures were resolved during the year.

Managed Packaging consistently works on communication regarding what we expect of our suppliers and to provide various kinds of support for suppliers' improvement efforts. To this end, in 2020 a total of 20 tailored training courses were held for 12 suppliers and training sessions for a further 18 suppliers were run together with our brand customers.

Our contribution to the 2030 Agenda (target 8.7)

- ⊕ We work to ensure decent working conditions in our supply chains. This is mainly achieved through audits and close cooperation with suppliers on improvements.
- ⊖ It is hard to attain full control of the entire supply chain. The majority of the total purchasing volume is in OECD-countries.



Emissions from purchased transports

The majority of the incoming wood raw material is transported by road – a natural consequence of the fact that most of our wood raw material comes from Swedish forests. All long-distance transport of imported wood raw material is by sea.

Our basic transport flows from the production plants to customers are well suited for rail transport and on average 109 goods wagons containing products on their way to customers leave the production units each weekday. The proportion of land transport by rail is monitored on a monthly basis, with a target of 75% being by rail by 2030. The outcome for 2020 was 72%. Sea transport is currently the most efficient alternative for reaching our customers outside Europe.

The long-term goal is zero greenhouse gas emissions from transports. The road ahead continues to involve making active choices regarding transport modes and working with transporters to drive the transition to a fossil-free fleet. In parallel, we are closely following developments in technology and fuel, expansion of the rail network and road electrification.

2020 outcomes for greenhouse gas emissions from transport amount to a total 12.4 g per tonne km, of which emissions from transport of wood raw material accounted for 19.0 g per tonne km.

Engaging workplaces

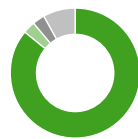
The skills, experience and commitment of our employees are key to our ability to achieve our mission. In return, BillerudKorsnäs offers a workplace that is to be defined by good leadership, community, gender equality and good individual development opportunities.

	Target 2020	Outcome
Proportion of women in total, %	24.0	23.8
Proportion of female managers, %	24.0	23.8

In many ways, 2020 came to be characterised by the global spread of the coronavirus pandemic. BillerudKorsnäs' responsibility as a company was to help reduce transmission of the disease in every way and to rapidly adapt operations to the national recommendations and regulations introduced as the year went on. Keeping operations running safely was fundamental and measures put in place at the production units included non-overlapping changes of shift, only business-critical visits being allowed, and only authorised personnel being admitted to the control rooms. This year the annual maintenance shutdowns involving several hundred incoming contractors demanded extraordinary measures, including crucial cooperation with both the local municipality and the local health service. Read more about the maintenance shutdown at Karlsborg on page 29.

For BillerudKorsnäs office staff, in the first instance the recommendation was for as many people as possible to work from home, or alternatively the workspace was divided into zones with a maximum 50% of ordinary staffing on site. A sustainable and committed leadership is always vital but at a time of remote working for a large number of employees, it was more important than ever. For all leaders, this involved efforts to boost motivation in the form of regular check-ins and sensitivity to the general health situation.

Now we are taking the next step with Sustainable employees
Sustainable leadership with leaders capable of effectively leading, engaging, communicating and driving change is a key element



Proportion of employees per country, %

- Sweden, 86
- United Kingdom, 3
- Finland, 3
- Other, 8

in attaining our mission. The development of the Sustainable employee programme, to be launched in 2021, was ongoing during the year, involving employees who were able to provide input on what is important to them as individuals and employees, as part of a team, and the support they need to be able to contribute to the mission. The programme is to clearly set out expectations and provide relevant tools and support to enable everyone to deliver on these expectations, stay healthy and keep working longer.

A better gender balance continues to be an important goal

We are convinced that employees of different sexes, ages, backgrounds and experiences bring new perspectives and innovative solutions. In other words, diversity is business critical for us in the long term and a number of targeted initiatives are in focus to attain a better balance between the sexes as a first step. The aim is to increase the proportion of women in total and at managerial level. In 2020 both the proportion of female employees and female managers amounted to 23.8%. Looking to 2030, the aim is that the proportion of female managers as well as female employees in total shall be at least 35%. The results of the annual pay survey are presented on page 118.

Safeguarding skills supply is vital

Being able to meet the skills supply challenges in the short and the long term involves ensuring that existing and potential employees feel they have good opportunities for an interesting future with



Awards



Exciting career company

BillerudKorsnäs was once again awarded this quality mark for its unique career and development opportunities to employees.



Strong employer brand

BillerudKorsnäs was ranked one of Sweden's most attractive employers.



Company Barometer and Career Barometer

BillerudKorsnäs is best in its sector, according to engineering graduates.



Attractive employer

BillerudKorsnäs was rated one of the 100 most attractive employers.

us. Our clear mission and contribution to a sustainable future strengthens our employer brand further, playing a central role in making us better known and encouraging more individuals to apply for jobs at BillerudKorsnäs.

A wide-ranging skills survey was carried out during the year, on the basis of which a strategy was produced to more effectively safeguard the skills supply. Overall, the strategy comprises three parts: strengthening BillerudKorsnäs' employer brand, developing specific skills development programmes, such as, for example, a Group-wide technical trainee programme, and carrying out targeted initiatives to develop and grow existing employees.

Speeding up and slowing down in the shadow of the pandemic

The pandemic unfortunately meant that a number of initiatives aimed at creating an engaging workplace had to be put on hold. This was the case, for example, with the annual employee survey, which will instead be completed in the first quarter of 2021. The Future Female Program, which was to have been launched in 2020, and Introduce a Girl to Engineering day (IGEday) also had to be cancelled. BillerudKorsnäs continues to be the main sponsor of IGEday, which seeks to increase interest in technology and engineering among young women. Hopefully, it will be able to run face to face or online in spring 2021.

Work to implement BillerudKorsnäs' new global system for employee and organisational data was, however, able to continue as planned in 2020. This system enables digitalisation of the majority of our employee processes, which will help us in our ambitions to standardise and improve our processes for our employees and managers, making them more efficient.

A new, streamlined organisation

BillerudKorsnäs' organisation gained a new, function-based structure during the year and the reorganisation is to be seen as an



important step in the process of improving efficiency and increasing our ability to adapt to a changing world. In brief, it involved reorganising operations in line with the business flow, i.e. around the three areas of responsibility: Wood Supply, Operations and Commercial, read more on pages 16-25. The number of people in the Executive Management Team was reduced as a consequence of the change. BillerudKorsnäs' cost savings programme launched in 2019 and the reorganisation conducted during the year meant the loss of about 300 posts, the majority on the white collar side. The programme also brought savings on new recruitment, travel and attending external events.

Our contribution to the 2030 Agenda (target 8.5, 9.2)

- ⊕ Our employees are our most important asset. This is reflected in our internal work on diversity, inclusion and guaranteeing equal pay for equal work.
- ⊖ Our industry does not demonstrate gender equality. We are working actively to attract more women into the industry and into engineering careers.

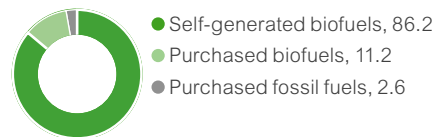
Resource-efficient production

Safeguarding stable production is the single most important factor in minimising emissions to air and water from BillerudKorsnäs' production units. In parallel we are working to phase out fossil fuels and increase our energy efficiency.

	Target 2020	Outcome
Energy consumption, MWh/tonne product	5.2	5.3
Emissions of fossil CO ₂ in the manufacturing process, kg/tonne product	30	30

BillerudKorsnäs' production of pulp, paper and board is responsible for a considerable part of the business' environmental impact. The thermal and electrical energy needed in production is mainly created by combustion of fuels, which results in emissions to air. The production of pulp, paper and board is the biggest source of emissions to water.

Use of fuel 2020, %



Stable production produces concrete effects

The majority of the energy consumed in production is generated in the pulping process, where large amounts of waste heat are released, and in energy boilers. The energy is mainly used directly in production, but some of the surplus provides the local community with district heating. The primary fuel used in production is biofuel, which largely comes from suspended wood solids in pulp manufacturing and from bark on the wood. The proportion of fossil fuel is low, with fossil fuel oil mainly used as a back-up fuel and for starting and stopping machinery. Natural gas and LPG are used in the production of paper and paperboard in some of the production units.

The ambition to entirely phase out fossil fuels from the production process is clear and we have already come a long way. The fuel powering our production was 97.4 % renewable bioenergy. The remaining 2.6 % was fossil fuel, which generated fossil carbon dioxide emissions of 30 kg per tonne of product. The improvement compared with the previous year is an effect of more stable production that does not demand fossil fuel to cope with recurring stops and starts.

Investments in energy saving

BillerudKorsnäs' production is energy-intensive and in 2020 energy use amounted to 5.3 MWh per tonne of product which means that the target was not reached.

All purchased electricity is fossil free through guarantees of origin. For 2020, guarantees of origin concerned large-scale hydropower. We also generate our own electricity using residual heat from production.

All the production plants are constantly working on energy-saving measures, leading to greater energy efficiency. In Gävle, for example, more effective sweeping of recovery boiler 4 has produced such good effects in the form of reduced energy consumption that the same measures are now also being planned for recovery boiler 5.

Every year, a significant annual amount, SEK 20 million for 2021, is earmarked to support the implementation of proposals arising, for example, from energy surveys.

Dedicated work to reduce environmental impact

BillerudKorsnäs' production is governed by extensive environmental legislation, and operation is subject to permits being granted. The environmental efforts are based on constant improvements in which management systems (see page 119) help to create structured working methods which comply with official requirements and legislation. The goal is to enable operations to be run efficiently, with consideration for the surrounding environment and neighbours. To further support the coordination of production-related environmental issues, during the year a dedicated environmental manager role was introduced at Group level.

The production units constantly carry out activities based on the priorities of the respective operation. During the year, for example, Skärblacka was able to replace sulphur dioxide with a sodium bisulphite solution as a positive effect of its safety work, and Gävle produced a package of measures to tackle raised emissions of diffuse sulphur, planned to be carried out in 2021–2022.

Our contribution to the 2030 Agenda (target 12.4, 12.5)

- ➕ We are moving towards fossil fuel independence by effectively generating and using energy made from wood products.
- ➖ Paper manufacturing generates emissions to air and water. Thanks to continuous environmental efforts, these are checked and limited.



Community engagement

BillerudKorsnäs' ambition is to engage in local and global collaboration in order to create a positive impact. This is a commitment we are also channelling through a number of partnerships and strategic collaborations.

	Target 2020	Outcome
Number of weeks of professional experience	1 200	1 051

As one of the largest actors in the Swedish paper industry, BillerudKorsnäs' operations employ more than one in ten of the people working in the sector. This also means that we are the largest private employer in four of the five communities in which our Swedish production units are located. The fact that almost three-quarters of our employees also live in the municipality where their workplace is situated gives BillerudKorsnäs a significant indirect impact on the local community in the form of fundamental community services being established, and investments being made in infrastructure.

Proximity to our production plants also enables surplus heat from parts of the production to be used, e.g. for domestic heating. In 2020 BillerudKorsnäs sold a total of 935 GWh, which is equivalent to the amount of energy needed to heat approximately 47 000 detached homes.

Constant dialogue with local communities and local residents

There are a number of channels and forums that local residents can use to share their views on operations, e.g. in the form of direct contact and consultation meetings or via the website. Opinions and questions from local residents are documented in internal systems so that dialogue can be entered into on a solution or course of action, where necessary. During the year, 57 questions were received from local residents, a majority of which concerned odour.

Consultation as part of responsible forestry

Responsible forestry includes conducting consultation with reindeer herding representatives. In 2020, there were 4 consultations carried out on the land managed by BillerudKorsnäs. During

2020, no incidents concerning violations of the rights of indigenous people were identified.

Together with other actors, BillerudKorsnäs is also involved in consultation on harvesting the land of small private forest owners. In addition, BillerudKorsnäs conducts an active dialogue with neighbours and other stakeholders who want to know more or have opinions about the measures carried out in the forest.

Important contribution to creating new jobs

With a blend of government initiatives and our own, BillerudKorsnäs is engaged in a number of job creation projects, including the government work experience programmes Tekniksprånget and Jobbsprånget. The former is geared towards young people under the age of 21 who are qualified to take up a degree in engineering. Jobbsprånget, on the other hand, is a programme that offers four-month internships for newly arrived graduates to make the most of their skills and ease their entry into the Swedish labour market.

In 2020 a total of 90 young people and newly arrived migrants completed work placements, together with 20 students doing their degree projects with us. This amounted to 1 051 weeks of work experience in total.

Powerful commitment to clearing plastic pollution from our oceans.

Our commitment to plastic-free oceans continues. This partly involves getting more people to pay attention to the appalling plastic pollution suffered by the world's oceans, which is predominantly caused by single-use plastic. BillerudKorsnäs is working with the Keep Sweden Tidy Foundation and Tara Expedition, the French non-profit organisation that sails the seas of the world with the ship Tara to raise awareness about the oceans and the climate. The effect of the COVID-19 pandemic, however, meant that many activities had to be postponed and no physical events could be held during the year.

The circular economy is here to stay

We are convinced that scaling up the circular economy will be vital in attaining climate neutrality by 2050 and decoupling economic growth from resource use. In recent years we have also experienced various positive developments to this end in the packaging industry. Legislation is and will remain an important driver, partly in the form of the EU's package for a circular economy, with legislation on packaging, waste and recycling. In 2020 new packaging design requirements were introduced to reduce pollution within the EU's renewed action plan for a circular economy. Work is also in progress to reduce or prohibit certain single-use plastics by 2025 in line with the EU's Single-Use Plastics Directive. These moves pose challenges and create new, exciting opportunities for our industry. Following developments closely is also of the utmost importance for our customers and brand owners, who in turn must receive help to adapt their packaging to amended legislation and new consumption patterns.

Important collaboration for taking the next step

With Elopak, SIG Combibloc, Stora Enso and Tetra Pak, BillerudKorsnäs is creating the GRACE network, joining forces to drive recycling issues globally, with a focus on how recycling systems for liquid packaging board can be improved in different countries. We are already engaged in ACE and EXTR:ACT which pursue similar questions at EU level. Additionally we are involved in 4evergreen, a project-based network in our value chain to encourage the recycling of paper and paperboard in the EU.

Since 2020 BillerudKorsnäs has been represented on the board of Returkartong, which is responsible for collecting and recycling paper packaging. The business is owned by companies and organisations that are part of the packaging chain, from material manufacturers, converters and brand owners to importers, retail and distributors. One important task is lobbying for clearer regulation of producer responsibility and helping the member companies to fulfil their producer responsibility.

Our contribution to the 2030 Agenda (target 8.6, 14.1)

☑ We are committed to global issues such as plastic pollution in the oceans, and local questions such as arranging work placements and induction for young people.

Responsible business

BillerudKorsnäs' Group-wide framework for steering documents creates a coherent thread that interweaves our vision and values with our commitment to run operations in line with the law, regulations and international standards. Our ambition is also to use our influence as a company to improve and strengthen the basis for responsible business.

	Target 2020	Outcome
Proportion of production units certified in line with food safety standards, %	100	100

Responsible business is crucial to the success of BillerudKorsnäs. One fundamental pillar is our Group-wide framework, which has undergone a thorough update to clarify the hierarchy for steering documents, decision mandates and mechanisms for identifying and tackling risks and deficiencies. The four levels of the framework comprise the Code of Conduct, Group Policies, Group Directives and Processes, procedures and other supporting documents.



An updated Code of Conduct based on employee perspectives

BillerudKorsnäs' Code of Conduct has long laid down that we place safety first, have zero tolerance of corruption, take responsibility for reducing our environmental impact, contribute towards the local community and respects human rights. As a natural consequence of the updated Group-wide framework for steering documents, during the year we updated the Code of Conduct to make its content clearer with a focus on expectations and guidance for employees. The updated Code of Conduct will be launched in the first quarter of 2021 and will be followed by a range of communication and implementation activities. In 2021 a new sustainability target will also be introduced for training in the Code of Conduct.

Our Responsible Business Compliance programme

The focus of our Responsible Business Programme is on five areas: anti-money laundering, anti-corruption, compliance with competition rules, compliance with sanctions and respect for human rights. They are handled through ten components that, step by step, help us to identify shortcomings and needs for action in each area. The measures in the programme also help to increase awareness of risk areas based on where in our operations each area is exposed to risk.

Risk assessment is fundamental

A company-wide risk assessment of the Group's corruption risks was carried out in 2020. The risk assessment included an employee survey with questions about the messages from the Executive Management Team, experiences of potential corruption and awareness of internal rules. The aim is for the responses to form the basis of improvements within existing measures and develop new anti-corruption initiatives. A risk-assessment with regard to the Group's sales agents, including corruption risks, was also carried out during the year.

Constant preventive training

Employees and sales agents who are exposed to higher risk in responsible business areas are trained regularly in line with a set training plan. In 2020 about 700 employees completed e-learning in anti-corruption and more than 200 employees completed e-learning in compliance with competition law. Additionally, adapted training on responsible business was carried out for more than 200 employees.

Awareness of and requirements for business partners

Identifying increased risks in business relationships is central to being well-informed about business partners. The key is to define high-risk markets by analysing the degree of corruption, sanctions, human rights violations and/or a lack of transparency, an analysis that then becomes the starting point for checks and additional requirements on business partners through contracts and monitoring. In 2020 procedures for on-boarding and follow-up of sales agents from a Responsible Business perspective were strengthened.

The expectations on suppliers are clearly set out in BillerudKorsnäs' Supplier Code of Conduct. The implementation among existing suppliers continued in 2020. For more information on supplier assessments, see page 35.

Speak-Up Line lets everyone make their voice heard

Where a serious irregularity is suspected, such as corruption, financial fraud, breach of competition law or breach of the

company's Code of Conduct and/or policies, this can be reported via BillerudKorsnäs Speak-Up Line. Reports can be made anonymously and the channel is accessible via the intranet and the external website.

A total of eleven cases (eight) were handled using the Speak-Up Line in 2020. Most cases concerned operational feedback in the form of cases for HR. After investigation, disciplinary action was taken in one of these cases. Cases also included allegations of potential corruption, including conflicts of interest. However, no incident of corruption was confirmed in the subsequent investigations.

Overall, there was no confirmed incident regarding corruption. No reports regarding child labor or slave labor were received during the year, either through the whistleblower system or through any other reporting channel.

In 2020, 10 cases concerning discrimination were investigated and handled outside the Speak-Up Line by HR. Various measures, including disciplinary actions, have followed.

Collaboration and influence outside our operations

To show our clear stance and commitment to anti-corruption, during the year BillerudKorsnäs became a member of Transparency International Sweden's Corporate Supporters Forum. This is an important platform for Swedish companies operating internationally and a force for reducing corruption and promoting work on transparency, responsibility and integrity.

Summary of fines and legal measures in 2020

No significant fines or other sanctions due to breaches of the law were imposed on the company during 2020. Nor was any legal action taken against the company regarding anti-competitive behaviour, cartels or monopolies in 2020.

No incidents regarding breaches of customer privacy were registered during 2020.



Following up our responsibility for product safety

Demand for packaging and other materials intended for contact with food is high and managing product safety is fundamental. At EU level, BillerudKorsnäs' products comply with Framework Regulation (EC) No 1935/2004 on materials and articles intended to come into contact with food. As there is currently no harmonised legislation on paper and board in the EU, BillerudKorsnäs complies with the German legislation by applying the BfR recommendation. American legislation is also applied outside the EU. In addition to this, certain products comply with other rules, such as Chinese rules on contact with food and medical standards for paper material. This ensures that BillerudKorsnäs' products are safe under intended conditions of use.

Monitoring of BillerudKorsnäs' product responsibility in 2020 showed that no breaches of legislation or voluntary codes of practice occurred regarding health and safety, product information and labelling or market communication.

No fines relating to product responsibility were imposed.

Our contribution to the 2030 Agenda (target 12.6)

- We strive to be completely transparent regarding sustainability information regarding both operations and our products.
- A growing international value chain increases the complexity and the need for checks on external partners.



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Directors' report

The Board and CEO of BillerudKorsnäs AB (publ), corporate identity number 556025-5001, herewith submit the annual report and consolidated annual accounts for the 2020 financial year.

Figures for the previous year are stated in brackets.

This English version is a translation of the Swedish original.

Operations

BillerudKorsnäs offers packaging materials made from natural cellulose fibre and innovative packaging solutions. We are a leading board and paper producer and create value through our deep knowledge of materials and optimally designed packaging. The packaging market is showing a continued positive long-term trend driven by greater awareness of sustainability, urbanisation and new business models based on digitisation and logistics. In addition to packaging materials, BillerudKorsnäs sells surplus long-fibre pulp and Northern Bleached Softwood Kraft (NBSK), which is not used in its own production. BillerudKorsnäs' base is in Europe, but the group is continuing to become established in other markets, including Asia.

As a consequence of a reorganization on August 1, 2020 BillerudKorsnäs changed its operating segments. The Group has three operating segments: Product area Board, Product area Paper and Solutions & Other.

Product area Board includes the manufacturing and sales of liquid packaging board, cartonboard and containerboard, which are mainly used to produce packaging for liquid food, consumer products and fragile industrial products and food.

Product area Paper includes the manufacturing and sales of premium-grade sack and kraft paper including FibreForm® to selected industry and consumer segments as well as the manufacturing and sales of pulp.

Solutions & Other includes the service offer under Managed Packaging, which helps global brand owners take control of their packaging needs in Asia. It also includes Wood Supply, Scandifibre Logistics AB, rental operations, dormant companies, Group-wide functions, Group eliminations, profit/loss from participation in associated companies as well as results from hedging of the Group's net currency flows and revaluation of accounts receivables and payments from customers.

Sales volumes by operating segment

Ktonnes	2020	2019
Product area Board	1 842	1 665
Product area Paper	946	1 007
Total	2 788	2 672

Net sales by operating segment

SEKm	2020	2019
Product area Board	13 600	12 861
Product area Paper	7 576	8 888
Solutions & Other	2 750	2 854
Currency hedging, etc.	-42	-158
Total	23 884	24 445

Net sales by region

SEKm	2020	2019
Sweden	3 724	2 810
Germany	2 877	3 207
China	2 500	2 614
Italy	1 598	1 739
United Kingdom	1 213	1 492
Spain	1 264	1 388
France	1 047	1 145
Rest of Europe	4 992	4 924
Rest of the world	4 669	5 126
Total	23 884	24 445

COVID-19 impact

During the COVID-19 pandemic, BillerudKorsnäs has run its operations without any major disruptions. Precautionary measures have

been taken to safeguard the health of individuals, secure deliveries, support customers and develop contingency plans with regard to critical resources. Some outbound logistical challenges have been faced, but they have been overcome satisfactorily. The financial effects of COVID-19 for BillerudKorsnäs have mainly been related to lower demand and softening of market prices in some segments, as well as delayed maintenance shutdowns. There have been no increases of credit losses.

COVID-19 has impacted the demand for fibre-based products depending on their end markets. Lower demand has been noticeable for products in the industrial segments as well as in consumer segments for food service, fashion carrier bags, and medical and hygiene products. Demand for packaging solutions from apparel and footwear retailers has also declined. For consumer segments like food retail and DIY, COVID-19 has had a neutral to positive effect.

Due to COVID-19, the maintenance shutdowns scheduled in the first half of the year were postponed to the second half of the year. The short notice of rescheduling the maintenance at Gruvön caused a negative effect on the result of around SEK 40 million in the first quarter. It was also assessed to imply an increased negative ramp-up effect of KM7 of SEK 100 million in 2020. The delayed maintenance stops at Gävle, Skärblacka and Pietarsaari resulted in a negative effect of SEK 20 million in the second half of the year.

For further information about COVID-19, see Risk management and sensitivity analysis on page 63.

Financial targets

To support BillerudKorsnäs' target for profitable growth and return for shareholders, the following financial targets have been established:

- Long-term target for growth of 3–4% per year.
- The EBITDA margin shall exceed 17%.
- Return on capital employed (ROCE) shall exceed 13%.
- Long-term target for interest-bearing net debt in relation to EBITDA should be less than a multiple of 2.5.
- The dividend policy is that the dividend shall be 50% of net profit.

Sales and earnings

Net sales for 2020 declined by 2%, mainly due to lower market prices in Product area Paper, while sales volumes increased by 4%. Movements in currency rates did not have material impact on net sales. Net sales increased in Product area Board and decreased in Product area Paper.

EBITDA decreased to SEK 2 712 million (2 830), mainly due to lower market prices, partly offset by lower costs for raw materials, higher volumes and cost savings. Adjusted EBITDA, excluding items affecting comparability of SEK 9 million (-1), declined to SEK 2 703 million (2 831). It represented an EBITDA margin and an adjusted EBITDA margin of 11% (12). See note 6 for information about items affecting comparability.

Net financial items totalled SEK -95 million (179). The positive amount in 2019 was due to dividend from Bergvik Skog AB of SEK 352 million. Profit before tax was SEK 679 million (1 265) and the estimated tax was SEK -3 million (-254). Net profit for the year totalled SEK 660 million (6 720) and the return on equity was 3% (41). In 2019, net profit included profit from discontinued operations of SEK 5 709 million, primarily related to the divestment of a majority share of Bergvik Skog Öst.

Return on capital employed was 3% (4) and it was the same when adjusting for items affecting comparability.

For 2020, a dividend of SEK 4.30 per share (4.30) is proposed by the Board of Directors. The dividend proposal corresponds to approximately 135% of the Group's net profit.

Key events 2020

In March and April it was decided to postpone the maintenance shutdowns at Gruvön, Gävle, Skärblacka and Pietarsaari to the second half of the year, due to COVID-19. The changed plans concerning the maintenance stop at Gruvön had a negative financial effect of around SEK 40 million in the first quarter and had repercussions for the ramp-up of KM7 with an estimated negative effect of around SEK 100 million. The postponed maintenance shutdowns at Gävle, Skärblacka and Pietarsaari had a negative financial effect of around SEK 20 million in the second half of the year.

On 25 March, BillerudKorsnäs announced that the Board of Directors had decided to withdraw the previously proposed extra dividend, related to the financial year 2019. The Board's proposal for an ordinary dividend of SEK 4.30 per share remained. It was further announced that the Board of Directors had the ambition to summon the shareholders to an extraordinary general meeting later during 2020 to resolve on an extra dividend, provided that the uncertainty had decreased and the visibility in the market had improved.

At the Annual General Meeting on May 5, Jan Svensson was elected new member of the Board. The Board members Tobias Auchli, Andrea Gisle Joosen, Bengt Hammar, Michael M.F. Kaufmann, Kristina Schaudman and Victoria Van Camp and Jan Åström were re-elected. The Annual General Meeting elected Jan Åström as Chairman of the Board and Michael M.F. Kaufmann as Vice Chairman of the Board.

In May, BillerudKorsnäs announced that it had entered into an agreement with UPM that entails an extension of the supply agreement for pulp, steam and electricity for production at BillerudKorsnäs' mill in Pietarsaari. The new contract is based on market terms and applies from June 2020. As part of the agreement, BillerudKorsnäs would pay a compensation of EUR 15 million to UPM and a provision of SEK 160 million was therefore made in the second quarter.

In June, it was announced that a simplified organizational structure would be introduced to create the conditions for increased efficiency. The new organization with three functional areas; Wood Supply, Operations and Commercial, was introduced 1 August. As a consequence of the new organization, the Executive Leadership Team was reduced and Mikael Andersson, EVP Division Board, and Magnus Wikström, EVP Innovation, left the company.

In June, BillerudKorsnäs communicated the launch of Pure Performance, a white top kraftliner, which combines high strength, excellent printability and purity in one material. Pure Performance offers material reduction thanks to its 3-ply construction. It was one of the first products produced by the board machine KM7 at Gruvön and was well received by customers.

On 3 July, BillerudKorsnäs announced that it had changed its accounting method for valuing forest land assets and had made a

valuation of around 36,000 hectares of forest assets, of which around 18,000 hectares are productive forests. The forest land are now valued at fair value, see Note 14 for more information.

On 17 July, it was announced that Christoph Michalski had been appointed President and CEO of BillerudKorsnäs and to start as of 1 November 2020. Christoph Michalski has since 2015 been the CEO and Executive Director of Vinda International Holding, a leading Asian producer of innovative and high-quality tissue and hygiene products, publicly listed on the Hong Kong stock exchange. Before that, he held a series of senior executive positions in the SCA Group, Unilever and Fonterra.

In September, BillerudKorsnäs launched a recyclable flow wrap, a new fibre packaging solution for fast-moving consumer products. This solution enables the transition from conventional plastic to paper and meets medium to high barrier requirements for chocolate cakes, confectionery and bakery products. BillerudKorsnäs' recyclable flow wrap can be installed on existing and new flow wrapping machines.

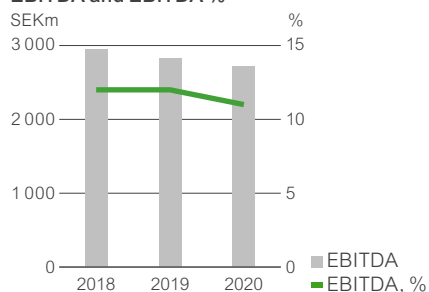
On 10 September, The Board of Directors decided not to submit a proposal for an extra dividend for 2019 against the assessment that the uncertainty remained high and the visibility in the market was still limited.

On 1 October, a new reporting structure was implemented as a consequence of organizational changes earlier in the year. The three operating segments are Product Area Board, Product Area Paper and Solutions & Other. All comparable figures for 2019 and 2020 in this annual report have been restated according to the new organization.

On 1 November, Christoph Michalski assumed the position as President and CEO of BillerudKorsnäs. Lennart Holm, who was acting President and CEO from 5 November 2019 to 31 October 2020, and member of the Board of Directors 2012–2020, whereof Board Chairman 2014–2019, remained in the company until the end of 2020.

In December, the subsidiary BillerudKorsnäs Venture agreed to divest its 10.1% ownership in BioBag to Novamont. The divestment was completed in January 2021 and does not impact the result in 2021.

EBITDA and EBITDA %



Summary

	2020	2019 ¹
Net sales, SEKm	23 884	24 445
Operating profit before depreciation/ amortisation (EBITDA), SEKm	2 712	2 830
Gross margin (EBITDA), %	11%	12%
Operating profit/loss, SEKm	774	1 086
Operating margin, %	3%	4%
Return on capital employed, %	3%	4%
Profit/loss before tax, SEKm	679	1 265
Net profit/loss, SEKm	660	6 720
Earnings per share, SEK	3.19	32.50

¹ In 2019, net profit and earnings per share were affected by profit from discontinued operations of SEK 5 709 million, primarily related to the divestment of a majority share of Bergvik Skog Öst.

EBITDA and EBITDA-margin by operating segment

	2020		2019	
	SEKm	%	SEKm	%
Product area Board	1 855	14	1 771	14
Product area Paper	1 035	14	1 400	16
Solutions & Other	-136		-182	
Currency hedging, etc.	-42		-159	
Total	2 712	11	2 830	12

For quarterly data, see pages 125-126.

Operating segments

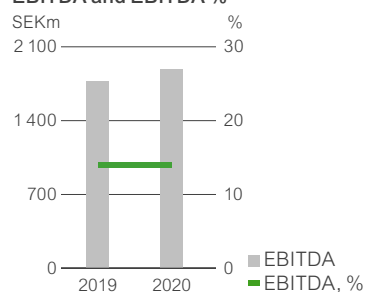
BillerudKorsnäs' result is reported in three operating segments in accordance with IFRS 8: Paper area Board, Paper area Paper and Solutions & Other. See Significant accounting policies from page 78.

Product area Board

Net sales rose by 6% compared with 2019. The rise was primarily a result of higher volumes of cartonboard and containerboard.

EBITDA increased by 5% to SEK 1 855 million (1 771). The improvement was mainly due to lower costs and an improved development of the new board machine at Gruvön. Operating profit amounted to SEK 516 million (662).

EBITDA and EBITDA %



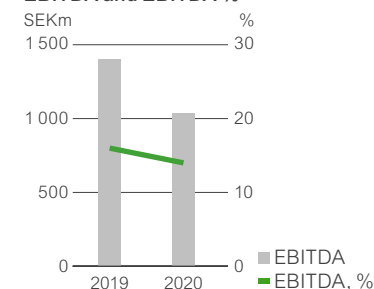
SEKm	2020	2019
Net sales	13 600	12 861
Operating expenses, net	-11 745	-11 090
EBITDA	1 855	1 771
EBITDA, %	14%	14%
Depreciation, amortisation and impairment losses	1 339	1 109
Operating profit/loss	516	662
Operating margin	4%	5%
ROCE, %	3%	4%
Sales volumes, ktonnes	1 842	1 665

Product area Paper

Net sales fell by 15% compared to 2019. The decrease was mainly due to lower market prices.

EBITDA decreased by 26% to SEK 1 035 million (1 400). Lower market prices were only partly offset by lower raw material costs and cost savings. Operating profit amounted to SEK 558 million (885).

EBITDA and EBITDA %



SEKm	2020	2019
Net sales	7 576	8 888
Operating expenses, net	-6 541	-7 488
EBITDA	1 035	1 400
EBITDA, %	14%	16%
Depreciation, amortisation and impairment losses	477	515
Operating profit/loss	558	885
Operating margin	7%	10%
ROCE, %	10%	16%
Sales volumes, ktonnes	946	1 007

Solutions & Other (incl. currency hedging)

Net sales were almost unchanged and amounted to SEK 2 708 million (2 696).

EBITDA improved and amounted to SEK –178 million (–341). Earnings were positively impacted by increased currency hedging result and higher earnings from associated companies. Operating profit amounted to SEK –300 million (–461).

Solutions & Other (incl. currency hedging)

SEKm	2020	2019
Net sales	2 708	2 696
Operating expenses, net	–2 886	–3 037
EBITDA	–178	–341
Depreciation, amortisation and impairment losses	–122	–120
Operating profit/loss	–300	–461

Market development

The value of the global packaging market is expected to grow by approximately 3% per year. BillerudKorsnäs has a strong position in attractive segments. In 2020, market conditions were challenging in several segments. Demands was affected by COVID-19, mainly within Product area Paper and Managed Packaging, while the market conditions for most segments in Product area Board were stable. Packaging for food and dairy products is a relatively resilient market segment that accounts for almost a third of the global packaging need.

Safety and production stability

During 2020 several initiatives have been executed across all mills with aim to increase safety for everyone working at BillerudKorsnäs. The initiatives included standards and rules for increased safety, and also a change in our culture. The number of accidents resulting in absence per million hours worked (LTIFR) for employees was 6.1 (7.3).

Production stability initiatives continue, where we execute similar activities as we implement within safety. The initiatives entail upgrading standards, cooperating with suppliers to increase preventive maintenance and developing our people. The overall equipment efficiency in the Group was slightly higher in 2020 compared to the previous year.

Growth

Growth, which is measured as the increase in net sales adjusted for additions and deductions with amounts corresponding to the net sales of acquired and divested operations, was –2% in 2020.

SEKm	2020	2019
Net sales	23 884	24 445
Paper Bottle Co A/S (ecoXpac A/S), acquired March 29 and divested July 9, 2019	–	–4
Net sales for comparable units	23 884	24 441

Investments and capital employed

Operative investments in property, plant, equipment and intangible assets amounted to SEK 1 250 million (2 868).

In 2020, the focus for the investments was on achieving a more stable and safe production.

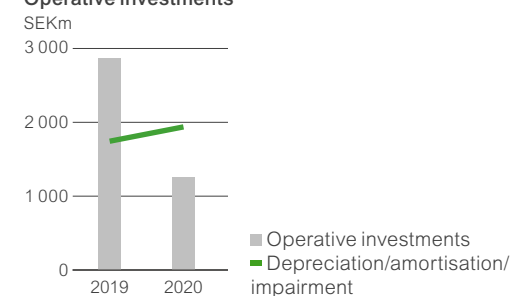
The total investment relating to the new board machine at Gruvön, KM7, amounts to around SEK 7 950 million for the period 2016 to 2020. The total investment amount includes a deduction of approximately SEK 200 million, relating to withheld payments to a supplier in the project. The supplier has raised claims against BillerudKorsnäs for the withheld payments. BillerudKorsnäs has raised claims against the supplier exceeding the withheld payments. The dispute will be tried in legal proceedings.

BillerudKorsnäs' capital employed at 31 December 2020 totalled SEK 24 667 million (24 938). Return on capital employed (ROCE), calculated over the past 12-month period, was 3% (4) and was the same if adjusted operating profit was used in the calculation.

Return on equity was 3% (41). The return on equity in 2019 was impacted by the sale of Bergvik Skog Öst.

Working capital in the fourth quarter was 11% (8) in relation to net sales.

Operative investments



Cash flow and financial position

Summary Cash Flow Statement

SEKm	2020	2019
Operating surplus, etc.	2 406	2 674
Change in working capital, etc.	–53	–463
Net financial items, taxes, etc.	–22	108
Cash flow from operating activities	2 331	2 319
Operative investments	–1 250	–2 868
Operating cash flow after operative investments	1 081	–549

Operating cash flow after operative investments strengthened to SEK 1 081 million (–549). The increased cash flow was mainly due to a normalized investment and working capital level after the KM7 project.

Interest-bearing net debt at 31 December 2020 amounted to SEK 5 373 million (5 476). The Group's net interest-bearing debt in relation to EBITDA at the end of the year was 2.0 (1.9) and the ratio was the same if adjusted EBITDA was used in the calculation.

Financing

At 31 December 2020, interest-bearing loans totalled SEK 7 325 (7 842) million. Of the interest-bearing loans, bond loans totalled SEK 5 900 million (6 300), commercial papers SEK 0 million (0) and other interest-bearing loans SEK 1 425 million (1 542). Of the bond loans, SEK 800 million is due in 2021, SEK 1 700 million in 2022, SEK 1 800 million in 2023, SEK 600 million in 2024 and SEK 1 000 million in 2025.

The syndicated credit facility with a maximum limit of SEK 5 500 million falling due in 2024 was unused at year-end.

Capital Structure, Summary

31 December	2020	2019
Capital employed, SEKm	24 667	24 938
Financing:		
Interest-bearing net debt, SEKm	5 373	5 476
Interest-bearing net debt/EBITDA, multiple	2.0	1.9
Equity, SEKm	19 294	19 462
Net debt/equity ratio, multiple	0.28	0.28

Currency hedging

The currency hedging policy is to hedge 0–80% of net flows over the next 15 months. Any deviations from the policy must be approved by the Board of Directors.

Currency hedging had a combined earnings impact of SEK 113 million (–231) for 2020 (compared with if no hedging had taken place).

BillerudKorsnäs' outstanding foreign exchange contracts at 31 December 2020 had a market value of SEK 284 million, of which SEK 63 million is the portion of the contracts corresponding to accounts receivable that has affected earnings in 2020. Other contracts had a market value of SEK 221 million.

The hedged proportion of currency flows and the SEK exchange rates for EUR, USD and GBP at 31 December 2020 are shown in the table below.

Hedged proportions of currency flows for EUR, USD and GBP and exchange rates against SEK¹

Currency	Q1–21	Q2–21	Q3–21	Q4–21	Q1–22	Total 15 months
EUR						
Proportion of net flow	89%	83%	85%	70%	8%	67%
Exchange rate	10.66	10.80	10.68	10.42	10.46	10.64
USD						
Proportion of net flow	78%	70%	52%	15%	-	43%
Exchange rate	9.35	9.71	9.32	9.02	-	9.44
GBP						
Proportion of net flow	33%	-	-	-	-	7%
Exchange rate	11.17	-	-	-	-	11.17
Market value of currency contracts ¹	85	104	67	26	2	284

¹ At 31 December 2020.

Maintenance shutdowns

Production unit	Shutdown cost 2020 SEKm	Estimated shutdown cost SEKm	Estimated breakdown of shutdown cost		Planned dates of maintenance shutdown		
			Board	Paper	2021	2020	2019
Gävle	167	~165	~94%	~6%	Q3	Q3	Q2
Gruvön	164	~170	~92%	~8%	Q2	Q3	Q3
Frövi	138	~115	100%		Q4	Q4	Q4
Skärblacka	134	~120	~12%	~88%	Q2	Q4	Q2
Karlsborg	68	~60		100%	Q3	Q3	Q3
Pietarsaari	14	~15		100%	-	Q4	-
Rockhammar	9	~15	100%		Q4	Q4	Q4
Total	694	~660					

Maintenance shutdowns at Beetham have an insignificant effect on BillerudKorsnäs' earnings.

Tax situation

BillerudKorsnäs' effective tax rate is normally estimated at 20–22%. The tax expense for 2020 was SEK 3 million (254), equivalent to a tax rate of 0% (20). The low effective tax rate was mainly due to additional recognition of a deferred tax asset in Finland, and re-valuation of deferred tax liabilities, mainly as a result of decreased tax rate in Sweden. The rate of tax in Sweden was 21.4% in 2020 and will be lowered to 20.6% in 2021.

Environmental and permit issues

BillerudKorsnäs has six production units in Sweden, one in Finland and one in the UK that require permits under environmental legislation. These permits apply primarily to the production of pulp and paper, and operation of landfills and ports where applicable.

BillerudKorsnäs has all the official permits necessary to conduct operations at the volumes produced in 2020. The production units affect the environment through water discharges and air emissions as well as noise and waste generation. In addition, raw materials are consumed such as wood, chemicals and energy. Inbound and outbound transportation has an indirect environmental impact.

BillerudKorsnäs' Swedish production units have been awarded emission allowances for carbon dioxide within the EU for 2020. The allocation for the eight-year period that begins in 2021 has not been concluded at the end of 2020.

Under Chapter 6 Section 11 of the Annual Accounts Act, BillerudKorsnäs AB (publ) has chosen to prepare the statutory sustainability report as a separate report from the annual accounts on pages 26–42, 63–67, 114–121 and a GRI appendix available at <https://www.billerudkorsnas.com/sustainability>. The report has been prepared in

accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting, GRI Standards: Core option.

Product and process development

The costs of product and process development, to the extent attributable to research activities, are charged to profit in the year that they arise. In 2020, such costs accounted for approximately 0.5% (0.5) of BillerudKorsnäs' operating costs.

Seasonal effects

BillerudKorsnäs' business is to a relatively limited extent subject to seasonal fluctuations. Periodical maintenance shutdowns have the largest impact, as each production unit stops production for around one week. The loss of production results in somewhat lower deliveries over an extended period before, during and after the shutdown. BillerudKorsnäs' costs are relatively stable throughout the year. Fixed costs are slightly lower in the summer, however, due to fewer maintenance projects and holidays. Energy costs are slightly higher in the winter because of higher energy consumption and normally higher energy prices, especially for electricity.

Maintenance shutdowns

In addition to ongoing maintenance during production, BillerudKorsnäs' production units normally also require more extensive maintenance at some point during the year. In order to carry out maintenance, production of pulp and paper is stopped. The principal cost items in a maintenance shutdown are loss of volumes arising from the shutdown and fixed costs, mainly maintenance and overtime costs, as well as a certain portion of variable costs including higher consumption of electricity and wood when production is restarted. The effects of shutdowns on earnings vary depending on the extent of measures carried out, their nature and the actual length of the shut-

down. The estimated cost of shutdown is an assessment of the impact on earnings of a normal shutdown, compared to a quarter during which no periodic maintenance shutdown takes place.

Other seasonal effects

A considerable share of volumes for BillerudKorsnäs Flute® are used for packaging for exporting fruit from the Mediterranean area. Demand by this group of customers varies with the fruit export season and is usually highest in September to March.

A considerable share of BillerudKorsnäs' sack paper and Quick-Fill® sack paper goes to packaging for cement and building materials. The demand for building materials in Europe is generally higher in May to October.

Share structure

At 31 December 2020, the share capital totalled SEK 1 537 642 792, represented by 208 219 834 shares. The number of shares on the market totalled 206 831 912.

During 2020 BillerudKorsnäs transferred 42 140 shares under the long-term incentive programme resolved by the 2017 Annual General Meeting. No shares were repurchased during the year.

At 31 December 2020, BillerudKorsnäs' holdings of treasury shares totalled 1 387 922, representing a decrease of 42 140 shares compared with 31 December 2019. These bought-back shares are held as security for conditional rights in the long-term incentive programmes.

Distribution of shares

31 December	2020
Registered number of shares at start of year	208 219 834
Repurchased shares in Company treasury	-1 387 922
Shares on the market	206 831 912

BillerudKorsnäs shares

The share capital of BillerudKorsnäs AB is represented by 208 219 834 ordinary shares, of which 1 387 922 are owned by BillerudKorsnäs AB. Each share carries an entitlement to one vote at the Annual General Meeting. Transfer of shares is not restricted by law or by the Company's articles of association.

The two largest shareholders at year-end 2020 were Frapag Beteiligungsholding AG and AMF Pension & Funds. Frapag Beteiligungsholding AG owned 25 000 000 shares, corresponding to 12.1% of the shares in the market at 31 December 2020. At the same time, AMF Pension & Funds owned 21 383 794 shares, corresponding to 10.3% of the shares in the market. No other shareholder owned 10% or more of the total number of shares at 31 December 2020. The Company knows of no agreements between shareholders that may restrict the right to transfer shares. Appointment and dismissal of Board members, and changes to the articles of association, are subject to approval by the Annual General Meeting. Agreements between the Company and other employees that regulate their own resignation or dismissal by the Company conform with normal labour market practice.

Parent company

The parent company BillerudKorsnäs AB includes the head office and support functions.

Operating profit for 2020 was SEK -129 million (-321). The operating loss includes the effect of hedging contracts and revaluations of trade receivables.

The parent company hedges both its own and the Group's net currency flows. The parent company's earnings include the results of these hedging measures. These earnings were SEK 113 million (-231) in 2020.

The parent company is responsible for the Group's financing issues, and most of the Group's external interest-bearing debt is raised by the parent company.

The average number of employees at 31 December 2020 was 135 (132). Cash and bank balances, and short-term investments totalled SEK 2 836 million (3 260).

Risk management in parent company

For a description of the Group's risk management, see the 'Risk management and sensitivity analysis' section. The description applies, where appropriate, to both the Group and parent company. Specific differences concerning the parent company are commented on under this heading.

For an understanding of the risk exposure in the parent company, the following should be taken into account:

Customer credit

The parent company's accounts receivable represent approximately 80% of the Group's accounts receivable, because a large share of the production units' accounts receivable are taken over by the parent company after invoicing and are collected by the parent company. However, the risk of any bad debt losses remains with the invoicing company. Of total provision within the Group for doubtful accounts receivable in 2020, SEK 0 million (0) was attributable to the parent company.

Exchange rate exposure

All forward foreign exchange contracts for the Swedish operations are taken out by the parent company, while the exposure to payment flows in foreign currency is borne by all the Swedish, Finnish and British production units. Exposure for the parent company is thus lower than that of the forward contracts signed. This applies up to the invoicing date, because the parent company takes over the accounts receivable for the Swedish, Finnish and British production units. At year-end 2020, foreign exchange contracts not yet recognised in profit/loss for the parent company nominally totalled SEK 2 917 million (4 624), which will be recognised in profit/loss in 2021.

Interest rate risk

The Group's borrowing is conducted primarily via the parent company and accounted for 100% (100) of the Group's total borrowing at 31 December 2020. As a result, the parent company has the same exposure to changes in interest rates as the Group.

Proposed allocation of profit

As shown in Note 22, non-restricted equity in the parent company, BillerudKorsnäs AB, totalled SEK 6 271 million at 31 December 2020.

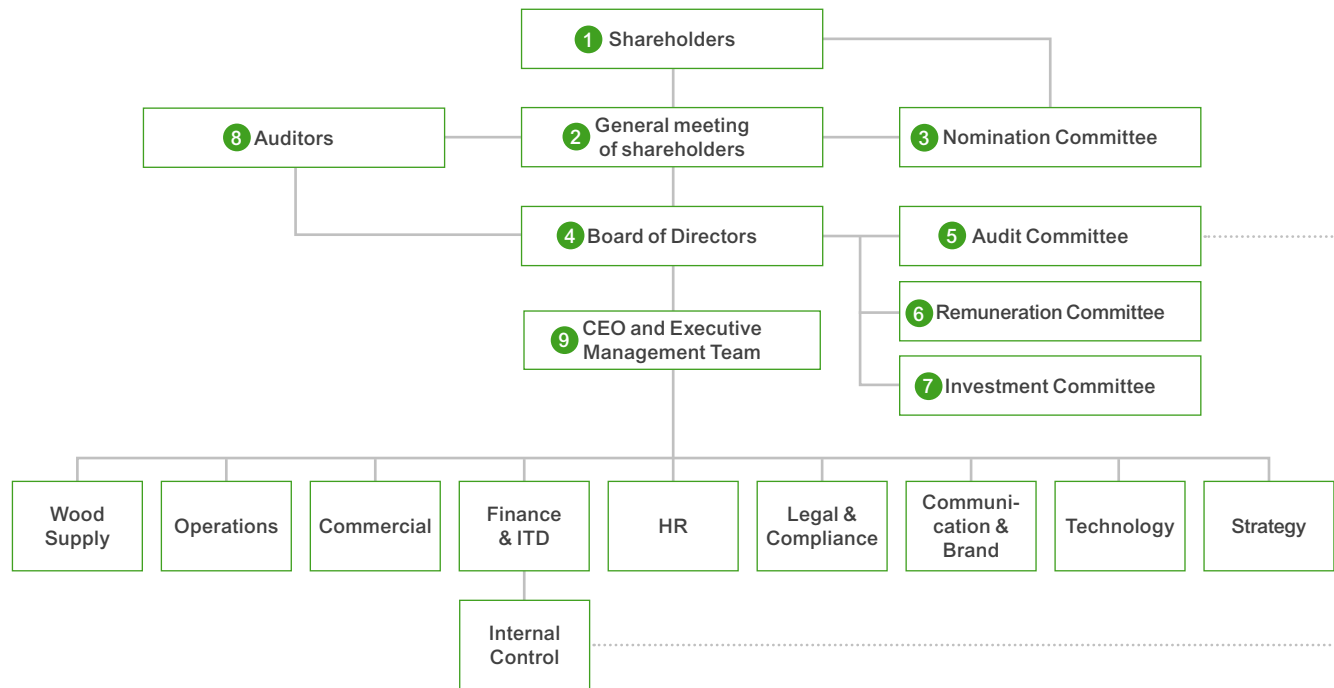
BillerudKorsnäs' financial targets state that dividend is to be 50% of net profit and that the long term ratio of interest-bearing net debt to EBITDA is to be less than 2.5. Group interest-bearing net debt in relation to EBITDA at the end of 2020 was 2.0 (1.9). BillerudKorsnäs' Board of Directors proposes that a dividend of SEK 4.30 per share is paid to shareholders. The dividend proposal corresponds to approximately 135% of the Group's net profit.

Events after the close of the financial year

See Note 32 for Events after the end of the period.

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 2020 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 111-113.



As a publicly traded Swedish company listed on Nasdaq Stockholm, BillerudKorsnäs applies the Swedish Code of Corporate Governance ('the Code'). The Code is available at www.corporategovernance-board.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 2020, 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.

1 Shareholders

BillerudKorsnäs' shares are listed on Nasdaq Stockholm. At year-end 2020, the total number of shareholders was 96 409, compared with 96 846 at the previous year-end. Each share carries an entitlement to one vote. The proportion of foreign ownership was 36.6% (37.3) of the number of shares on the market. Other groups of shareholders consisted of Swedish mutual funds 25.7% (22.0), Swedish individuals including closely held companies 21.6% (24.1) and Swedish institutions 16.1% (16.6). The largest shareholder, Frapag Beteiligungsholding AG, owned 25 000 000 shares, corresponding to 12.1% of shares on the market. The second largest shareholder, AMF Pension & Funds, owned 21 383 794 shares, corresponding to 10.3% of the shares on the market. No other shareholder owned 10% or more of the number of shares at the end of 2020. 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.

2 General meeting of shareholders

The general meeting of shareholders 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 The Official Swedish Gazette. 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.

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
- Rules on Remuneration of the Board and Executive Management

Examples of internal regulations affecting BillerudKorsnäs' governance:

- Articles of association
- Board of Directors' instructions and rules of procedure
- BillerudKorsnäs' Code of Conduct
- BillerudKorsnäs' internal steering documents

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 Executive 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.

2020 Annual General Meeting

The 2020 AGM took place on 5 May 2020, and addressed matters customarily dealt with at the AGM. The AGM also voted to introduce a long-term incentive programme (LTIP 2020). Precautionary measures with respect to the risk of spreading the corona virus were taken at the meeting, including that the AGM was webcasted and that a minimum number of representatives from the company were present at the meeting. The minutes and other documents from the AGM are available on the Company's website.

2021 Annual General Meeting

BillerudKorsnäs' 2021 AGM will take place on 5 May 2021 in Stockholm, and notice of the AGM will be made in March/April 2021. 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.

Due to the coronavirus pandemic, the Board of Directors has decided that the Annual General Meeting shall be conducted without the physical presence of shareholders, proxies and third parties, and that shareholders shall have the opportunity to exercise their voting rights only by post before the meeting.

Notice of the 2021 Annual General Meeting and more information regarding voting by post and the opportunity to ask questions to the Annual General Meeting can be found on BillerudKorsnäs' website www.billerudkorsnas.com.

3 Nomination Committee

The main task of the Nomination Committee is to produce proposals for Board members and auditors, for remuneration to 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 members appointed by the Company's major shareholders. Please see the table below for the composition of the Nomination Committee for the 2021 AGM. For further information about the Nomination Committee instructions, see www.billerudkorsnas.com.

The Nomination Committee held several meetings prior to the 2021 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, the 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 during 2020. The objective is that the composition of the Board shall be appropriate, versatile and comprise a diverse set of Board members including in relation to gender, age and nationality, as well as experiences, professional backgrounds and business disciplines matching BillerudKorsnäs' key priorities. 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 AGM.

Composition of and voting representation on the Nomination Committee

Representative	Shareholder	Share of voting power, % ¹
Michael M.F. Kaufmann	Frapag Beteiligungsholding AG	12.1
Tomas Flodén	AMF Insurance and Funds	10.3
Lennart Francke	Swedbank Robur funds	6.6
Thomas Wuolikainen	Fourth AP Fund	6.4

¹ At 31 December 2020.

Board member Michael M.F. Kaufmann was appointed Chairman of the Nomination Committee prior to the 2021 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. However, under the Nomination Committee guidelines determined by the AGM, the chairman of the Nomination Committee should be the member appointed by the major shareholder, and it has been considered acceptable that Michael M.F. Kaufmann assumes this position. Michael M.F. Kaufmann has been chairman of the Nomination Committee in recent years.

4 Board of Directors

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 2020 AGM established that the Board of Directors should consist of eight members and voted to re-elect Board members Tobias Auchli, Andrea Gisle Joosen, Bengt Hammar, Michael M.F. Kaufmann, Kristina Schauman, Victoria Van Camp and Jan Åström and to elect Jan Svensson as a new member of the Board. The Annual General Meeting also decided to elect Jan Åström as Chairman of the Board and Michael M.F. Kaufmann as Deputy Chairman of the Board. 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 Knööös. 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 61-62.

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. An inaugurating 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, and the execution of the key strategic initiatives is subsequently followed up at during the year.

Work of the Board in 2020

The Board held 19 meetings in 2020, including the inaugurating meeting. For information on attendance at these meetings, see the table below. 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 and investments, new 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 monthly reports on the Company's financial position. At ordinary meetings, reports are submitted about ongoing work relating to Wood supply, Operations, Commercial and Group functions.

One of the top priorities for the Board during the year has been the recruitment of a new CEO, to replace Lennart Holm who has served as interim CEO since 2019. In July 2020, the Board made a decision to appoint Christoph Michalski as new CEO of the Company. Another priority for the Board has also been the corona virus and the effects that this pandemic has had on the company and actions to mitigate negative effects. As a consequence of the increased uncertainty due to the pandemic, the Board took a decision in March to withdraw the initial proposal of an extra dividend in order to protect the financial position and manoeuvrability of the company. During the year, the Board has also worked on preparations for the investment in a new recovery boiler in Frövi, which was announced in January 2021, and has also carefully monitored the continued ramp-up of KM7. The Board also worked on other strategically important issues, such as potential company acquisitions, and projects and initiatives within the areas of sustainability, innovation and digitalization.

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 2020, a detailed assessment of the Board's work was conducted with the aid of an external consultant. The assessment included a careful preparation to assess the most important topics to evaluate and was followed by questionnaires to and interviews with Board members and other important stakeholders, including the Nomination Committee members. The purpose of the assessment is to gain an understanding of 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 whether the composition of the Board is adequate with respect to the company's business and strategy, and to identify areas which may require additional capabilities within the Board or areas which should be accorded more scope and time by 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, without the CEO being present. However, with respect to 2020, the Board concluded that there was not sufficient basis for making an assessment of the company's new CEO Christoph Michalski, considering that he joined in November 2020. For 2021, however, the Board will make a customary assessment of the CEO's performance, without the CEO being present in the meeting.

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 inaugurating Board meeting and the work and authority of the committees are regulated by the committee instructions, which are reviewed and adopted annually.

The committees have a preparatory and administrative role. Issues addressed at committee meetings are documented in meeting minutes and reported at the following Board meeting, where resolutions are made (as applicable).

5 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 to ensure that the Company is audited in a professional, efficient and independent way. Without having an impact on the Board's other responsibilities and tasks, the audit committee has the responsibility to address important accounting issues and general taxation 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 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's auditor reports directly to the audit committee 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 Kristina Schauman (Chairman), Andrea Gisle Joosen and Tobias Auchli. An employee representative attends the meetings of the audit committee.

Work in 2020

The committee held seven meetings in 2020. During the year, the committee addressed the following auditing topics; audit plan for 2020, enterprise risk management, internal control, financing, currency and energy hedging and tax. 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 regarding issues reported on the audit committee meetings. The Board's work on internal control related to financial reporting is summarised in "Internal control and risk management for financial reporting".

6 Remuneration Committee

The principal function of the remuneration committee is to prepare the Board's decisions on matters relating to remuneration principles, remuneration amounts and other remuneration related employment terms for members of the Executive Management Team. The committee also monitors and evaluates programmes for variable compensation to the Executive Management Team. Further, the Remuneration Committee also monitors and evaluates the implementation of guidelines for remuneration.

Attendance at Board meetings and committee meetings

Member	Position	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Investment Committee meetings
Jan Åström	Chairman	19/19		6/6	5/5
Michael Kaufmann	Deputy chairman	17/19		6/6	
Tobias Auchli	Member	19/19	7/7		5/5
Andrea Gisle Joosen	Member	18/19	7/7	6/6	
Bengt Hammar	Member	19/19			5/5
Lennart Holm ¹	Member	8/8			
Gunnevi Lehtinen Johansson	Member	19/19			
Nicklas Johansson	Member	19/19			
Kristina Schauman	Member	18/19	7/7		
Jan Svensson ²	Member	10/11			
Victoria Van Camp	Member	18/19			4/5

¹ Lennart Holm left the Board at the Annual General Meeting on 5 May 2020

² Jan Svensson became a Board member at the Annual General Meeting on 5 May 2020

neration 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 for BillerudKorsnäs' Executive Management Team, make proposals to the Board about the salary and other remuneration to the CEO and, on the recommendation of the CEO, make decisions on salary and other remuneration to the managers who report directly to the CEO. The remuneration committee consists of Board members Jan Åström (Chairman), Michael M.F. Kaufmann and Andrea Gisle Joosen.

Work in 2020

The committee held six meetings in 2020. In 2020, the committee considered bonus payments with respect to 2019, outcome on LTIP 2017 and prepared a proposal for LTIP 2020 for the AGM. The committee also handled remuneration matters related to the new CEO and other new recruitments to the Executive Management Team, as well as in relation to certain persons that left the Executive Management Team. The committee also put in place a directive on side-line occupation for the Executive Management Team members. The guidelines on remuneration to the CEO and other senior executives, as well as the actual figures, are contained in the section "Remuneration at BillerudKorsnäs" and Note 29.

7 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 Bengt Hammar (Chairman), Victoria van Camp, Tobias Auchli and Jan Åström.

Work in 2020

The committee held five meetings in 2020. In 2020, the committee focused primarily on matters related to the preparations for an investment decision regarding a new recovery boiler in Frövi, following up on the ramp-up of KM7, strategic wood supply and other potential strategic investments.

8 Auditors

The Company's auditors are appointed by the general meeting of shareholders. At the 2020 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 2021 AGM. Ingrid Hornberg Román is currently also auditor for Apoteket, Linas Matkasse, OK Ekonomisk Förening, RISE Research Institute of Sweden and SOS Alarm.

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 seven occasions and the Board, without the presence of the senior management, on one occasion in 2020.

9 CEO and Executive Management Team

The Company's Chief Executive Officer (CEO) is appointed by the Board of Directors. In July 2020, after a comprehensive recruitment process, the Board took the decision to appoint Christoph Michalski as new CEO of the Company, replacing Lennart Holm who had served as interim CEO since November 2019. 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 Executive Management Team (EMT) are jointly responsible for daily operations. The CEO has appointed an EMT that is responsible for different parts of the business. The EMT consists of the CEO, EVP Commercial, EVP Operations, EVP Wood Supply, EVP CFO, EVP HR, EVP Legal & Compliance, EVP Communication & Brand (from May 2021), EVP Technology, EVP Strategy. For further information about the members of the EMT, see pages 59-60.

The role of the EMT 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 EMT sets targets for operational activities, allocates resources and monitors the business' earnings. The EMT is also responsible for investment planning and follow-up, acquisitions and divestments, and for preparations for Board meetings. The EMT is taking active measures to involve employees in developing the corporate strategy and culture and to fulfil its values.

The CEO chairs EMT meetings and makes decisions in consultation with the other senior executives. The EMT 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 EMT meets weekly for short telephone conferences, and as necessary.

Organization and governance

As a step in the ongoing process to improve efficiency and enhance the company's ability to adapt to major changes in the outside world, BillerudKorsnäs underwent an organizational re-structuring during 2020. The new organization is built along the business flow around three functional areas: Wood Supply, Operations and Commercial. In parallel, the resources for sustainability and innovation was grouped in a common new function, Sustainability & Strategic Development. The solutions business is an independent unit reporting to the CEO, but not represented in the Executive Management Team. An important element of the company's governance is the steering document framework, which ensures that governing documents in BillerudKorsnäs are established, implemented, applied, monitored and reviewed consistently and appropriately across the Group. The Board has adopted a specific set of eight policies that steer the company on the top level (however below our Code of Conduct); Governance Policy, Responsible Business Policy, Sustainability Policy, Communication & Information Policy, Finance Policy, People Policy, Operations & Quality Policy and Safety Policy.

Guidelines for remuneration to senior executives

The 2020 AGM adopted guidelines on the remuneration of senior executives in the Group. The guidelines state, for example, that BillerudKorsnäs shall be on market terms as regards compensation levels and terms of employment. The remuneration shall consist of fixed cash salary, variable cash remuneration, pension benefits and other benefits. In addition, the general meeting may resolve on long-term share and share price-related remuneration. The variable cash remuneration to the CEO and EMT members is paid based on outcomes in relation to clearly stated goals and shall amount to a maximum between 30 and 70 per cent of their respective annual fixed cash salary. The pension premiums for defined contribution pension shall amount to a maximum of 30 per cent of the annual fixed cash salary. Other benefits may include, for example, life insurance, medical insurance and company car. In the event of termination of an employment, a notice period of six to twelve months is normally applied and a right to severance pay corresponding to the fixed cash salary for one year if the employment is terminated by BillerudKorsnäs. When termination is made by an EMT member, the notice period may not exceed six months, without any right to severance pay.

For the complete resolution on principles for remuneration for 2020, see Note 29. The Board's proposal for guidelines in 2021 is presented in the section "Remuneration at BillerudKorsnäs".

Remuneration at BillerudKorsnäs

BillerudKorsnäs endeavours to attract, retain and develop the right people through a competitive remuneration package that clearly links pay to performance. BillerudKorsnäs' short- and long-term incentive plans are developed in line with the Group's strategic and financial targets, designed to deliver sustainable value for shareholders whilst realising the Group's strategy.

BillerudKorsnäs has a clear philosophy on remuneration which is based on principles of competitive national and regional pay levels that help attract, retain and develop the right people. The Group's remuneration philosophy shall support the Group through our managers and employees realising BillerudKorsnäs' vision and operating targets.

The purpose of the remuneration guideline is to support BillerudKorsnäs by encouraging employees to understand the Group's overall objectives and strategies. The remuneration shall support internal

and external pay equity and create a clear line of sight between performance, pay and development. 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 in BillerudKorsnäs

Fixed pay

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

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

Variable pay

Short-term incentive programme (STIP)

Variable pay in the shape of a STIP is paid depending on actual results measured against detailed Group objectives and target levels, up to a set maximum amount or percentage of fixed annual base pay. The Group uses a consistent variable pay process for all staff to highlight the link between individual performance and the Group's result against annually defined objectives and target levels. Variable pay is only exercised if the BillerudKorsnäs Group has a positive operating profit.

Long-term share-based incentive programme (LTIP)

The purpose of BillerudKorsnäs' LTIP is to increase the Groups' ability to retain senior executives and key employees by linking their financial interests to the shareholders. To participate in the programme participants must hold privately purchased saving shares until the end of each programme. The LTIP runs over three years and the outcome depends on the achievement of various financial and share price-linked performance requirements.

Retirement

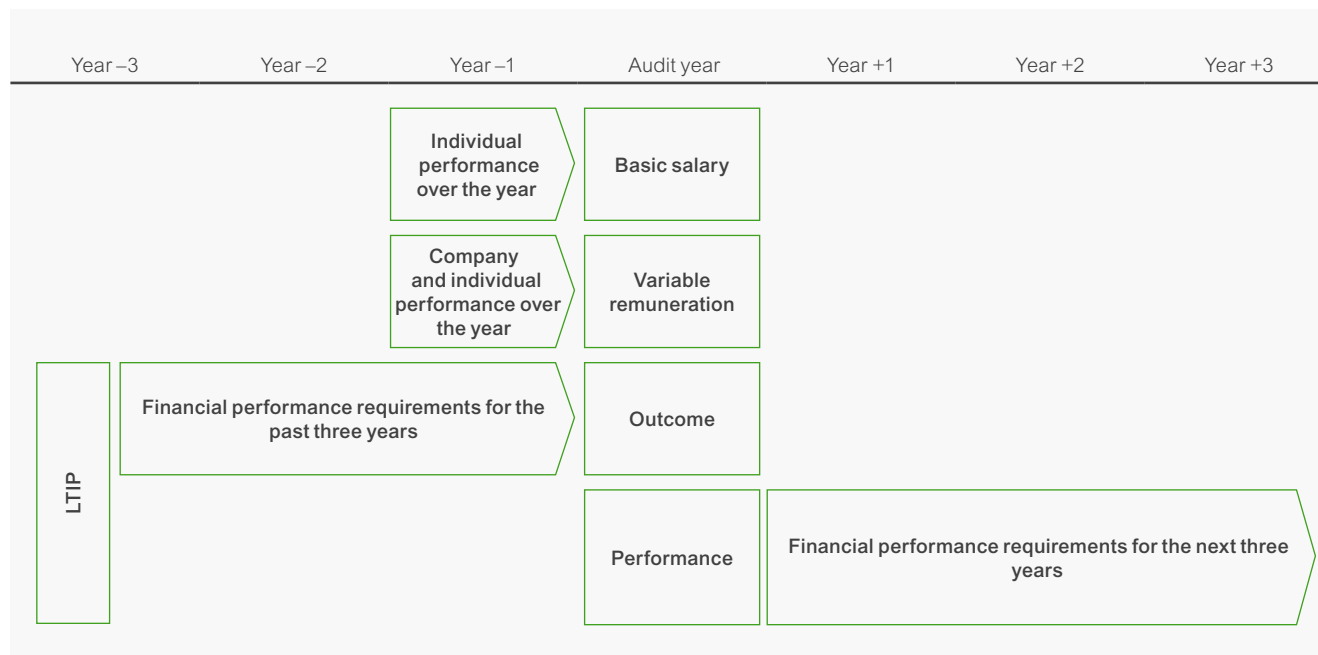
BillerudKorsnäs offers pension benefits as stipulated by the collective bargaining agreement in the markets where this is applicable or otherwise to the median of the national market.

Other benefits

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

Long-term incentive programme (LTIP)

The 2010–2020 AGMs approved the introduction of long-term incentive programmes (LTIP 2010–2020) 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 employees within the BillerudKorsnäs Group. The 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 take part in the LTIP, the participants are required to purchase and hold BillerudKorsnäs shares, known as savings shares. The general rule for the LTIP is that for each saving share that participants invest in, partici-



pants may receive allocated shares at the end of the vesting period, at no charge other than relevant benefit taxation handled by local payroll. The maximum number of participants invited to participate in the LTIP are usually 100 participants and the programme gaging consist of three to four categories. Category 1 includes the CEO role, and gives a maximum of 1:6 of saving shares to performance shares at vesting. Category 2 for LTIP 2020 includes the Executives Management Team and other senior management roles such as heads of mills, and gives a maximum of 1:5 saving shares to performance shares at vesting. Category 1–2 may consist of maximum 20 participants. Category 3 for LTIP 2020 include other key employees, and gives a maximum of 1:4 saving shares to performance shares at vesting.

For rights to performance shares under LTIP 2017 to LTIP 2020, the following financial performance objectives are measured:

- (a) BillerudKorsnäs' annual organic growth,
- (b) BillerudKorsnäs' average adjusted EBITDA margin.
- (c) BillerudKorsnäs' sustainability performance (only LTIP 2020).

Performance requirements grant shares on a straight-line basis between minimum and maximum levels. For LTIP 2017-2019, one of the shares is a matching share, that is not dependent of an performance objective. LTIP 2017 to LTIP 2020 are also dependent on total shareholder return (TSR).

Historical data, completed long-term incentive programmes

Percentage of performance criteria set



Guidelines for remuneration of senior executives 2021

The board proposes that the annual general meeting resolves to adopt the following guidelines for remuneration for the CEO and the other members of the group's Executive Management Team (EMT members). The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the annual general meeting 2021. The guidelines do not apply to any remuneration approved by the general meeting, for example ordinary board remuneration and BillerudKorsnäs long-term share-related incentive programs.

Long-term incentive programme (LTIP)

Programme	Number of participants	Savings shares	Max. allocation of BillerudKorsnäs shares	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 2020 is charged with, SEKm
2018	61	34 398	137 592	0.1%	4 (2)	31 (22)	0
2019	80	56 351	253 055	0.1%	11 (4)	55 (31)	2
2020	94	67 494	311 574	0.1%	25 (8)	78 (40)	5

The guidelines' promotion of BillerudKorsnäs' business strategy, long-term interests and sustainability

BillerudKorsnäs is challenging conventional packaging for a sustainable future and this mission describes the purpose of BillerudKorsnäs' business operations. Profitable growth is essential when challenging less sustainable packaging materials and solutions over time. In order to deliver profitable growth, a goal-oriented and intensive work is being undertaken. BillerudKorsnäs' employees are the people that with a customer focus, are driving the change that is needed to realise the strategy and achieve our ultimate purpose - a sustainable future.

For further information on BillerudKorsnäs' business strategy, see the company's website www.billerudkorsnas.com/about-us/strategy-platform.

A prerequisite for the successful implementation of the BillerudKorsnäs' business strategy and safeguarding of BillerudKorsnäs' long-term interests, including its sustainability, is that BillerudKorsnäs is able to recruit and retain qualified employees with high competence and capacity to achieve set goals. BillerudKorsnäs will challenge conventional packaging for a sustainable future – and it is BillerudKorsnäs' talented and high-performing employees that are the people driving the change that is needed to realise the strategy and achieve this purpose. To achieve this, it is necessary that BillerudKorsnäs offers competitive total remuneration which creates incentives for senior executives to think new, feel responsibility, cooperate and create value. The goal is to create incentives to promote BillerudKorsnäs' business strategy and long-term interests, deliver exceptional results and to link incentives for key persons within BillerudKorsnäs with the shareholders' interests. These guidelines enable this objective and that EMT members can be offered a competitive total remuneration.

Types of remuneration, etc.

BillerudKorsnäs shall be on market terms as regards compensation levels and terms of employment. The remuneration shall consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Furthermore, the general meet-

ing may resolve on, among other things, share and share price-related remuneration.

The variable cash remuneration to the EMT members is paid based on outcomes in relation to clearly stated goals and shall amount to a maximum of 70 per cent of their respective annual fixed cash salary. Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are only made on an individual basis, either for the purpose of recruiting or retaining EMT members, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 100 per cent of the annual fixed cash salary. Any resolution on such remuneration shall be made by the board based on a proposal from the remuneration committee.

Decisions on long-term share and share price-related remuneration are made by the general meeting – irrespective of these guidelines. Long-term share and share price-related remuneration shall be designed to ensure long-term commitment to BillerudKorsnäs' development and in order for the CEO and EMT members to have a significant, long-term shareholding in BillerudKorsnäs. The outcome of the long-term share- and share price-related remuneration shall be linked to certain predetermined performance criteria based on BillerudKorsnäs' share price and / or results. For more information about these program, including the criteria for the outcome, see the company's website www.billerudkorsnas.com/about-us/corporate-governance under the headings "Long-term incentive programs" and "Remuneration".

Pension benefits shall be defined contribution. The pension premiums for defined contribution pension shall amount to a maximum of 35 per cent of the annual fixed cash salary. Variable cash remuneration shall qualify for pension benefits to the extent required by mandatory collective agreement provisions.

Other benefits may include, for example, life insurance, medical insurance (Sw: sjukvårdsförsäkring) and company car. Premiums and other costs related to such benefits may amount to not more than 40 per cent of the annual fixed cash salary.

The decision-making process to determine, review and implement the guidelines

The board has established a remuneration committee. The committee's tasks include preparing the board's decision to propose guidelines for executive remuneration. The guidelines shall be in force until new guidelines are adopted by the general meeting. The board shall prepare a proposal for new guidelines where material changes of the guidelines become necessary, and in any case at least every fourth year and submit it to the general meeting.

The remuneration committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in BillerudKorsnäs. The members of the remuneration committee are independent of the company and its executive management. The CEO and EMT members do not participate in the board's processing of and resolutions regarding remuneration-related matters if they are affected by such matters.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Criteria for awarding variable cash remuneration, etc.

The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. They may also be individualised, quantitative or qualitative objectives. The objectives for the group for variable cash remuneration may change

from year to year depending on the group's focus areas and strategic decisions.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The remuneration committee is responsible for the evaluation so far as it concerns variable remuneration to the CEO. For variable cash remuneration to other EMT members, the CEO is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by BillerudKorsnäs.

Variable cash remuneration shall only be paid provided that BillerudKorsnäs' operating profit is positive, and the remuneration committee shall only use its discretion to decide on variable remuneration in accordance with the goals set out above in a way that implies that there is a link between such compensation and BillerudKorsnäs' result.

Salary and employment conditions for employees

In the preparation of the board's proposal for these remuneration guidelines, salary and employment conditions for employees of BillerudKorsnäs have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the board's basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to executives and remuneration to other employees will be disclosed in the remuneration report.

Termination of employment

In the event of termination of an employment, a notice period of a maximum twelve months is applied and a right to severance pay corresponding to a maximum of the fixed cash salary for one year if the employment is terminated by BillerudKorsnäs. When termination is made by an EMT member, the notice period may not exceed six months, without any right to severance pay.

Remuneration to board members elected by general meetings

Board members elected by general meetings in BillerudKorsnäs shall in special cases be able to be remunerated for services within their respective areas of expertise, which do not constitute board work in BillerudKorsnäs AB. For these services, a market-based fee shall be paid, which must be approved by the board.

Derogation from the guidelines

The board may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve BillerudKorsnäs' long-term interests, including its sustainability, or to ensure BillerudKorsnäs' financial viability. As set out above, the remuneration committee's tasks include preparing the board's resolutions in remuneration-related matters. This includes any resolutions to derogate from the 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 regarding 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 Assessments
3. Control Activities
4. Information and Communication
5. Monitoring

For more information about BillerudKorsnäs' corporate governance work, please see the section Corporate Governance in BillerudKorsnäs on pages 50-53.

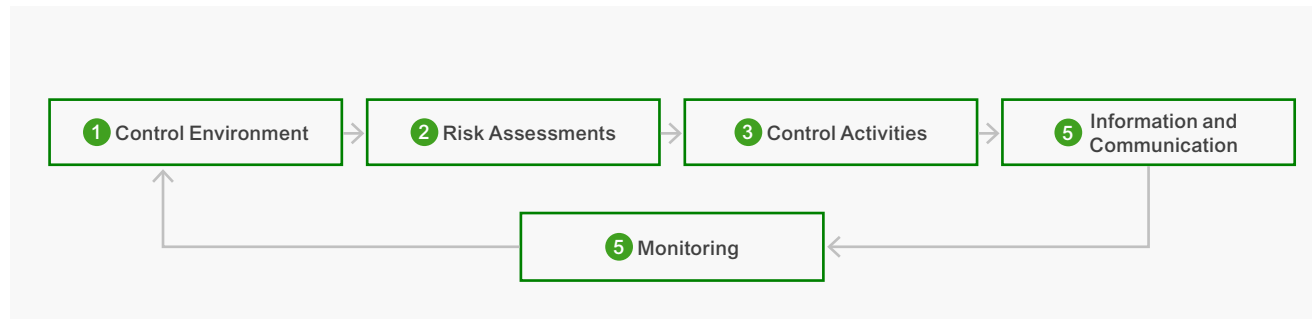
1 Control Environment

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' employees, there are steering documents aimed at ensuring clear 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 a professional, efficient and independent way. The work of the audit committee is described in more detail on page 52.

The Executive Management Team reports regularly to the Board based on predetermined procedures. The audit committee also reports to the Board. The Executive Management Team is responsible for ensuring that essential internal controls are implemented as necessary to manage significant risks in day-today activities. This includes Group-wide steering documents to enable individual employees to understand their role in the work in maintaining adequate internal control. Examples are a Code of Conduct, Governance Policy and Finance Policy. BillerudKorsnäs' shared service centre ensures effective and uniform management of financial processes through the development of uniform procedures and control system and creates the necessary documentation. This documentation is updated annually or as necessary to reflect changes to processes and ensure that applicable laws and regulations are followed.

2 3 Risk Assessment and Control Activities

Risk assessments are made regularly to identify risks that may arise within BillerudKorsnäs if the internal controls in the financial processes are not effective. BillerudKorsnäs' Enterprise Risk Management (ERM) process is further described in the section Risk



management and sensitivity analysis on page 63. Risks relating to financial and reporting, including risk for errors in the financial reporting, are included in the ERM process.

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 steering documents 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 assesses effectiveness in 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.

The Company has an Enterprise Risk Management (ERM) process in place as well as a process for loss prevention and Group-wide

insurance programmes. Within the framework of ERM, material risks of errors in financial reporting are continuously identified and it is ensured that adequate controls are in place.

Material risks are reported to the Board of Directors.

For information regarding financial risks and important items subject to appraisal and assessment, please see the Risk Management and Sensitivity Analysis section and Note 38.

4 Information and Communication

Material governing documents 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 continued 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. The Board has adopted eight policies. Directives have been updated and aligned to the group common policies and the work to align processes and procedures will continue in 2021.

Both formal and informal information channels carry important information from staff to the Executive Management Team and the Board. For example, BillerudKorsnäs has a whistle-blower function, Speak-Up Line, through which employees and external parties can report suspected irregularities anonymously. The reporting includes an option of anonymous dialogue between the person reporting and the person receiving reports. The channel is known as "The Speak-Up Line".

There is a Communication & Information policy for external communication that ensures that the BillerudKorsnäs meets strict requirements on accurate information for financial markets.

5 Monitoring

The Audit Committee carries out preparatory work prior to the Board's assessment of the information submitted by the Executive 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 in 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 (internal audit). Based on a Board decision in December 2019, a separate internal audit or review function has not been in place during 2020. The decision was based on the structural organisation of internal control and the monitoring performed by the functions within Risk Management and controller organisation. In December 2020, the Board decided that a separate internal audit or review function is to be implemented in 2021. The issue of a separate internal audit function is reviewed annually by the board.

Executive Management Team¹

Christoph Michalski

President & Chief Executive Officer

Education: Master in Economics, Christian Albrechts University.

Year employed: 2020

Year born: 1966

Other assignments: Board member of Vinda International

Background: CEO Vinda International, President SCA Hygiene, President SCA Asia Pacific, Director Global Marketing and Business Development Fonterra Brands, Unilever – various executive positions.

Shareholding²: 10 000 shares

Helene Biström

Executive Vice President Commercial

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

Year employed: 2019

Year born: 1962

Other assignments: Board member of Boliden AB.

Background: CEO Infranord, CEO Norrenergi, Deputy CEO Vattenfall AB.

Shareholding²: 10 000 shares

Uno Brinnen

Executive Vice President Wood Supply

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.

Shareholding²: 1 357 shares

Paulina Ekvall

Executive Vice President Human Resources

Education: Bachelor in HR Management/labor law, Lund University.

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

Shareholding²: 4 000 shares

Ulf Eliasson

Executive Vice President Technology

Education: MSc, Chalmers University of Technology, Gothenburg.

Year employed: 2012

Year born: 1962

Other assignments: –

Background: Executive Vice President Sustainability & Strategic Development, Executive Vice President Sourcing & Technology, Senior Vice President Production BillerudKorsnäs AB, Senior Vice President Consumer Board BillerudKorsnäs AB, Mill Manager Korsnäs AB, Vice President & Site Manager Rolls-Royce AB, Senior Vice President & CEO Stora Enso Skoghall AB.

Shareholding²: 8 927 shares

Tor Lundqvist

Executive Vice President Operations

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

Year employed: 2010

Year born: 1971

Other assignments: –

Background: Business Unit Director Division Solutions, BillerudKorsnäs. Mill Director Skärblacka Mill BillerudKorsnäs. Managing Director Stora Enso Hylte AB.

Shareholding²: 3 798 shares

Andreas Mattsson

Executive Vice President & General Counsel

Education: Master of Law, Lund University.

Year employed: 2013

Year born: 1978

Other assignments: –

Background: Senior Associate, law firm Cederquist.

Shareholding²: 5 102 shares

Ivar Vatne

Executive Vice President & Chief Financial Officer

Education: MSc in Economics, Norwegian School of Economics and Business Administration (NHH).

Year employed: 2019

Year born: 1978

Other assignments: Board member of Paper Bottle Company A/S.

Background: CFO Arla Foods UK Ltd, CFO Arla Foods AB, Vice President Finance Europe Region Fiskars. Various positions in Procter & Gamble for ten years.

Shareholding²: 2 730 shares

¹ Changes in the Executive Management Team in 2021:

Erik Olsson started as Executive Vice President Strategy on February 1. On May 1 2021, Nina Ekstrand starts as Executive Vice President Communication & Brand and Anna-Maria Tuominen Reini as Executive Vice President Wood Supply (and replace Uno Brinnen who will retire), and both will be part of the Executive Management Team. Helene Biström will leave her employment during 2021 (recruitment is ongoing).

² Own and related parties shares.



Board of Directors



Jan Åström

Chairman of the Board

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

Year born: 1956

Other assignments: Chairman of the Board of Bergvik Skog Öst AB. Member of the Board of ECO Development AB and Frill Holding AB (publ). Chairman of the foundation Central Fund for Employees in Forestry and the Forest Industry, as well as chairman of the Swedish Wrestling Federation.

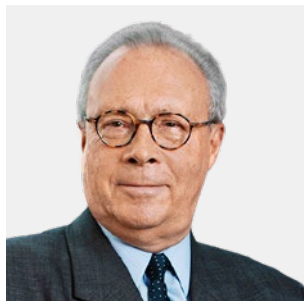
Background: President and CEO of Ahlstrom Munksjö Oyj, SCA AB, Modo Paper AB. Head of Business Group for SCA Fine Paper and Head of SCA Packaging Munksund.

Elected: 2018

Committee assignments: Chairman of the Remuneration Committee, Member of the Investment Committee.

Shareholding¹: 111 shares

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



Michael M.F. Kaufmann

Vice Chairman of the Board

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

Year born: 1948

Other assignments: Chairman of Frapag Beteiligungsholding AG, Frapag America, Inc., Frapag Slovakia and Grimming Holding Romania. CEO of Hartmann Liegenschaftsverwaltung GmbH, Kleinsölk Forstwirtschaftsverwaltung GmbH, MIKA Classic Cars GmbH and MIKA Privatstiftung.

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

Elected: 2005

Committee assignments: Member of the Remuneration Committee.

Shareholding¹: 22 250 shares

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



Tobias Auchli

Board member

Education: MA HSG, University of St Gallen.

Year born: 1972

Other assignments: Chairman of the Board and CEO of Verlumenda SA.

Background: Head Innovation and R&D, Global Ice Cream Division, Nestlé SA, Director Corp. Marketing & Innovation Acceleration, Nestlé SA and General Manager Liquid & Dairy Culinary Milks, Nestlé Greater China Region.

Elected: 2018

Committee assignments: Member of the Audit Committee and the Investment Committee.

Shareholding¹: 0 shares

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



Andrea Gisle Joosen

Board member

Education: MSc International Business, Copenhagen Business School.

Year born: 1964

Other assignments: Chairman of Acast AB, Board member of Dixons Carphone PLC, ICA Gruppen AB, James Hardie Industries PLC, Qred AB and Logent AB.

Background: CEO of Boxer TV Access AB, Nordic Managing Director of Panasonic, Chantelle and Twentieth Century Fox Home Entertainment. Previously held management positions at Johnson & Johnson and Procter & Gamble. Chairman of the Board of Teknikmagasinet AB, Member of the Board of Mr Green & Co AB.

Elected: 2015

Committee assignments: Member of the Audit Committee and the Remuneration Committee.

Shareholding¹: 2 350 shares

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



Bengt Hammar

Board member

Education: BA and MA in International Economics and Politics, Princeton University, New Jersey, United States.

Year born: 1951

Other assignments: Senior Adviser, Pöyry Capital Ltd.

Background: Founder and CEO of Pöyry Capital Ltd.; 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.

Elected: 2014

Committee assignments: Chairman of the Investment Committee.

Shareholding¹: 2 000 shares

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



Kristina Schauman

Board member

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

Year born: 1965

Other assignments: Member of the Boards of ÅF Pöyry AB, Coor Service Management AB, BEWISynbra Group AB, Nordic Entertainment Group AB and Diaverum AB.

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

Elected: 2014

Committee assignments: Chairman of the Audit Committee.

Shareholding¹: 4 000 shares

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

¹ Own and related parties shares.



Jan Svensson
Board member

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

Year born: 1956

Other assignments: Chairman of the Board of AB Fagerhult, Tomra Systems ASA. Board member in Loomis AB, Assa Abloy AB, Nobia AB, Herenco Holding AB, Stena Metall AB and Climeon AB (publ).

Background: CEO of Investment AB Latour, 2003–2019, CEO of AB Sigfrid Stenberg, 1986–2002.

Elected: 2020

Committee assignments: –

Shareholding¹: 8 000 shares

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



Victoria van Camp
Board member

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

Year born: 1966

Other assignments: CTO and President, SKF Technology, 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.

Elected: 2017

Committee assignments: Member of the Investment Committee.

Shareholding¹: 600 shares

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



Nicklas Johansson

Board member, employee representative

Year born: 1968

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

Background: –

Elected: 2017

Committee assignments: Co-opted member of the Investment Committee.

Shareholding¹: 0 shares



Gunnevi Lehtinen Johansson

Board member, employee representative

Education: Chemistry studies at Åbo Akademi University, Turku.

Year born: 1969

Other assignments: Production controller in BillerudKorsnäs.

Background: –

Elected: 2016

Committee assignments: Co-opted member of the Audit Committee.

Shareholding¹: 750 shares



Ulrika Gustafsson

Deputy employee representative

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: –

Elected: 2016

Shareholding¹: 1 000 shares



Bo Knöös

Deputy employee representative

Year born: 1964

Other assignments: Chair, Swedish Paper Workers Union local branch 96. Member of the steering committee in The Industry Council of Värmland.

Background: –

Elected: 2017

Shareholding¹: 0 shares

¹ Own and related parties shares.

Risk management and sensitivity analysis

BillerudKorsnäs recognize that in all its operations and activities there are uncertainties that could have positive and/or negative effects on the company's objectives, brand, and performance. Through an efficient risk management process, as described below, BillerudKorsnäs strives to maximize the potential opportunities to achieve the company's strategy and objectives (strategic-, financial-, operational-, and sustainability) and to minimize the associated risks.

Risk management processes

The strategy is decided by the Board of Directors. On an overall level risk management is governed by the Board of Directors, it then follows the normal delegation scheme, from the Board of Directors to the CEO and from the CEO to organisation. In practice this means that most operational risk is managed by Wood Supply, Operations, Commercial and Group functions on a local level but are coordinated when deemed beneficial to do so. The way risk management is coordinated is partly through the Enterprise Risk Management (ERM) process where mainly operational risk is identified, assessed and managed by Wood Supply, Operations, Commercial and Group functions but also through the strategy process where mainly strategic and external risk is identified, assessed and managed. Major risks, based on the probability and impact on the company's objectives, are reported to the executive leadership team and audit committee twice per year and to the Board of Directors annually as well as being monitored in Wood Supply, Operations, Commercial and Group function's regular reporting. Every second year the ERM risk map is assessed and complemented as needed through a top-down approach.

The outcome of the above activities is part of the below presented list of risks. The overall risk management process according to ERM is shown in the illustration on the right.



Potential effects of the COVID-19

Description of risks

The COVID-19 pandemic have had a large impact globally and significant measures to prevent the spread of infection have been imposed in a number of countries (travel bans, meeting restrictions, quarantines for certain areas etc.). Political initiatives to support affected industries and economic growth have been implemented in Sweden as well as globally.

A severe economic downturn could have a negative impact on the demand for BillerudKorsnäs' products and services. However, BillerudKorsnäs has a well-diversified product portfolio with a large part of sales attributed to material used for consumer products, which has a tendency to be less affected by economic downturns.

Logistics and transportation are critical to the BillerudKorsnäs operations. Disturbances in the flow of carriers would entail a risk that BillerudKorsnäs could not be able to deliver goods to customers on time. Supply of raw material such as wood and chemicals are to some extent depending upon specialty trucks and certified drivers that could fall ill and become unavailable for a period of time.

BillerudKorsnäs' production sites require unique competencies to run production. If a large part of these employees fall ill at the same time it could lead to difficulties managing the workforce to keep up production.

Risk management

BillerudKorsnäs has followed and complied with local authorities' guidelines for example alternative work space at home have been used when possible and local authorities have been consulted particularly in planning and execution of maintenance outages. Close and open contacts with customers and suppliers help managing and preparing for the management of challenging logistics and transportation of raw material and finished goods. Critical resources have been identified throughout the company and contingency plans have been created and are regularly being updated to make the organization prepare for challenging conditions.

Operational risks

Risks related to facilities

Description of risks

BillerudKorsnäs has production facilities for paper, board and pulp production at eight sites in three countries. Sudden and unforeseen disruptions may affect each facility's capacity to produce as planned, which, in addition to a direct financial impact, may affect customer relationships and the company's long-term competitiveness.

Risk management

Preventive work to avoid and mitigate sudden and unforeseen disruptions to production is given top priority and undertaken through internal planning, control carried out by independent inspection bodies and in collaboration with insurance companies. Investments are constantly being made to improve the status of facilities. BillerudKorsnäs insures its facilities to their full value with respect to property and business interruption.

Comments 2020

Efforts to systematically avoid risk through, for example, intelligent choice of construction materials and lay-outs together with preventive and mitigating measurements is continuing. Risk identification and analysis at production facilities, in projects and other operations has been a strong focus during the year in order to continue preventing losses and damages.

Cost of wood raw material

Description of risks

Market prices for wood vary over time, which can affect BillerudKorsnäs' earnings. Prices are influenced by demand from the pulp industry, indicating that changes in output for the pulp industry as a whole in the Nordic countries may lead to long-term changes in the cost of wood raw materials. Increased use of, for example, sawn timber and wood as a combustion material, especially in connection with the use of biofuel for electricity and heat generation, may also indirectly affect the price of pulp wood. Changes in customs duties may also impact on the price of imported timber.

Changes in transport costs also have an impact on the price of wood, as, in the long term, do political decisions on how the forests as a natural resource should and may be utilised.

Risk management

In general, prices in contracts with major suppliers are set on a periodic basis. This may create problems with deliveries to BillerudKorsnäs if the parties cannot reach agreement on the market price that is to apply. Continuous efforts are made to keep logistics as efficient as possible.

Comments 2020

During 2020 market prices decreased as a result of weaker competition in the wood market and strong wood flow from the forest.

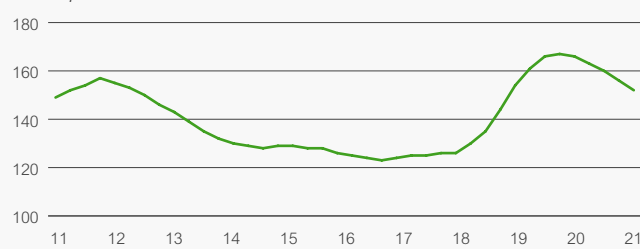
The volumes from insect (spruce bark beetle) attacked forests in southern and middle of Sweden increased. BillerudKorsnäs has taken part in joint industry efforts in order to take care of all volumes from insect attacked forests. That is important in order to reduce the risk of major increase of insect attacks that potentially can kill big volumes of spruce forests.

BillerudKorsnäs follows and take precautionary actions to mitigate climate effects also in forestry operations. Such actions are taken when it comes to risk for forest fires, storm fellings, insect attacks and logistics.

To keep and increase interest and understanding in the forests and all their assets, as well as what modern and sustainable forestry means, BillerudKorsnäs continued to support educational initiatives for schoolchildren in Sweden and also, through the Swedish Forest Industries Federation, in the information campaign "The Swedish Forest".

BillerudKorsnäs' continued intention is to increase the proportion of purchases of certified wood raw material, which can also imply an increased risk since the supply of certified wood raw material is limited.

Wood price index



Rolling 12 months

Source: BillerudKorsnäs

New technology and changed patterns of consumption

Description of risks

New technology and products may lead to reduced or increased demand for packaging paper. Risks include changed or improved methods for producing plastic-based packaging solutions and collecting and recycling the plastics. The increased awareness among the public and decision makers about plastic waste and plastic pollution problems presents an opportunity for alternative packaging materials such as wood fibre based packaging.

Risk management

One of the strategy areas for BillerudKorsnäs with a view to attaining profitable growth is to actively search for and work on know-how further along the value chain. It means that BillerudKorsnäs makes a strong commitment to interacting with players and consumers further along the packaging value chain. This is done both through cooperation projects with brand owners and through the company's own studies on consumer preferences. In that way BillerudKorsnäs learns about future requirements for packaging and can then enhance its offering.

Comments 2020

The trend of brand owners all over the world and in a wide range of business areas replacing plastic packaging and single-use products with renewable and recyclable materials grew even stronger. In the EU, the development was boosted by the ban on single-use plastic products like cups, plates, cutlery and straws from 2021 which was approved by the EU Parliament during the spring of 2019.

In many countries, regions and municipalities globally, similar bans have been announced especially focusing on plastic bags.

Competition

Description of risks

A constantly present risk is increased competition in BillerudKorsnäs' existing markets. This can take place through existing market players acting more aggressively than in the past, for example as a result of expanded capacity, or through new players entering the market.

Risk management

BillerudKorsnäs' strategy for minimising the impact of increased competition in its existing markets is to continuously improve its own competitiveness. This is done through efficiency efforts and by enhancing the production structure. For this purpose, the company positions its products in segments where a greater effort is required, both financially and in terms of knowledge, in order to compete.

Comments 2020

BillerudKorsnäs continuously performs market analysis in order to guide the company's development based on an accurate picture of the world in which it operates. During 2020, the ramp-up of the new board machine in Gruvön has progressed according to plan. The company's biggest investment ever which will become a key to supplying customers with material meeting their future needs.

Political and regulatory risk

Description of risks

BillerudKorsnäs' business is affected by various political decisions and legislative measures, for example in the areas of forestry, environmental policy, trade policy, transport policy, energy policy and recycling issues. An evolving patchwork of requirements that affect the forest and packaging industry are developing at international and national level, partly driven by an increased sustainability and climate awareness. There is a risk of legislators failing to understand the industry, with the implication that BillerudKorsnäs may need to shift in portfolio, invest in new technologies or be subject to increased operating costs.

Risk management

BillerudKorsnäs' Director Sustainability and the Sustainability function are responsible for the company's dialogue with decision-makers in relevant areas to ensure that the forest and packaging industry is well understood. The focus is on political processes in Sweden and in the EU. The department monitors development and identifies issues of particular significance to BillerudKorsnäs and its value chain partners, and acts accordingly. The dialogue with decision-makers often takes place together or in coordination with other actors with the same interests as BillerudKorsnäs, for example the Swedish Forest Industries Federation or the two Brussels-based industry associations CEPI and ACE.

Comments 2020

Several legislative processes with a potential impact on BillerudKorsnäs' operations were under way in 2020. The European Green Deal developed in 2020, offering both opportunities and challenges. For example, the circular economy action plan may require new barrier solutions in the packaging industry and strategies on biodiversity and forests may restrict forestry operations. It will also be of importance that BillerudKorsnäs succeeds to meet its climate target. The Group is well positioned to meet these potential requirements and we expect an increased demand of fiber based materials.

During the year, BillerudKorsnäs actively participated in several trade organisations and network collaborations, such as CEPI, ACE, GRACE, EXTR:ACT, 4Evergreen and the Swedish Forest Industries Federation. Current actions are, among others, to influence the European Green Deal strategies, emissions trading system and recycling of beverage cartons and paper material.

BillerudKorsnäs has been working on measures to mitigate possible negative effects of different Brexit scenarios during the year. BillerudKorsnäs was well prepared for all scenarios and the impact of the Brexit has been limited.

Operating in high risk markets

Description of risks

Some of the markets where BillerudKorsnäs operates (i.e. where BillerudKorsnäs sells or sources goods/services or otherwise is present), have a comparatively higher risk from a regulatory, financial and/or reputational point of view. These markets are characterised by, for example, that they have a high rate of corruption, that they are subject to international sanctions (or domicile a high rate of sanctioned entities and individuals), and/or they do not live up to applicable international standards on human rights etc.

Accordingly, when acting in markets of higher risk, and when engaging with business partners in these markets, BillerudKorsnäs is exposed to an increased risk of being involved in/with or linked to corrupt activities, to sanctioned individuals and entities, to breaches of human rights and/or to other financial crime. This increased risk exposure can lead to breaches of applicable law, international standards and/or internal rules (Group Code of Conduct and Group Policies) and/or to not meeting external requirements and expectations, which in turn can lead to higher costs, fines, damages to reputation or loss of revenue.

Risk management

BillerudKorsnäs has a process for establishing a presence through own operations in new markets. The process contains a risk assessment of significant factors that may affect the business situation as well as the Group's compliance risks. BillerudKorsnäs employs local skills and makes use of external experts to ensure sufficient knowledge of local circumstances and compliance with laws and regulations. BillerudKorsnäs has a Code of Conduct that applies to all employees and a Supplier Code of Conduct that shall be applied to all suppliers above SEK 1 million. These codes establish minimum requirements that representatives and business partners must live up to in respect of these subject matters. Internal and external persons can report suspected serious wrongdoings and actions that may breach the Code of Conduct through the BillerudKorsnäs channel for confidential reporting, "Speak-Up Line". BillerudKorsnäs arranges trainings in anti-bribery, preventing anti-competitive practices and sanctions compliance towards risk exposed positions. BillerudKorsnäs has a process for assessment and monitoring of business partners in high-risk markets from a sanctions, anti-corruption, anti-money laundering and human rights risk point of view. Billerud-

Korsnäs has complete restrictions on doing business in certain markets with unacceptable risk (so called excluded markets).

Comments 2020

The Code of Conduct has been under review, and implementation activities of the new Code will be conducted in 2021. The Internal Control, Legal & Compliance and Tax functions have carried out trainings to international sales offices to ensure awareness in BillerudKorsnäs Responsible Business Policy and framework for Steering Documents. The Group's Responsible Business Compliance Program is further described on page 41.

Product safety

Description of risks

BillerudKorsnäs produces material with specific safety requirements, e.g. food contact materials and medical paper. We meet our customers' very high demands to ensure safe products for third parties. This raises product safety issues and involves risks for compensation claims if neglected (for example in relation to contamination of foods or beverages, damage caused by packaging leaks, etc.). Besides potential harm to third parties, e.g. consumers of packed food, this can lead to complaint costs, harm to reputation, loss of customer trust, lower revenue, withdrawal of consumer products and legal expenses.

Risk management

The framework regulation for materials in contact with food in the EU sets the base level for product safety for all our products. However, up to this date, no harmonised legislation for paper and board in contact with food exists. The German recommendation (BfR) and US FDA legislation are regarded as best practice in Europe and the main part of the market that we operate in and serve as criteria to fulfil the framework regulation within BillerudKorsnäs. Compliance with other legislations, such as the Chinese standards for food contact applications and ISO 11607-1 Packaging for terminally sterilized medical devices in relation to medical packaging as well as determining physical characteristics according to relevant parts of EN 868, are also important in this context.

Our food safety management system (all mills are certified according to ISO 22000 or FSSC 22000) covers quality control and product safety in raw material sourcing, paper and board production and delivery of the finished products. Reported non-compliances both in production and at customer's premises are systematically followed up. Agreements with suppliers, customers and partners in the packaging value chain clarifies the responsibilities of each part regarding product safety issues from raw materials to finished products.

Comments 2020

2020 has been a very special year due to the global pandemic crisis. A lot of effort has been put on ensuring a secure supply of production chemicals fulfilling relevant criteria for food contact materials as well as a stable and safe production.

Our customers are showing an increased interest and need regarding product safety, e.g. with respect to analysis of included components and preparations for future tightening of legislation on chemicals and other legal aspects. There is a challenge with upcoming demands for sustainability; this is expected in the near future.

There is also a continuously growing need for handling product safety issues internally in research and development of new packaging materials, new areas of use for our materials and in development of converted packaging materials.

Implementation of strategy

Description of risks

Ineffective implementation of strategic plans, incorrect investment decisions and failure in fostering commitment among staff for the strategic focus can lead to a gradual downturn in revenue and profitability and adversely affect the balance sheet. Incorrectly targeted investments can result in immediate, large and/or long-term losses, reduced scope for investment, harm to reputation and increased capital costs.

Risk management

Large parts of the organization has been involved in creating the strategy to assure a strategy that contains intelligence and ideas available throughout the organisation. This way the level of understanding for the strategy, commitment to and implementation of the same is enhanced. Throughout the strategy process, risks/challenges and opportunities based on market trends and developments have been analysed and thereafter influenced the strategic decisions. All strategic initiatives are regularly followed up and deviations from the implementation of the strategy and its objectives are managed. Risk based scenarios have been analysed from a financial perspective and alternative plans have been developed.

Comments 2020

The focus has been work to with the four strategic priorities and ten underlying initiatives identified in the strategy process in 2019 to deliver on our purpose and financial targets.

Energy price risk

Description of risks

BillerudKorsnäs uses electricity, biofuels, oil and LPG, and these energy products account for a significant percentage of its manufacturing costs. Higher energy prices result in higher operating expenses and have an adverse impact on operating profit.

The biggest factor affecting energy costs is the price of electricity in the STO (SE3) electricity area in Sweden. Areas LUL (SE1), Sweden, and HEL (FI), Finland, also have production units that pose a certain electricity price risk. In total, BillerudKorsnäs consumes around 3.3 TWh/year, 1.4 TWh/year of which is produced in the company's own back pressure facilities, and 1.9 TWh/year is bought in.

Risk management

In principle, all in-company electricity generation is biofuel-based and the cost of in-company generation follows the trend in biofuel prices.

The cost of electricity is managed through financial electricity trading in standard contracts on Nasdaq commodities exchange. The company's trading strategy is to purchase financial contracts corresponding to the majority of the physical volume exposed to the spot price. The pace of trading is linear and begins three years before delivery.

The company is also taking active measures to increase energy efficiency.

Comments 2020

In 2020, total electricity consumption was about 3.31 (3.16) TWh, of which approximately 41% (44) was generated in-company, and about 59% (56) was purchased on the spot market. At the end of the year, financial hedging for purchases of electricity exposed to spot price was:

2021	66%
2022	50%
2023	25%

Risks related to employees

Description of risks

Access to employees with the right skills, the Group's ability to persuade these to choose BillerudKorsnäs as an employer and inspirational leaders with the ability are crucial if the goals set by BillerudKorsnäs are to be attained.

Personnel costs represent a major expense item.

Risk management

BillerudKorsnäs works continually to manage skills development and succession planning. To ensure that we attract talent and people with the skills for which there is a demand, the Group works in a structured and focused manner on strengthening the Group's employer brand. The Human Resource function has built a recruitment training for the Group's leaders in order to strengthen their knowledge about recruitment. We have also developed a competency profile for Sustainable Leadership which enables the business to assess candidate's leadership potential when recruiting, internally and externally. In order to proactively minimise risk regarding abuse and unfavourable backgrounds, we carry out background checks for critical and relevant positions as well as drug tests of illegal substances in all recruitments.

Payroll costs are principally dictated by applicable collective agreements and employer's expenses. A work evaluation of various positions in BillerudKorsnäs has been carried out and a reward framework, meaning a job architecture system, has been implemented and

is continuously updated. Market pay statistics are used to ensure that remuneration is set in line with the Group's reward philosophy.

Comments 2020

Staffing planning are continually ongoing. A new technical trainee program is being designed and to be implemented during 2021. BillerudKorsnäs works strategically with employer branding, which aims to create awareness and to showcase the Group as an attractive employer. The Group is cooperating with more partners to increase visibility among target groups. BillerudKorsnäs continued to establish the Group's Sustainable Leadership concept, where the Group clarify the expectations of the leaders which cover the risks we see linked to not having the right people. For leaders to deliver on these expectations, trainings and tools are available for all leaders. The Group's leadership academy is continuous adapted to be more flexible for the needs of leaders, which means trainings for new leaders to BillerudKorsnäs, trainings for new leaders or more senior in a leadership role. During 2020, remote leadership training has been a focus area to meet risks connected to employees working from home due to the COVID-19 pandemic. Sustainable leadership trainings has also been extended to the foreign operation and is now global.

Protection of IT system assets, information and personal privacy

Description of risks

Our society and the BillerudKorsnäs business relies to an ever greater degree on digital tools and data. More extensive digital exposure also increases the risk of unauthorised access to and use of the company IT system assets and information belonging to the company and its stakeholders. Methods applied to gain unauthorised access to company internal systems and information resources are becoming increasingly sophisticated and are used more and more intensively by various operators with malicious intent. With more digital exposure there is also a greater risk to unintentionally make information of the company and its stakeholders available to unauthorised persons. Through unauthorised access to systems and information criminals and criminal organisations can harm BillerudKorsnäs and its stakeholders in various ways. This may involve blackmail, fraud, damage to information and fixed assets, spreading of share price-sensitive information, etc.

Risk management

BillerudKorsnäs has chosen a systematic way of working to protect its own and its stakeholders' information assets and privacy based on the information security standard ISO 27001. Controls have also been added to the information security management system to make sure that the company fulfils the requirements of the European General Data Protection Regulation (GDPR), and that cybercrime related risks are managed. The controls and their prioritization are based on analysis of the identified risks. Risk analysis is carried out at several levels in the company, and the risks are addressed in governance and management forums for the company's information and system resources.

Comments 2020

The BillerudKorsnäs level of activity to improve information security increased further during 2020. The rapid increase in Cybercrime activity continues to generate needs for IT security measures to reach a significantly higher level of cybercrime resilience. The main focus during 2020 was on further improved intrusion detection and prevention and effective processes and organization to manage information security incidents. A new framework has been developed to address cyber risk related to automation and production systems and technical improvements have been implemented. Objectives and key results for cyber security continue to be a key components of performance management.

Environmental impact and renewal of permits

Description of risks

BillerudKorsnäs' production is governed by extensive environmental legislation, and the operation requires granted permits. Production permits in Sweden are issued by land and environmental courts, based on a comprehensive legal review where the government's interests are monitored by, inter alia, the Swedish Environmental Protection Agency and county administrative boards.

In Sweden, the environmental units at county administrative boards has the supervisory responsibility for forest industries through appointed officers continually verify compliance with permits, provided conditions and generally applicable environmental legislation. The results of operations are reported through annual environmental reports. Contraventions of provided conditions or other actions that may have or have had a significant negative environmental impact may result in a report to the police and investigation of potential liability for suspected environmental crime. A conviction may lead to personal criminal liability on the part of the staff concerned and/or corporate penalties. Breaches of environmental legislation may lead to the imposition of environmental sanction charges.

Environmental legislation places profound requirements on an operator who has caused environmental damage to rectify the damage caused. The liability for rectification can be strict and also joint with multiple operators.

The Group is also affected by various economic instruments relating to the environment, including energy taxes, greenhouse gas emissions trading, nitrogen oxide taxes and waste management taxes.

Risk management

The environmental work is based on continuous improvements where certified management systems contribute to create a structured approach aiming at the operations being managed in a rational way at the same time as consideration is given to the environment, local residents and where regulatory requirements and applicable environmental legislation is complied to.

Key employees have undergone in-depth environmental training to enable them to continually address environmental issues. Employees at the production units are informed about the environmental work as part of environmental trainings or daily work.

All production units in Sweden are covered by the so called Seveso regulations. This entails that the units, where large amounts and/or potentially dangerous chemicals are stored, have undergone extensive measures to prevent potential accidents.

Every production unit are continuously monitoring compliance of environmental conditions based on established control programs. Potential deviations are communicated to the relevant supervisory authority. The units have environmental functions that are responsible for the contact with supervisory authorities. The production units' cooperate in a group-wide environmental network as well as in industry-wide working groups. To further increase coordination of operations related environmental topics, a central dedicated environmental manager role was established.

Comments 2020

Environmental work at the production units was extensive during the year, largely linked to the increased production and large investments decided upon.

- In July 2019 the Land and Environment Court gave Frövi permit to increase production and in January 2020 the new permit was claimed. The Land and Environment Court of Appeal finalised two further investigation conditions in august 2020.
- In 2019 Skärblacka investigated the need for improved safety measures regarding storage of liquid chemicals and liquid hazardous waste. The decision was provided by the county administrative board in June 2020 and was in accordance with the proposal of the production unit. The measures shall be implemented by the end of 2022.
- Gävle have during 2020 initiated an application process to apply for a new production permit for increased production of pulp, paper and board. The aim is a modern permit that allows for continued development of the mill.
- In Gruvön there are investigations ongoing related to the permit, among other things related to emissions to water and noise.

Transitional and physical climate-related risks

Description of risks

Climate change and climate policy will increasingly affect BillerudKorsnäs during the coming decades. Transitional risks are long-term structural changes that will require BillerudKorsnäs to adapt its strategy and operations to address climate change. Main risks are related to the availability and price of raw material due to the anticipated higher demand on the market (read more on page 64), price of purchased energy (read more on page 65) and market and technology shifts (read more on page 64). In addition, energy price and cost of

greenhouse gas emissions trading and taxes can have an adverse impact on operating profit. On the other hand, there are also opportunities based on a shift in customer preference toward low-carbon fibre based products. With increased global warming BillerudKorsnäs is also subject to physical climate-related risks, such as droughts and increased rainfall, which may have a significant impact on the Groups' operations.

Risk management

Climate-related issues are governed at overall level by the Board of Directors (BoD) and at an operational level by the CEO, Executive Management Team (EMT) and other staff. The Sustainability Director and BillerudKorsnäs' Sustainability function are responsible for identifying transitional and physical risks and opportunities, and keeping the BoD and/or EMT informed about issues that may have a short or long term impact on the company. Sustainability and climate change are integrated in BillerudKorsnäs' mission and the current 5-year strategy. The climate targets leading up to 2030 and 2050 (read more on page 30) facilitate the integration of climate issues in major investments and strategic decision-making processes. This includes expenditure for new technologies and energy efficiency measures. The risk related to sourcing of raw material is managed with a long-term perspective, for example by negotiating long-term wood sale contracts with suppliers. The EMT also decides on capital allocation related to innovation needed to manage transitional risk, such as market shifts to meet the demand of more sustainable packaging solutions. In terms of physical risks for BillerudKorsnäs' production units, only the unit in the UK is today exposed to adverse weather conditions in the form of flood. Over time, this can change and the situation is monitored. Preventive work to avoid sudden and unforeseen disruptions in production are given a top priority.

Given the scale, unpredictability, and long-term nature of climate change, investors will increasingly require BillerudKorsnäs to report on their financial impact on the company. BillerudKorsnäs publicly reports on its climate work and impacts at least annually, both in the Annual Report and through different assessment initiatives (such as CDP and DJSI). The Task Force on Climate-related Financial Disclosures (TCFD) is an initiative under which companies can voluntarily opt to disclose how climate risks and opportunities may affect their profitability. Read more about our TCFD reporting on page 121.

Comments 2020

During the year, BillerudKorsnäs was directly and indirectly affected by several external drivers related to climate and sustainability. Read more about relevant market initiatives and legislation on page 10–11. Several of BillerudKorsnäs' ten priority initiatives (read more on page 13) are related to climate and sustainability, and we made progress within all areas in 2020. For example, one initiative is to reduce the climate impact of the Group's operations and, consequently, sold products (read more about 2020 results on page 30). Another initiative is to develop new and sustainable packaging solutions that can meet the shift in market need (read more about our innovation work on page 32).

Financial risks

The following section describes BillerudKorsnäs' financial risk management policies, which correspond to the policies adopted before and during 2020.

Currency risk – transaction exposure

Description of risks

Transaction exposure is the risk of changes in exchange rates for export revenues and import expenses negatively affecting BillerudKorsnäs' operating profit and the cost for its fixed assets. The Group's net currency exposure is considerable; the main currencies involved are EUR, USD and GBP. However, the majority of operating expenses are in SEK. The main exceptions are production costs in Finland and the UK, shipping costs and the costs of imported wood raw materials and chemicals, which are primarily affected by EUR and USD exchange rates.

Risk management

To reduce the consequences of currency exposure, the Group can hedge forecasted net flows in foreign currencies. The financial policy adopted by the Board states guidelines for currency hedging, which means that between 0% and 80% of net flows over the coming 15-month period can be hedged. Hedging beyond this must be determined by the Board.

The main target for each product area is EBITDA, %, and follow-up of operating margin, which is measured excluding the earnings effects of hedging currency flows. The earnings effects from changes in exchange rates in operating capital are managed at Group level and matched against corresponding earnings for currency hedging.

Comments 2020

At the end of 2020, foreign exchange contracts not yet recognised in profit/loss nominally totalled SEK 2 917 million (4 624). These will be recognised in profit/loss in 2021. Net currency flows are estimated to total around SEK 5 300 million (6 600) in 2021.

Of forecasted net flows over the coming 15-month period in EUR, USD and GBP, 67%, 43% and 7%, respectively, were hedged at year-end.

As at 31 December 2020, the market value of BillerudKorsnäs' outstanding foreign exchange contracts was SEK 284 million (44).

Nominal amount of foreign exchange derivatives	2020	2019
EUR million	237	315
USD million	117	206
GBP million	5	5
Market value of foreign exchange derivatives, SEKm		
Forward foreign exchange contracts	284	44

Currency risk – translation exposure

Description of risks

Translation exposure is the risk to which BillerudKorsnäs is exposed when foreign subsidiaries' income statements and balance sheets are translated into SEK.

Risk management

BillerudKorsnäs has assets in foreign currency, mainly through own- ing assets in Finland, the UK and the US.

Comments 2020

At 31 December 2020, total capital employed in foreign currency was SEK 716 million (812), of which SEK 1 245 million (1 270) was financed by shareholders' equity. No net assets are currently hedged.

SEKm	Capital employed	Net borrowings	Net assets
GBP	118	-2	120
EUR	615	-423	1 038
USD	28	25	3
Other currencies	-45	-129	84
Total	716	-529	1 245

Financing risk

Description of risks

The financing risk is the risk of failure to obtain financing, or of obtaining financing only at a sharply increased cost. Access to further financing will be affected by a number of factors, including market conditions, the general availability of credit and BillerudKorsnäs' creditworthiness and credit capacity. In addition, access to further financing depends on customers, suppliers or lenders not being affected by negative perceptions about BillerudKorsnäs' long and short-term financial prospects. Disruptions and uncertainty on the capital and credit markets may also limit access to the capital required to run the business.

Risk management

In order to ensure that the Group always has access to external financing, the treasury department must ensure access to short and long-term credit facilities. The Company aims to achieve cost- efficiency within established limits. The actions of the finance depart- ment are governed by the financial policy, which is reviewed annually.

The lender base must also be reasonably diversified to avoid exces- sive dependence on individual sources of financing. The repayment structure for the Group's loans must be arranged so that loan maturity is evenly spread over time. The Company also aims for access to liquidity over the next 12 months to exceed utilisation by a minimum of 1.2 times.

Comments 2020

The Group did not rely on any new external financing in 2020 due to continued strong cash position following the sale of Bergvik Skog Öst in 2019.

BillerudKorsnäs has a syndicated credit facility of SEK 5 500 million, which falls due in May 2024. The credit facility was unused at year-end. At 31 December 2020, BillerudKorsnäs' net interest-bearing debt totalled SEK 5 373 million (5 476). Interest-bearing debt decreased by SEK 518 million in 2020. The decrease was principally due to repay- ment of maturing debt during the year. Of interest-bearing borrow- ings, SEK 889 million was short-term, which represented an increase of SEK 396 million during the year. At the end of the year, bond loans totalling SEK 400 million and bilateral loans totalling SEK 93 million had been repaid compared with the start of the year. No new financing was raised during the year. Long-term interest-bearing net borrowings totalled SEK 6 435 million at the end of the year, of which SEK 4 647 million falls due in 2023 or later.

Financial assets and liabilities are recognised in Note 25.

Interest rate risk

Description of risks

Interest rate risk is the possible effect that a change in interest rates may have on earnings. The speed with which a change in the interest rate trend affects earnings depends on the fixed interest term on loans and investments.

Risk management

The Group uses derivatives to manage interest rate risk. The average fixed interest term (duration) for the entire loan portfolio should be between 1 and 36 months. The fixed interest term for an individual loan or interest rate swap may not exceed 10 years. The Board may, however, determine a longer fixed interest term. To achieve this stand- ard, interest rate derivatives, preferably interest rate swaps and fixed interest loans, are used. Price risk is defined as the effect on earnings that may be caused by changes in the price of outstanding capital instruments. Financial investments are made at short fixed interest terms, which limits interest rate risk in investments.

Comments 2020

If the Group's entire borrowing portfolio had a variable interest rate, the effect on earnings for one year from a 1 percentage point change in interest rates would be SEK 73 million (78), based on the total inter- est-bearing liability of SEK 7 325 (7 842) million at year-end.

The Group's average fixed-interest term was 5 months (7) at year-end. The decrease in fixed interest term was due to repayment of bond loan with fixed interest rate. A 1 percentage point change in interest rates would have an annualised effect of SEK 58 million (59) on earnings, given the current fixed interest term.

Nominal amount, fixed interest loans	2020	2019
Maturity of less than 1 year	500	400
Maturity of 1–2 years	250	500
Maturity of more than 2 years	800	1 050
Total	1 550	1 950

Financial credit risk

Description of risks

Credit risk refers to situations such as when a counterparty in a finan- cial transaction cannot meet its undertakings. If measures taken by BillerudKorsnäs to minimise credit and counterparty risk are inade- quate, this may have an adverse effect on BillerudKorsnäs' financial position and earnings.

Risk management

In order to reduce credit and counterparty risk, BillerudKorsnäs' finance policy has defined the size of the counterparty risk that is accepted based, among other things, on the counterparty's credit rating. BillerudKorsnäs also has ISDA agreements with relevant banks.

When calculating credit risks, the positive effects on earnings of derivative contracts with counterparties are also taken into account. BillerudKorsnäs' maximum credit risk exposure is equal to the fair value of financial assets, disclosed in Note 25.

Comments 2020

At year-end, the total net credit exposure was SEK 3 325 million (3 503). The continued high exposure was explained by solid cash balance that was maintained throughout the year.

Customer dependence and customer credit risk

Description of risks

BillerudKorsnäs has approximately 2 000 customers and packaging partners in more than 100 countries; the Company's five largest customers account for approximately one-third of the Group's sales. If BillerudKorsnäs cannot meet the demands made by its largest customers, and if customers do not fulfil their payment obligations, BillerudKorsnäs may be adversely affected.

Risk management

Customers mainly consist of packaging producers, and the relation- ship with the customer is usually long lasting. BillerudKorsnäs is increasingly offering packaging solutions directly to end-customers and brand owners. By expanding its customer base, BillerudKorsnäs can reduce its dependence on a small number of customers.

The granting of credit to customers varies, depending on the market and the product. The Group has developed guidelines to control cus- tomer credit, in which the basic policy is to insure all customer credit that can be insured. Exemptions are made for certain major long-stand- ing customers and buyers of raw timber. In certain markets, where it is not possible to insure customer credit, letters of credit, advance pay- ments or bank guarantees are used to safeguard payments.

Comments 2020

Accounts receivable totalled SEK 2 350 million (2 408) at 31 Decem- ber 2020. Accounts receivable averaged SEK 2 582 million (2 733) in 2020, representing an average customer credit period of around 39 days (41). There have been no increased credit losses due to COVID-19. It has been no indications resulting in a increased provision for bad debt due to expected credit losses as a result of COVID-19. The bad debt losses totalled SEK -11 million (-16) in 2020.

Provision for doubtful debts

Group, SEKm	2020	2019
Provision at start of year	28	39
Provision for anticipated bad debt losses	3	11
Bad debt recovered	–	–6
Confirmed bad debt losses	–11	–16
Provision at year-end	20	28

Breakdown of accounts receivable by age

Group, SEKm	2020			2019		
	Gross	Impairment	Net	Gross	Impairment	Net
Accounts receivable not due	2 081	–9	2 072	2 119	–11	2 108
Accounts receivable overdue 0–30 days	267	–	267	229	–	229
Accounts receivable overdue >30–90 days	1	–2	–1	17	–3	14
Accounts receivable overdue >90–180 days	–1	–	–1	24	–	24
Accounts receivable overdue >180–360 days	–1	–	–1	6	–	6
Accounts receivable overdue >360 days	23	–9	14	41	–14	27
Total	2 370	–20	2 350	2 436	–28	2 408

Sensitivity analysis

Impact on profit/loss before tax

Variable	Change	SEKm
Sales volume	+/- 10%	+/-860
Exchange rates, SEK ¹	+/- 10%	–/+530
– off wick relates to EUR	+/- 10%	–/+290
– off wick relates to USD	+/- 10%	–/+180
– off wick relates to GBP	+/- 10%	–/+60
Fibre price	+/- 10%	–/+780
Electricity price ²	+/- 10%	–/+80
Loan rate ³	+/- 1 percentage point	–/+58

¹ Excluding effects of currency hedging.

² Excluding effects of electricity price hedging.

³ Excluding effects of interest hedging.

Breakdown of operating costs, %



Financial statements

Consolidated income statement

SEKm	Note	2020	2019
Net sales	2	23 884	24 445
Other operating income	3	199	169
Total operating income		24 083	24 614
Operating expenses			
Change in inventories		-76	-169
Raw materials and consumables		-12 637	-12 887
Other external costs	4	-5 293	-5 061
Employee benefit costs	5, 29	-3 586	-3 650
Depreciation, amortisation and impairment of non-current assets	12, 13, 15	-1 938	-1 744
Change in value of biological assets	14	132	-
Share of profit/loss of associates	18	89	-17
Total operating expenses		-23 309	-23 528
Operating profit/loss	2, 6	774	1 086
Financial items	7		
Finance income		32	356
Finance cost		-127	-177
Net financial items		-95	179
Profit/loss before tax		679	1 265
Tax	9	-3	-254
Profit/loss from continuing operations		676	1 011
Discontinued operations			
Profit/loss from discontinued operations, net of tax	10	-16	5 709
Profit/loss for the period		660	6 720
Profit/loss attributable to:			
Owners of the parent company		660	6 720
Non-controlling interests		-	-
Profit/loss for the year		660	6 720
Earnings per share, SEK	11	3.19	32.50
Diluted earnings per share, SEK	11	3.19	32.47

Dividend per share is shown in Notes 21 and 22.

Consolidated statement of Other comprehensive income

SEKm	Note	2020	2019
Profit/loss for the year		660	6 720
Items that cannot be transferred to profit/loss for the period			
Revaluation of forest land	14	148	-
Revaluation of defined-benefit pensions	23	-4	-114
Change for the period in fair value relating to shareholdings in Other holdings		-28	-69
Change for the period in fair value of shareholdings in Other holdings recognised in the income statement		-	-352
Tax that can be attributed to items that cannot be transferred to profit/loss for the period		-30	24
Total items that cannot be transferred to profit/loss for the period		86	-511
Items that have been or can be transferred to profit/loss for the period			
Translation differences for the period arising from translation of foreign operations		-63	28
Changes in fair value of cash flow hedges during the period		-98	-407
Changes in fair value of cash flow hedges transferred to profit/loss for the year		138	100
Tax attributable to items that have been or can be transferred to profit/loss for the period		-8	65
Total items that have been or can be transferred to profit/loss for the period		-31	-214
Total comprehensive income for the year		715	5 995
Attributable to:			
Owners of the parent company		715	5 995
Non-controlling interests		-	-
Total comprehensive income for the year		715	5 995

Consolidated balance sheet

SEKm	Note	31 Dec 2020	31 Dec 2019
ASSETS	1, 28		
Non-current assets			
Non-current intangible assets	12	1 960	2 096
Property, plant and equipment	13	22 335	22 878
Forest assets	14	393	31
Right-of-use assets	15	260	228
Participations in associated companies and joint ventures	18	1 043	953
Other holdings	19	108	160
Non-current receivables from associates	17	15	18
Deferred tax assets	9	103	50
Non-current receivables		10	24
Total non-current assets		26 227	26 438
Current assets			
Inventories	20	3 629	3 572
Accounts receivable		2 350	2 408
Tax receivables		16	206
Other receivables		713	537
Prepaid expenses and accrued income		389	313
Cash and cash equivalents	30	3 036	3 450
Total current assets		10 133	10 486
Total assets		36 360	36 924

SEKm	Note	31 Dec 2020	31 Dec 2019
SHAREHOLDERS' EQUITY AND LIABILITIES	1, 28		
Shareholders' equity	21		
Share capital		1 537	1 537
Other contributed capital		4 484	4 484
Reserves		382	295
Retained earnings incl. profit/loss for the year		12 891	13 146
Total equity attributable to owners of the parent company		19 294	19 462
Non-controlling interests		–	–
Total shareholders' equity		19 294	19 462
Non-current liabilities			
Interest-bearing liabilities	25	6 435	7 349
Lease liabilities	15, 25	170	144
Provisions for pensions	23	836	871
Other provisions	24	116	132
Deferred tax liabilities	9	3 609	3 613
Other liabilities		30	–
Total non-current liabilities		11 196	12 109
Current liabilities			
Interest-bearing liabilities	25	889	493
Lease liabilities	15, 25	95	89
Accounts payable		3 129	2 937
Tax liabilities		29	10
Other liabilities		303	320
Accrued expenses and deferred income	27	1 356	1 414
Provisions	24	69	90
Total current liabilities		5 870	5 353
Total liabilities		17 066	17 462
Total shareholders' equity and liabilities		36 360	36 924

Consolidated statement of changes in equity

Equity attributable to owners of the parent company											
SEKm	Note	Share capital	Other contributed capital	Translation reserve	Fair value reserve	Revalutaion surplus	Hedging reserve	Retained earnings and profit/loss for the year	Total	Non-controlling interests	Total shareholders' equity
Opening balance, 1 Jan 2020	21	1 537	4 484	221	–	–	74	13 146	19 462	–	19 462
Total comprehensive income for the year				–63		117	33	628	715		715
Dividend to owners of the parent company								–889	–889		–889
Share-based payments to be settled in equity instruments, IFRS 2								6	6		6
Closing balance, 31 Dec 2020		1 537	4 484	158	–	117	107	12 891	19 294	–	19 294

Equity attributable to owners of the parent company											
SEKm	Note	Share capital	Other contributed capital	Translation reserve	Fair value reserve	Revalutaion surplus	Hedging reserve	Retained earnings and profit/loss for the year	Total	Non-controlling interests	Total shareholders' equity
Opening balance, 1 Jan 2019	21	1 537	4 484	193	680	–	316	7 145	14 355	–	14 355
Changed accounting principles due to IFRS 16								–5	–5		–5
Total comprehensive income for the year				28			–242	6 209	5 995		5 995
Dividend to owners of the parent company								–889	–889		–889
Transfer of fair value reserve					–680			680	–		–
Share-based payments to be settled in equity instruments, IFRS 2								6	6		6
Closing balance, 31 Dec 2019		1 537	4 484	221	–	–	74	13 146	19 462	–	19 462

Consolidated statement of cash flows

SEKm	Note	2020	2019
Operating activities	30		
Profit/loss after financial items		679	1 265
Adjustments for items not included in cash flow		1 622	1 626
Tax paid		83	-109
Cash flow from operating activities before changes in working capital		2 384	2 782
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventories		-95	78
Increase (-)/decrease (+) in operating receivables		-114	374
Increase (+)/decrease (-) in operating liabilities		156	-915
Cash flow from operating activities		2 331	2 319
Investing activities			
Acquisition of intangible assets		-	-
Acquisition of property, plant and equipment		-1 250	-2 868
Disposal of property, plant and equipment		3	8
Acquisition of subsidiaries	36	-	-3 774
Sale of subsidiaries	10, 37	-	7 708
Acquisition of financial assets ¹ / shareholder contributions to Other holdings and associates		-2	-58
Dividend from associated companies	18	4	-
Disposal/repayment of financial assets/other holdings ²		24	955
Cash flow from investing activities		-1 221	1 971
Financing activities			
Changes in interest-bearing receivables		-6	-
Borrowings		-	5 125
Debt repayment		-602	-5 546
Dividend		-889	-889
Cash flow from financing activities		-1 497	-1 310
Cash flow for the period		-387	2 980
Cash and cash equivalents at start of year		3 450	456
Translation difference in cash and cash equivalents		-27	14
Cash and cash equivalents at year-end		3 036	3 450

¹ Relates mainly to shares in Other holdings and associates.

² Includes dividend from Bergvik Skog AB of SEK 24 million in 2020 and cash proceeds of SEK 935 million from divestment of Bergvik Skog Väst AB in 2019.

Parent company income statement

SEKm	Note	2020	2019
Net sales	2	390	203
Other operating income	3	12	2
Total operating income		402	205
Operating expenses			
Other external costs	4, 15	-280	-267
Employee benefit costs	5, 29	-250	-257
Depreciation, amortisation and impairment of non-current assets	13	-1	-2
Total operating expenses		-531	-526
Operating profit/loss	2, 6	-129	-321
Financial items			
	7		
Profit/Loss from investments in Group companies		18	2 033
Profit/Loss from associated companies		-5	-5
Profit/loss from other participations		-	4
Interest income and similar profit/loss items		70	20
Interest expense and similar profit/loss items		-167	-205
Total financial items		-84	1 847
Profit/loss after financial items		-213	1 526
Appropriations	8	606	679
Profit/loss before tax		393	2 205
Tax	9	-89	-40
Profit/loss for the year		304	2 165

Parent company statement of Other comprehensive income

SEKm	2020	2019
Profit/loss for the year	304	2 165
Other comprehensive income		
Other comprehensive income for the year	-	-
Total comprehensive income	304	2 165

Parent company balance sheet

SEKm	Note	31 Dec 2020	31 Dec 2019
ASSETS	1, 28		
Non-current assets			
Property, plant and equipment	13	3	5
Forest assets	14	5	5
Investments in Group companies	16	10 640	10 612
Participations in associated companies and joint ventures	18	–	–
Other holdings	19	–	–
Non-current receivables from associates	17	13	18
Deferred tax asset	9	–	20
Other non-current receivables		34	28
Total non-current assets		10 695	10 688
Current assets			
Accounts receivable		2 016	1 912
Receivables from Group companies	17	11 819	14 624
Tax receivables		–	194
Other receivables		15	15
Prepaid expenses and accrued income		20	37
Cash and bank balances	30	2 836	3 260
Total current assets		16 706	20 042
Total assets		27 401	30 730

SEKm	Note	31 Dec 2020	31 Dec 2019
SHAREHOLDERS' EQUITY AND LIABILITIES	1, 28		
Shareholders' equity	21, 22		
Restricted equity			
Share capital		1 537	1 537
Statutory reserve		149	149
Total restricted equity		1 686	1 686
Non-restricted equity			
Share premium reserve		4 408	4 408
Retained earnings		1 559	278
Profit/loss for the year		304	2 165
Total non-restricted equity		6 271	6 851
Total shareholders' equity		7 957	8 537
Untaxed reserves	31	1 516	1 512
Provisions			
Provisions for pensions according to the Social Security Act and similar commitments	23	218	215
Provisions	24	13	23
Total provisions		231	238
Non-current liabilities			
Bond loans	26	5 100	5 900
Deferred tax liabilities	9	2	–
Other interest-bearing non-current liabilities	26	1 335	1 449
Total non-current liabilities		6 437	7 349
Current liabilities			
Liabilities to credit institutions	26	889	493
Accounts payable		66	30
Liabilities to Group companies	17	10 174	12 420
Tax liabilities		22	–
Other liabilities		43	48
Accrued expenses and deferred income	27	66	103
Total current liabilities		11 260	13 094
Total shareholders' equity and liabilities		27 401	30 730

Parent company statement of changes in equity

SEKm	Note	Restricted equity		Non-restricted equity			Total shareholders' equity
		Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit/loss for the year	
Opening balance, 1 Jan 2020	21	1 537	149	4 408	278	2 165	8 537
Previous year's profit/loss brought forward					2 165	-2 165	-
Profit/loss for the year						304	304
Dividends paid					-889		-889
Share-based payments to be settled in equity instruments					5		5
Closing balance, 31 Dec 2020		1 537	149	4 408	1 559	304	7 957

SEKm	Note	Restricted equity		Non-restricted equity			Total shareholders' equity
		Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit/loss for the year	
Opening balance, 1 Jan 2019	21	1 537	149	4 408	1 235	-73	7 256
Previous year's profit/loss brought forward					-73	73	-
Profit/loss for the year						2 165	2 165
Dividends paid					-889		-889
Share-based payments to be settled in equity instruments					5		5
Closing balance, 31 Dec 2019		1 537	149	4 408	278	2 165	8 537

Parent company cash flow statement

SEKm	Note	2020	2019
Operating activities	30		
Profit/loss after financial items		-213	1 526
Adjustments for items not included in cash flow		-31	-1 960
Tax paid		148	-35
Cash flow from operating activities before changes in working capital		-96	-469
Cash flow from changes in working capital			
Increase (-)/decrease (+) in operating receivables		2 663	-3 794
Increase (+)/decrease (-) in operating liabilities		-2 234	8 170
Cash flow from operating activities		333	3 907
Investing activities			
Acquisition of property, plant and equipment		-	-
Acquisition of shares and shareholder contributions to subsidiaries	16	-36	-
Acquisition of shares in associates and shareholder contributions		-2	-5
Sale of shares in Other holdings		-	13
Change in financial receivables		-2	-4
Cash flow from investing activities		-40	4
Financing activities			
Borrowings		-	1 621
Repayment of borrowings		-493	-2 370
Dividend		-889	-889
Settled Group contributions		665	695
Cash flow from financing activities		-717	-943
Cash flow for the year		-424	2 968
Cash and cash equivalents at start of year		3 260	292
Cash and cash equivalents at year-end		2 836	3 260

1 Significant accounting policies

Statement of compliance

The consolidated accounts are prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and interpretations made by the IFRS Interpretations Committee (IFRIC) as endorsed by the European Commission for application within the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 concerning supplementary accounting rules for Groups has been applied.

The parent company applies the same accounting policies as the Group except in the cases indicated under "Parent company's accounting policies".

A decision have been made within EU to give the Member states the right to postpone the reporting according to European Single Electronic Format (ESEF) one year. An amendment to the law was entered into force on March 15 2021, with application from January 1 2021, which means that the first reporting according to ESEF will be the annual report for 2021. BillerudKorsnäs have therefore not prepared the annual report for 2020 according to ESEF.

Basis of measurement in preparing the financial reports

Assets and liabilities are stated at historical cost, except for certain financial assets and liabilities that are measured at fair value or amortised cost. Financial assets and liabilities measured at fair value consist of derivatives as well as financial assets classified either as financial assets recognised at fair value through profit and loss or other comprehensive income.

Functional and presentation currencies

The functional currency of the parent company is SEK, which is also the presentation currency used for the accounts of both the parent company and the Group. Thus financial reports are presented in SEK. All amounts, unless stated otherwise, are rounded to the nearest million.

Use of estimates and judgments in the financial reports

Preparing financial reports in accordance with IFRS requires company management to make judgments and estimates as well as assumptions that affect the application of accounting policies and the amounts disclosed for assets, liabilities, income and expenses. The actual outcome can differ from the assumptions and estimates.

Assumptions and estimates are reviewed on an ongoing basis. Revisions to estimates are recognised in the period the change occurs if the change only affects that period, or in the period the change occurs and in future periods if the change affects both current and future periods.

Judgements made by the Company's management when applying IFRS that have a significant impact on financial reports and estimates made that may involve significant adjustments to subsequent financial reports are described in more detail in note.

Accounting policies applied in the reports

The accounting policies specified below, excepting those described in greater detail, have been applied consistently when reporting and consolidating the parent company and subsidiaries as well as when incorporating associated companies and joint ventures in the consolidated accounts.

Changes in accounting policies

The new and amended standards and interpretations that are applicable from 2020 have not had any material effect on BillerudKorsnäs' accounting. No amended standards or interpretations due to be implemented in the next few years have been applied in advance.

Forest assets include two parts, growing trees that are recognized as biological assets in accordance with IAS 41 – Agriculture, and forest land that is recognized in accordance with IAS 16 – Property, Plant and Equipment.

From 2020 BillerudKorsnäs has changed the recognition of forest land from acquisition cost to fair value (the revaluation method). It implies that both biological assets and forest land are recognised at fair value, therefore forest assets are recognized on a separate line in the balance sheet at 31 of December 2020. The effect of starting to apply fair value for forest land has been recognised as a revaluation in 2020. The opening balance of equity has not been adjusted and comparatives have not been restated.

Change in fair value before tax of biological assets in profit or loss has been recognized as an income amounting to SEK 132 million and revaluation of forest land has had a positive effect of SEK 148 million in other comprehensive income. The total forest assets are valued at SEK 393 million as of 31 December 2020.

Classifications etc.

Non-current assets and liabilities in the parent company and the Group consist largely only of amounts that are expected to be recovered or paid more than 12 months after the end of the reporting period. Current assets and liabilities in the parent company and the Group consist largely only of amounts that are expected to be recovered or paid within 12 months of the end of the reporting period.

Operating segments

BillerudKorsnäs' operations are divided into operating segments based on which parts of the operations the Company's ultimate executive decision makers monitor, that is, according to the "man-

agement approach". The Group's operations are organised so that the Executive Management Team monitors the profit or loss, EBITDA and the operating margin generated by the Group's various goods and services. The Executive Management Team monitors the operation's profit or loss and determines resource allocations based on the goods and services the Group manufactures and sells, so these constitute the Group's operating segments. BillerudKorsnäs has identified its operating segments in accordance with IFRS 8, and they consist of product area Board, product area Paper and Solutions and Other.

Basis of consolidation

Subsidiaries

Subsidiaries are companies in which BillerudKorsnäs AB has a controlling influence. Controlling influence means that BillerudKorsnäs is exposed to returns from a subsidiary and can have an influence on returns through its control. This usually means that BillerudKorsnäs controls more than 50% of the voting rights. In determining whether one company has a control influence over another, all the facts and circumstances, such as potential shares with voting rights, must be taken into account.

Subsidiaries are recognised using the purchase method. By this method, the acquisition of a subsidiary is considered a transaction in which the Group indirectly acquires the subsidiary's assets and takes over its liabilities and contingent liabilities. The acquisition cost upon consolidation is determined using a purchase price allocation analysis in connection with the acquisition. This analysis establishes the acquisition cost for the participation or business and the fair value at the acquisition date of the acquired identifiable assets as well as assumed liabilities and any contingent liabilities. The acquisition cost of the subsidiary company's shares and the business consists of the total of the fair values at the acquisition date for assets provided, liabilities arising or assumed, and equity instruments on issue that are provided as consideration in exchange for the net assets acquired. Transaction costs directly attributable to the acquisition are recognised as an expense in the Group. If the acquisition cost exceeds the fair value of assets acquired, assumed liabilities and contingent liabilities recognised separately, the difference is recognised as goodwill. When the difference is negative, it is charged directly to profit and loss.

Financial statements of subsidiaries are included in the consolidated accounts from the date of acquisition up to the date when control ceases.

Associates and Joint Arrangements

Associates are companies in which the Group has a significant influence, but not control, over operating and financial strategies, usually via a shareholding corresponding to 20–50% of voting rights. From

the time when the Group gains its significant influence, participations in the associated company are recognised in accordance with the equity method.

By the equity method, the carrying amount of participations in associated companies recognised in the consolidated accounts corresponds to the Group's participation in the associated companies' equity, any consolidated goodwill and any other remaining consolidated fair value adjustments. In the consolidated income statement, the Group's share in the profit or loss after tax of the associated companies is reported as "Share of profit/loss of associates". Joint arrangements are entities in which BillerudKorsnäs and one or more other owners have joint control. Joint arrangements will be recognised as a joint operation, where BillerudKorsnäs recognises its share of the joint operation's revenue, expenses, assets and liabilities.

Transactions eliminated on consolidation

Intra-Group balances, income and expenses, and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains from transactions with associated companies are eliminated to the extent that they correspond to the Group's interest in the entity. Unrealised losses are similarly eliminated as unrealised gains, but only so far as there is no impairment requirement.

Foreign currency

Foreign currency transactions

Transactions in foreign currency are translated into the functional currency at the exchange rate prevailing on the transaction date. The functional currency is the currency of the primary economic environments in which the companies operate. Monetary assets and liabilities in foreign currency are translated to the functional currency using the exchange rate prevailing at the end of the reporting period. Exchange rate differences arising from translation are recognised in the profit and loss accounts. Non-monetary assets and liabilities measured at historical cost are translated at the exchange rate prevailing at the time of the transaction. Non-monetary assets and liabilities reported at fair values are translated into the functional currency at the exchange rate prevailing on the date the fair value was determined.

Financial statements of foreign operations

Assets and liabilities of foreign operations, including goodwill and other consolidated fair value adjustments, are translated from foreign operations' functional currency to the Group's reporting currency, SEK, using the exchange rate prevailing at the end of the reporting period. Revenue and expenses of foreign operations are translated to SEK using an average rate approximating the rates on each transaction date.

Translation differences that arise when translating the financial statements of foreign operations are recognised directly in other comprehensive income as a translation reserve. When a foreign operation is

sold, the accumulated translation differences attributable to the operation are recognised in the consolidated profit and loss accounts.

Revenue

Revenue from contracts with customers

Revenue is recognised in accordance with the control-based five-step model;

- Identify the contract
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price
- Fulfil the performance obligation

BillerudKorsnäs identifies the contract among other things by being able to determine the right of each party, terms of payment, and by it being probable that the BillerudKorsnäs will collect the consideration to which it will be entitled to in exchange for goods and/or services transferred to a customer. The performance obligation consists primarily in the supply of goods, as well as services to a limited extent. The transaction price is the consideration BillerudKorsnäs expects to be entitled to in exchange for transferring promised goods or services to a customer. The transaction price includes both fixed and variable amounts, for example discounts, returns and other similar items. Allocation of the transaction price is usually not necessary as BillerudKorsnäs does not supply goods and services composed of more than one performance obligation. Fulfilment of a performance obligation does not differ between goods and services.

Fulfilment of performance obligation for goods

Revenue has to be recognised when (or as) BillerudKorsnäs fulfils the performance obligation by transferring control of an item of goods, which is made up of packaging material and products of primary fibre, to a customer. Control is transferred at the time when the customer has the ability to guide use of, and largely to receive all remaining benefits from the asset. BillerudKorsnäs takes into account, among other things, of the following indicators in transfer of control: transfer of the physical holding of the asset, right to payment for the asset and the customer having the significant risks and benefits associated with ownership of the asset.

Fulfilment of performance obligation for services

Services within BillerudKorsnäs are principally made up of transport services, forestry and services in Managed Packaging. As customers receive and consume all the benefits provided through BillerudKorsnäs' services, revenue is recognised over time in conjunction with fulfilment of the performance obligation.

Government support

Government grants are recognised in the balance sheet as deferred income when there is reason to assume that the conditions connected with receiving a grant will be fulfilled and that the grant will be paid out. Grants are distributed systematically in the profit and loss accounts in

the same way and over the same periods as the costs that the grants are intended to compensate. Government grants related to assets are recognised in the balance sheet as deferred income and are distributed as other operating income over the useful life of the asset, or by the grant reducing the carrying value of the asset.

Financial income and expenses

Financial income consists of interest income on invested funds, dividend income, gains on changes in the value of financial assets measured at fair value through profit and loss, and gains on hedge instruments recognised in the profit and loss accounts.

Interest income from financial instruments is recognised using the effective interest method (see below). Dividend income is recognised when the right to the received payment is established. Gains on the disposal of financial instruments are recognised when the risks and benefits associated with owning the instrument are transferred to the buyer and the Group no longer controls the instrument.

Financial expenses comprise interest costs for loans, the effects of reversals of present value estimates for provisions, losses on the change in value of financial assets measured at fair value through profit and loss, impairment of financial assets, and losses on hedge instruments that are recognised in the profit and loss accounts.

All borrowing costs are recognised in profit/loss with the application of the effective interest rate method regardless of how the borrowed funds have been used. Borrowing costs are not recognised in profit/loss in the proportion that they are directly attributable to the acquisition, construction or production of assets that take considerable time to complete for intended use or sale. In these cases, they are included in the assets' acquisition costs.

Exchange rate gains and losses are recognised net. Effective interest is the rate used to discount future receipts and disbursements during the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation includes all fees paid or received by contracted parties that are part of the effective interest, transaction costs and all other fair value adjustments.

Taxes

Income taxes comprise current tax and deferred tax. Income taxes are recognised in the profit and loss accounts except when the underlying transaction is recognised in other comprehensive income or directly in equity whereupon the associated tax effect is also recognised in other comprehensive income or equity, respectively.

Current tax is tax to be paid or recovered for the current year using the tax rates already enacted or substantially enacted at the end of the reporting period; adjustments of current tax attributable to earlier periods is included.

Deferred tax is calculated using the balance sheet method starting with the temporary differences between the recognised and taxable values of assets and liabilities. Temporary differences are not consid-

ered when the temporary differences arise from the initial recognition of goodwill nor when temporary differences arise from initial recognition of assets and liabilities in a transaction which is not a business combination and, at the time of the transaction, affects neither recognised nor taxable earnings. In addition, temporary differences are not recognised when attributable to participations in subsidiaries and associated companies that are not expected to be reversed in the foreseeable future. Measurement of deferred tax is based on how the carrying amount of underlying assets and liabilities is expected to be recovered or settled. Deferred tax is calculated using the tax rates and regulations enacted or substantially enacted at the end of the reporting period.

Deferred tax assets relating to deductible temporary differences and loss carry-forwards are recognised only to the extent it is probable that they can be utilised. The value of deferred tax assets is reduced when it is no longer probable that they can be utilised.

Any additional income tax relating to the dividend is recognised at the same time as the dividend is recognised as a liability.

Financial instruments

Financial instruments recognised in the balance sheet include, on the assets side, cash and cash equivalents, accounts receivable, financial investments and derivatives. The liabilities side has accounts payable, borrowings and derivatives.

Recognition in and derecognition from the balance sheet

A financial asset or liability is recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument. Accounts receivable are recognised in the balance sheet when an invoice has been sent. Liabilities are recognised when the counterparty has performed and there is a contractual liability to pay, even if the invoice has not yet been received. Accounts payable are recognised when the invoice is received.

A financial asset is removed from the balance sheet when the rights in the agreement are realised or expire or the company loses control over them. The same applies for portions of a financial asset.

A financial liability is removed from the balance sheet when the obligation in the agreement is discharged or otherwise expires. The same applies for portions of a financial liability.

A financial asset and a financial liability are offset against each other and recognised as a net sum on the balance sheet only when there exists a legal right to offset the amounts and an intention to settle the items with a net amount or to simultaneously realise the asset and settle the liability.

Acquisitions and sales of financial assets are recognised at the trade date, which is the date when the company commits to acquire or sell the asset.

Classification and measurement

Financial instruments that are not derivatives are initially recognised at the acquisition cost, corresponding to the instrument's fair value including direct transaction costs for all financial instruments except those belonging to the category financial assets measured at fair value through profit and loss, which are recognised at fair value excluding transaction costs.

The classification of a financial instrument determines how it is measured after initial recognition. A financial asset that constitutes a liability for the counterparty (e.g. accounts receivable) are classified on first recognition on the basis of what the business model for the holding is and whether the cash flows received consist only of capital amounts and interest. As accounts receivable for the Group constitute the material financial assets which are a liability for the counterparty, and as the Group's business model for these is to receive capital amounts, the assessments of the type mentioned are normally not critical. Holdings in instruments which constitute equity for the counterparty (e.g. shareholdings) are classified as recognised at fair value through profit or loss if they are held for trading. A choice is otherwise made to recognise the instrument at fair value through profit or loss or through other comprehensive income. See description below for the Group's classifications.

The Group's financial liabilities are recognised at amortised cost or fair value through profit or loss, in accordance with the descriptions below.

Derivative instruments are initially reported at fair value, meaning that transaction costs are charged to profit/loss for the period. After the initial recognition, derivative instruments are recognised as follows. If the derivative is used for hedge accounting, then to the extent that it is effective changes in value reclassified from the hedge reserve are recognised on the same line in the income statement as the hedged item. Even if hedge accounting is not used, increases and decreases in the value of the derivative are recognised as income or expense in operating profit/loss or in financial income and expenses based on what the derivative is used for and to what extent the use is related to an operating item or financial item. In hedge accounting, ineffective portion is recognised in the same way as changes in value of derivatives not used for hedge accounting. If hedge accounting is not used for interest swaps, then the interest coupon is recognised as interest, and other changes in value of the interest swap are recognised as other financial income or other financial expenses.

Cash and cash equivalents comprise cash and funds immediately available at banks and similar institutions as well as current investments with terms of less than three months at the acquisition date and which are exposed to an insignificant risk of changes in value.

Financial assets are recognised at amortised cost

Financial assets recognised at amortised cost are financial assets that are not derivatives, and the business model is to collect payments that are or can be determined with respect to amounts of

capital and outstanding interest relating to capital amounts. Loan receivables and accounts receivable in particular are recognised in this category. The amortised cost is determined based on the effective rate of interest estimated at the time of acquisition. Receivables shorter than three months are recognised at acquisition cost. Accounts receivable are recognised at the amounts expected to be received, that is, after deductions for doubtful receivables.

Financial assets recognised at fair value through other comprehensive income

The Group has chosen to recognise its holdings of shares and participations not reported as subsidiaries or associates in this category. Assets in this category are measured continuously at fair value, with changes in value recognised in other comprehensive income and accumulated in the retained earnings in equity. Dividends received are recognised in the income statement. Shares and participations of insignificant value are recognised at acquisition cost. On disposal of the asset, accumulated gain/loss in the retained earnings is not allocated to the profit and loss accounts.

Financial assets measured at fair value through the profit and loss accounts

The Group does not expect to have any material holdings in this category. The type that may occur is derivatives with positive value, for which hedge accounting is not applied.

Financial liabilities are recognised at amortised cost

Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are measured at amortised cost. Liabilities shorter than three months are recognised at acquisition cost.

Financial liabilities recognised at fair value through the profit and loss accounts

The Group does not expect to have any material holdings in this category. The type that may occur is derivatives with negative value, for which hedge accounting is not applied, or conditional additional purchase sums in business acquisitions.

Derivatives and hedge accounting

The Group's derivative instruments have primarily been acquired to hedge the interest rate and currency risk exposure of the Group.

To meet the requirements of hedge accounting in accordance with IFRS 9 there must be a clear connection to the hedged item. Furthermore, the hedging must protect the hedged item efficiently, hedging documents must be prepared and the efficiency must be measurable. Gains and losses on hedging instruments are recognised in the profit and loss accounts at the same time that profit and loss are recognised for the items being hedged.

Receivables and liabilities denominated in foreign currencies

Forward contracts are used to hedge receivables and liabilities against foreign exchange risk. Hedge accounting is not used to protect against currency risks, because a financial hedge is reflected

in the accounts by recognising the underlying receivable or liability and its hedge instrument at the rate at the end of the reporting period and by recognising changes arising from exchange rate fluctuations in the profit and loss accounts.

Hedging of foreign currency – cash flow hedging

Foreign exchange contracts used to hedge future cash flows and forecast sales, and purchases in foreign currency are recognised at fair value on the balance sheet. Changes in value are recognised in other comprehensive income and accumulate in the hedge reserve in equity until the time when the hedged flow is recognised in the profit and loss, at which time the hedging instrument's accumulated changes in value are transferred to the profit and loss accounts, where they then meet and match the profit/loss effects of the hedged transaction.

If the hedged future cash flow relates to a non-financial asset or liability that is capitalised in the balance sheet, the hedge reserve is transferred from equity to the asset or liability to which the hedge relates when the value of the asset or liability is first set. If the hedged item is a financial asset or liability, the hedge reserve is reversed gradually in the profit and loss accounts at the same rate as the hedged item affects profit/loss.

When a hedging instrument expires, is sold, terminated or exercised, or the company revokes the designation of the hedge relationship before the hedged transaction occurs and the forecast transaction is still expected to occur, the accumulated profit/loss remains in the hedge reserve in equity and is recognised in the same way as above when the transaction occurs.

If the hedged transaction is no longer expected to occur, the accumulated gains or losses on the hedge instrument are reversed immediately into the profit and loss accounts in accordance with the principles described above for derivatives.

Hedging of fixed interest – cash flow hedging

Interest rate swaps are used to hedge against the uncertainty of future interest flows related to loans carrying variable rates of interest. Swaps are measured at fair value on the balance sheet. The interest coupon is recognised in the profit and loss accounts continually as interest income or expense. Other value changes in interest rate swaps are recognised in other comprehensive income and accumulated in the hedge reserve in equity until the hedged item affects the profit and loss accounts and as long as the criteria for hedge accounting and efficiency are fulfilled. The gain or loss attributable to the ineffective portion is recognised in the profit and loss accounts.

Electricity derivatives

BillerudKorsnäs buys electricity from external suppliers. To continually hedge the electricity price, BillerudKorsnäs enters into derivative contracts for electricity. Electricity derivatives that protect the forecast outward flow of electricity expenses are recognised in the balance sheet at fair value. Changes in value are recognised in other comprehensive income and accumulate in the hedge reserve

in equity until the time when the hedged flow is recognised in the profit and loss, at which time the hedging instrument's accumulated changes in value are transferred to the profit and loss accounts, where they then meet and match the profit/loss effects of the hedged transaction.

The gains or losses realised on these contracts are recognised continuously in operating profit/loss as a correction of electricity costs.

Pulp derivatives

BillerudKorsnäs sells pulp to external customers. In order to continually hedge pulp prices, BillerudKorsnäs may enter into pulp derivative contracts. Pulp derivatives that protect the forecast revenues from the sale of pulp are recognised in the balance sheet at fair value. Changes in value are recognised in other comprehensive income and accumulate in the hedge reserve in equity until the time when the hedged flow is recognised in the profit and loss, at which time the hedging instrument's accumulated changes in value are transferred to the profit and loss accounts, where they then meet and match the profit/loss effects of the hedged transaction.

The gains or losses realised on these pulp contracts are recognised continuously in operating profit/loss as a correction of net sales.

Property, plant and equipment, biological assets and leased assets Owned assets

The Group recognises property, plant and equipment at cost less deductions for accumulated depreciation and any impairment losses. Acquisition cost includes the purchase price and costs directly attributable to the asset in order to bring it into place in the right condition to be used as intended. Examples of directly attributable costs are costs for delivery and handling, installation, title registration, consulting services and legal services. Borrowing costs directly attributable to the purchase, construction or production of assets that take considerable time to complete for intended use or sale are capitalised.

The acquisition cost of internally produced non-current assets includes costs for materials, employee benefits, other production overheads directly attributable to the assets and estimated outlays for dismantling and removing the assets and restoring the site or area where they are located. Property, plant and equipment that consist of parts with different useful lives are treated as separate components of property, plant and equipment.

The carrying amount of property, plant and equipment is removed from the balance sheet upon scrapping or disposal or when no future economic benefit is expected from its use, scrapping or disposal. Any gain or loss arising from the scrapping or disposal of an asset is the difference between the sale proceeds and the asset's carrying amount less deductions for direct selling costs. Gains and losses are recognised as other operating income or expense.

The accounting policies for impairment are explained below.

Forest assets

Forest assets include two parts, growing trees that are recognized as biological assets in accordance with IAS 41 – Agriculture, and forest land that is recognized in accordance with IAS 16 – Property, Plant and Equipment.

From 2020 BillerudKorsnäs has changed the recognition of forest land from acquisition cost to fair value (the revaluation method). It implies that both biological assets and forest land are recognised at fair value, therefore forest assets has been recognized on a separate line in the balance sheet at 31 of December 2020. Until the end of 2019 forest land was recognised at cost.

The Group's forest assets are recognised at fair value mainly based on the transaction prices for forest properties in those areas where the Group has forests. Fair value measurement is based on measurement level 3. The total value of the forest assets is allocated across growing trees, which are recognised as biological assets, and forest land. Biological assets are recognised according to IAS41. The value allocated to the biological assets is established by calculating the present value of expected cash flows, less selling costs but before tax, from harvesting those trees currently growing. The value of the forest land is calculated as the difference between the total value of the forest assets and the biological assets. Changes in the fair value of biological assets are recognised in profit/loss. Changes in the fair value of forest land are recognised in other comprehensive income and accumulated in a separate component of equity, the revaluation surplus. If the fair value of forest land, however were to be less than cost, the difference would be recognised in profit/loss as an impairment loss.

Leased assets

Lease contracts are recognised as assets and liabilities in the balance sheet, with recognition of depreciation and interest expense in profit and loss.

BillerudKorsnäs has chosen to apply the relief rules relating to leases shorter than 12 months and low-value leases. Under the relief rules, leases not covered by these rules are not included in the recognised lease liability or right-of-use asset. BillerudKorsnäs' leases principally consist of trucks, company cars and office rents, the vehicle category accounting for major part of the right-of-use asset.

The liability reflects the present value of the lease payments, usually is discounted by incremental borrowing rate of BillerudKorsnäs. In most cases the right-of-use asset and the leasing liability are the same at the first recognition date.

The asset is depreciated over its useful life, which in most cases corresponds to the lease term. The leasing term comprises of the non-cancellable periods including periods that may be covered by an option to extend a lease if it is reasonably certain that it will be utilised, and periods covered by an option to terminate the lease if it is reasonable certain that it will not be utilised. The occurrence of using options

to extend leasing contracts and the possibility not to terminate leasing contracts in advance is limited.

Subsequent costs

Subsequent costs are added to the acquisition cost of an asset only if it is probable that the future economic benefits associated with the asset will accrue to the company and the acquisition cost can be measured reliably. All other subsequent costs are recognised as expenses in the period when they occur.

A subsequent cost is added to the acquisition cost if the expenditure relates to the replacement of identified components or parts thereof. Even if new components are created, the expenditure is added to the cost of the asset. Any remaining carrying amount for replaced components, or parts of them, is scrapped and recognised as an expense in connection with the replacement. Repairs are recognised as an expense as incurred.

Borrowing costs

Borrowing costs directly attributable to the construction of so called qualified assets are capitalised as a part of the qualified assets' acquisition cost. A qualified asset is an asset that normally take a substantial amount of time to finalize. First are borrowing costs capitalised that are attributed to the specific qualified asset. Second are borrowing costs capitalised that are related to the general loan situation, which are not attributed to another specific qualified asset.

Depreciation policies

Assets are depreciated on a straight-line basis over the estimated useful life of the asset, though land is not depreciated. The Group applies component depreciation, which means that each component's estimated useful life forms the basis for depreciation.

The following depreciation periods are applied:

Industrial buildings	20–33 years
Residential and office buildings	30–50 years
Land improvements	20–25 years
Machinery used for pulp and paper	20–25 years
Other machinery	10 years
Vehicles, equipment and components	3–5 years

The residual value and useful life of each asset is assessed annually.

Non-current intangible assets

Goodwill

Goodwill is measured at acquisition cost less any accumulated impairment. Goodwill is distributed among cash-generating units and tested for impairment at least once a year (see the accounting policies for Impairment of property, plant and equipment and intangible assets as well as participations in associated companies). Goodwill arising upon the acquisition of associated companies is included in the carrying amount of the participations.

Research and development

BillerudKorsnäs' product and process development focuses primarily on meeting customer requirements on product characteristics and adaptations. Activities are divided into a research phase and a development phase. Examples of expenditure included in the research phase are costs related to acquiring new knowledge and costs for the evaluation of and search for alternative grades and processes. Costs for the research phase are recognised as an expense continually in the profit and loss accounts in accordance with IAS 38.

Costs for development, where research results or other knowledge is applied to achieve new or improved products or processes, are recognised as an asset on the balance sheet, if the product or process is technically and commercially feasible and the company has sufficient resources to complete the development and then use or sell the intangible asset. The carrying amount includes costs for materials, direct costs for salaries and indirect costs that can be attributed to the asset. Other development costs are recognised as expense in the income statement as they arise.

Other non-current intangible assets

Other intangible assets include customer contracts and brands relating to corporate acquisitions and software. Costs for the development and maintenance of software are recognised as an expense as they arise. Costs that are directly linked with the development of identifiable and unique software products controlled by the Group and likely to have economic benefits for more than one year that exceed the costs, are recognised as intangible assets.

Electricity certificates

Electricity certificates are allocated against in-company production of renewable electricity. Electricity certificates are valued at the estimated market value and recognised as a current intangible asset included in other receivables in the balance sheet. Production entitled to electricity certificates but which had not yet been awarded certificates at the end of the reporting period is recognised as accrued income and initially measured at the estimated market price. Corresponding income is recognised in operating profit/loss as a correction of electricity costs.

Emission rights

BillerudKorsnäs' Swedish mills have been allocated carbon dioxide emission rights within the EU. When emission rights are received, they are recognised at market value as a current intangible asset under other receivables in the balance sheet, and treated as a liability and recognised as a grant received.

The allocation was gradually taken up as revenue over the year, while emissions generated were carried as an expense.

Subsequent costs

Subsequent costs are added to the acquisition cost of an asset only if it is probable that the future economic benefits associated with the asset will accrue to the company and the acquisition cost can be measured reliably. All other subsequent costs are recognised as expenses in the period when they occur.

Depreciation policies

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of an intangible asset, unless this period is indeterminable. Useful life is tested at least once a year. Goodwill and other intangible assets with an indeterminable useful life or intangible assets not yet ready for use are tested for impairment annually and are also tested as soon as there is an indication that the value of the asset has decreased. An intangible asset with a determinable useful life is depreciated from the time it is available for use.

The expected useful life is:

Customer contracts	8 years
Brands	8 years
Capitalised development expenditure and software	3–7 years

The residual value and useful life of each asset is assessed annually.

Inventories

Inventories are stated at the lower of acquisition cost and net realisable value. The FIFO (first in, first out) method is used to calculate the cost of inventories. This includes costs arising upon the acquisition of the assets and transport to the current site in their current condition. If it is not possible in practice to apply FIFO, a weighted average calculation can be used as it provides a good approximation of the FIFO method. For manufactured goods and work in progress, the cost includes a reasonable portion of indirect costs based on normal capacity.

The net realisable value is the expected selling price in the ordinary course of business less expected costs for completion and selling.

Impairment losses

The carrying amounts of Group assets are tested at the end of each reporting period to determine whether there is any indication of impairment. IAS 36 is applied to test if an impairment loss shall be recognised for assets other than financial assets, which are recognised in accordance with IFRS 9, assets for sale, inventories and deferred tax assets. For the excluded assets above, the carrying amount is assessed in accordance with the relevant standard.

Impairment of property, plant and equipment and intangible assets as well as participations in associated companies

If there is an indication that an asset is impaired, the recoverable amount of the asset is calculated (see below). For goodwill and other intangible assets with indefinite useful lives and intangible assets not yet ready for use, the recoverable amount is assessed annually or as soon as the need is indicated. If it is not possible to establish significantly independent cash flows for an individual asset, and if its fair value less selling costs cannot be used, the assets are grouped to test impairment at the lowest level at which it is possible to identify significantly independent cash flows (a cash-generating entity).

An impairment loss is recognised when the carrying amount of an asset, cash-generating entity or group of entities exceeds the recov-

erable amount. Impairment is recognised as an expense in the profit and loss accounts. When a need for impairment has been identified for cash-generating entity or group of entities, the need for impairment is firstly allocated to goodwill. Proportional impairment of other assets included in the entity or group of entities is then carried out.

The recoverable amount is the higher of the fair value less selling costs and value in use. When calculating the value in use, future cash flows are discounted using a discount factor taking into account risk-free interest and the risk associated with the specific asset.

Impairment of financial assets

The Group recognises loss reserves for expected credit losses in all material respects on accounts receivable. The Group does not have any holdings in debt instruments recognised at fair value through other comprehensive income, and for assets other than accounts receivable which are valued at amortised cost possible expected credit losses are deemed to be negligible. The loss reserve for accounts receivable is always measured at an amount corresponding to expected credit losses throughout the life of the receivable.

Doubtful receivables are based on expected credit losses and consist of a general reserve and an individual assessment. A percentage is calculated for the general reserve based on historical credit losses and forward-looking assumptions. The individual assessment takes account of the customer's current situation and other relevant circumstances, for example credit insurance status, historical situation, geographical/political situation.

Impairment is recognised as an expense in profit/loss.

Reversal of impairment losses

Impairment of assets covered by IAS 36 is reversed if there is an indication that impairment no longer exists and there has also been a change in the assumptions on which the estimate of recoverable value was based. However, impairment recognised on goodwill is never reversed. A reversal is only performed to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been recognised, minus appropriate depreciation, if no impairment loss had been recognised.

Capital payments to shareholders

Buy-back of own shares

Acquisition of the Company's own shares is recognised as a deduction from equity. Consideration received from the sale of such equity instruments is recognised as an increase in equity. Any transaction costs are recognised directly in equity.

Dividends

Dividends are recognised as a liability after the AGM has approved the dividend.

Earnings per share

Calculation of earnings per share is based on the consolidated profit/loss attributable to parent company shareholders and on the

weighted average number of shares outstanding during the year. When calculating diluted earnings per share, profit/loss and the average number of shares are adjusted to take account of the effects of diluted potential ordinary shares, which during the reporting period are linked to share-based payments to be settled in equity instruments.

Employee benefits

Defined-contribution plans

Pension plans in which the company's commitments are restricted to the fees the company has undertaken to pay are classified as defined-contribution pension plans. In those cases, the size of an employee's pension depends on the fees the company pays into the pension plan or to an insurance company and the capital return on those fees. Consequently it is the employee who bears the actuarial risk (that the benefit is less than expected) and the investment risk (that the invested assets will be insufficient to support the expected benefit). The company's commitments concerning fees paid to defined-contribution pension plans are recognised as a cost in the profit and loss accounts at the rate at which they are earned through the employee performing services for the company during a period.

Defined-benefit plans

The Group's net commitments for defined-benefit plans are calculated separately for each plan by estimating the future benefit that each employee has earned through employment both in the current period and previous periods; this benefit is discounted to its present value. The discount rate is the interest rate at the end of the reporting period for a first class corporate bond, including mortgage bonds, with a duration corresponding to the duration of the Group's pension commitments. When there is no active market for such corporate bonds, the market rate for government bonds of corresponding duration is used instead. In addition to these there is a supplement which is the difference between interest on mortgage bonds and nominal government bond with a similar duration. The calculation is made by a qualified actuary using the projected unit credit method. In addition, the fair value of any plan assets is calculated at the report date.

In the determination of the present value of the commitment, actuarial gains or losses may arise. They arise either because the fair value deviates from earlier assumptions or because the assumptions change. Actuarial gains and losses are recognised in other comprehensive income.

In the balance sheet the carrying amount of pensions and similar commitments represents the present value of commitments at the end of the period. Interest on pension liabilities is recognised in financial items. No new earnings occur in the plans. Correction of previous years' earnings as well as gains and losses due to changes in pension plans are recognised in operating income.

The commitments for retirement and family pensions for salaried employees in Sweden are secured through an insurance policy with Alecta. This is a multi-employer defined-benefit plan. BillerudKorsnäs

has not had access to such information as to make it possible to recognise this plan as a defined-benefit plan. ITP pension plans secured via insurance with Alecta are therefore disclosed as defined-contribution plans.

Termination benefits

A provision is recognised in connection with termination of staff only if the company is clearly committed, without a realistic possibility of reversal, to a formal and detailed plan to terminate employment before the normal time.

When a termination benefit is offered to encourage voluntary redundancy, a cost is recognised if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

Short-term benefits

Short-term benefits to employees are calculated without discounting and are recognised as a cost when the related services are received.

Share-based payments

Share incentive programmes are recognised as share-based payments settled with equity instruments in accordance with IFRS 2. This means that their fair value is calculated based on forecast achievement of targets set for the measurement period. The value is distributed over the vesting period. Revaluation once the fair value has been set is only done for performance terms.

Social fees attributable to share-based payments are recognised as per the Swedish Financial Reporting Board's statement UFR 7, which states that the cost shall be distributed among the periods when services are performed. The resulting provision is revalued at the end of each period to correspond to the estimated fees that will be paid at the end of the vesting period.

Provisions

Provisions are different from other liabilities, because the time of payment or the size of the payment are uncertain. A provision is posted on the balance sheet when the Group has an existing legal or informal commitment as the result of a past event and it is probable that an outlay of resources will be required to settle the commitment and so that a reliable estimate of the amount can be made.

A provision is made based on the best estimate of what will be required to settle the existing commitment at the end of the reporting period. In cases where the effect of when in time the payment is made is material, the amount of the provision is calculated by discounting forecast cash flows using a pre-tax interest rate that reflects current market assessments of the time value of money and, if applicable, the risks specific to the liability.

Warranties

If a provision is made for warranties, they are recognised when the underlying products or services are sold. The provision is based on

historic data on warranties and a weighing of possible outcomes in relation to the probability of these outcomes occurring.

Restructuring

A provision for restructuring is recognised when the Group has established a detailed and formal restructuring plan, and the restructuring has either started or been publicly announced. No provisions are made for future operating expenses.

Restoration of contaminated land

In accordance with the Group's publicised environmental principles and appropriate legal requirements, a provision is recognised for restoration of land when it becomes contaminated.

Contingent liabilities

A contingent liability is recognised whenever there is a possible obligation arising from past events and whose existence is confirmed only by one or more uncertain future events, or there is an obligation not reported as a liability or provision because it is not probable that resources will have to be used to settle the obligation or the obligation cannot be calculated sufficiently reliably.

Parent Company's accounting policies

The parent company prepares its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's standard RFR 2 Reporting by legal entities. Statements on listed companies published by the Swedish Financial Reporting Board are also followed. Under RFR 2, the parent company in its annual report for the legal entity shall apply all IFRS and interpretations endorsed by the EU as far as possible within the limitations of the Annual Accounts Act, the Swedish law safeguarding pension commitments and with consideration for the connection between accounting and taxation.

Differences between the Group's accounting policies and those of the parent company

The differences between the Group's accounting policies and those of the parent company are set out below. The accounting policies of the parent company described below have been applied consistently in all periods presented in the parent company's financial statements.

Classification and presentation

The parent company's profit and loss accounts and balance sheet are presented based on the schedule in the Swedish Annual Accounts Act. The differences from IAS 1 Presentation of Financial Statements, which is applied when structuring the consolidated accounts, mainly concern reporting of financial income and expenses, non-current assets and equity.

Leasing

IFRS 16 leases is not applied by the Parent Company according to the exception permitted under RFR 2. Leases in which the Parent Company is the lessee are recognised as a cost over the life of the

lease on a straight-line basis. No right-of-use assets or lease liabilities have been recognized.

Subsidiaries and associated companies

Participations in subsidiaries and associated companies are recognised in the parent company in accordance with the cost method.

All dividends from subsidiaries and associated companies are recognised in the profit and loss accounts for the parent company. Under special circumstances, such dividends can serve as an indication that the shares have declined in value and thus a test for impairment should be performed.

Financial instruments and hedge accounting

Because of the connection between accounting and taxation, the rules in IFRS 9 concerning financial instruments and hedge accounting are not applied by the parent company as a legal entity.

The parent company measures non-current financial assets at acquisition cost less any impairment losses and current financial assets at the lesser of cost or market. The cost of interest-bearing instruments is adjusted for the accrued difference between the amount originally paid, after deducting transaction costs, and the amount paid on the due date (at a discount or premium).

In currency hedging of receivables and liabilities the contract is measured at the rate applicable on the day when the derivative contract is entered into, which is usually zero. The gains or losses realised on the currency hedging contracts are recognised continuously in operating profit/loss as a correction of net sales, when they meet and match the profit/loss effect of the hedged transaction.

Interest swaps that effectively hedge cash flow risks in interest payments for liabilities are measured at the net of accrued receivables at variable interest and accrued liabilities with regard to fixed interest, and the difference is recognised as either interest income or expense. Hedging is effective if the economic outcome of hedging and the liability is the same as if the liability had instead been reported at a fixed market interest rate when the hedge was made. Any premium paid for a swap agreement is allocated across the contract period as interest.

In order to continuously hedge pulp prices, BillerudKorsnäs may enter into pulp derivative contracts for pulp sold externally by Group companies. The pulp derivative contract is measured at the rate applicable on the day when the pulp derivative contract is entered into, which is usually zero. The gains or losses realised on these pulp derivative contracts are recognised continuously in operating profit/loss as a correction of net sales.

Derivatives not used for hedging are measured in the parent company according to the lower of cost or market. Recognition of derivatives used for hedging is governed by the hedged item. This means that the derivative is treated as an off-balance-sheet item as long as the hedged item is not on the balance sheet or recognised on the balance sheet at cost.

Anticipated dividends

Anticipated dividends from subsidiaries are recognised if the parent company has the sole right to determine the size of the dividend and has determined the size of the dividend before publishing its financial statements.

Employee benefits – Defined-benefit plans

The parent company uses different assumptions than those set out in IAS 19 when calculating defined-benefit pension plans. The parent company follows the Swedish law on safeguarding pension commitments and the Swedish Financial Supervisory Authority's rules, because they are a condition for tax deductions. The most material differences compared to the IAS 19 rules are how the discount rate is determined, that the calculation of the defined benefit commitment is based on current salary levels with no consideration of future increases and that all actuarial gains and losses are recognised in the profit and loss accounts as they occur.

Taxes

In the parent company, untaxed reserves are recognised on the balance sheet without dividing them into equity and deferred tax liabilities, unlike in the consolidated accounts. Correspondingly, the parent company does not recognise in its profit and loss accounts deferred tax expense as a part of appropriations.

Shareholder contributions

Shareholder contributions are recognised directly in the equity of the recipient and are capitalised in shares and participations for the contributor, as far as no impairment is determined.

Group contribution

BillerudKorsnäs has elected to apply the alternative rule in accordance with RFR 2, which means that all group contributions are recognised in appropriations.

2 Operating profit/loss by segment and net sales by market

Profit/loss by operating segment

SEKm	Product area Board		Product area Paper		Solution & Other (excl currency hedging etc)		Currency hedging etc		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Group										
Net sales	13 600	12 861	7 576	8 888	2 750	2 854	-42	-158	23 884	24 445
<i>Product group</i>										
Liquid packaging board	7 745	7 583							7 745	7 583
Cartonboard	1 659	1 467							1 659	1 467
Containerboard	3 886	3 626							3 886	3 626
Kraft paper			3 435	3 628					3 435	3 628
Sack paper			2 442	2 912					2 442	2 912
Pulp			1 669	2 306					1 669	2 306
Managed Packaging					635	822			635	822
Other	310	185	30	42	2 115	2 032	-42	-158	2 413	2 101
<i>Region</i>										
Sweden	1 278	750	574	398	1 914	1 820	-42	-158	3 724	2 810
Germany	2 081	2 222	796	945	-	40			2 877	3 207
China	1 811	1 657	289	471	400	486			2 500	2 614
Italy	1 249	1 264	346	438	3	37			1 598	1 739
United Kingdom	635	673	578	819	-	-			1 213	1 492
Spain	717	843	547	545	-	-			1 264	1 388
France	775	781	272	364	-	-			1 047	1 145
Rest of Europe	2 890	2 587	1 889	2 195	213	142			4 992	4 924
Rest of the world	2 164	2 084	2 285	2 713	220	329			4 669	5 126
Other income and operating expenses	-11 745	-11 090	-6 541	-7 488	-2 886	-3 036		-1	-21 172	-21 615
Depreciation, amortisation and impairment losses	-1 339	-1 109	-477	-515	-122	-120			-1 938	-1 744
Operating profit/loss	516	662	558	885	-258	-302	-42	-159	774	1 086
EBITDA, %	14	14	14	16					11	12
Operating margin, %	4	5	7	10					3	4
Financial items									-95	179
Tax									-3	-254
Profit/loss from discontinued operations									-16	5 709
Profit/loss for the period									660	6 720

SEKm	Product area Board		Product area Paper		Solution & Other (excl currency hedging etc)		Currency hedging etc		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Capital employed										
Operating assets	23 745	23 904	7 277	7 442	2 287	2 107			33 309	33 453
Operating liabilities	2 833	2 590	1 256	1 135	944	1 176			5 033	4 901
Deferredd tax liabilities	2 245	2 095	708	702	656	817			3 609	3 614
Capital employed	18 667	19 219	5 313	5 605	687	114			24 667	24 938
Of net sales of SEK 23 884 million (24 445), SEK 753 million (697) was sales of services. The Group has one customer in the Product area Board which accounts for more than 10% of the Group's sales.										
Parent company										
Net sales					398	329	-8	-126	390	203
Operating profit/loss					-121	-195	-8	-126	-129	-321
Financial items									-84	1 847
Appropriations									606	679
Tax									-89	-40
Profit/loss for the period									304	2 165

Of net sales of SEK 390 million (203), SEK 398 million (329) was sales of services.

The Group's business has been managed and reported according to BillerudKorsnäs' three divisions until July 31, 2020. The Group is since August 1, 2020, organized and on the basis of the functional areas Wood Supply, Operations and Commercial and is governed by two product areas Board and Paper. The comparable figures above have been restated according to the new organization.

Solutions & Other includes Wood Supply, Scandifibre Logistics AB, Managed Packaging, rental operations, dormant companies, income from the sale of businesses, items affecting comparability and costs due to increased investments in the production structure. Other also includes Group-wide functions, Group eliminations (including IFRS 16) and profit/loss from participation in associated companies. Currency hedging etc. includes results from hedging of the Group's net currency flows and revaluation of accounts receivables and payments from customers. The part of the currency exposure that relates to changes in exchange rates for invoicing is included in the product area's profit/loss.

Non-current assets by country

SEKm	Group	
	2020	2019
Sweden	24 092	24 351
Finland	519	573
United Kingdom	59	60
Latvia	13	14
Other	5	7
	24 688	25 005

Non-current assets include intangible assets and property, plant and equipment and forest assets.

3 Other operating income

SEKm	2020	2019
Group		
Services Sold	29	30
Capitalised work from own account	29	49
Insurance compensation	21	2
Other	120	88
Group total	199	169
Parent company		
Other	12	2
Parent company total	12	2

4 Fees and expenses to auditors

SEKm	Group		Parent company	
	2020	2019	2020	2019
KPMG				
Auditing assignments	4	4	1	1
Auditing activities besides audit assignments	–	–	–	–
Tax consultancy	–	–	–	–
Other services	–	1	–	–
Total	4	5	1	1
Other auditors				
Auditing assignments	2	3	–	–
Tax consultancy	–	1	–	–
Other services	–	–	–	–
Total	2	4	–	–

Audit assignments refer to the audit of the annual report and accounting records as well as the Board of Directors' and CEO's administration of the Company, other tasks incumbent on the Company's auditor and advice or other assistance resulting from observations made during audits or the performance of such tasks. Auditing activities besides audit assignments relate to reviews of attestations, interim reports, etc. that resulted in reports from the auditor. Tax consultancy relates to assignments performed in regard to taxes and other charges. Other services relate to all other assignments not included in the above.

The general meeting of shareholders held on 5 May 2020 resolved that KPMG AB would be appointed as auditor for the period extending up until the end of the 2021 AGM.

5 Employees and employee benefits expense

Average number of employees

	2020		2019	
	2020	Of which men, %	2019	Of which men, %
Parent company				
Sweden	126	50	121	48
Other countries	9	33	11	45
Parent company total	135	49	132	48
Subsidiaries				
Sweden	3 714	79	3 796	79
Finland	126	81	127	80
United Kingdom	148	86	178	88
China	114	33	124	34
Latvia	67	76	67	78
USA	47	51	45	53
Germany	28	57	32	59
France	13	38	16	44
Italy	11	27	13	31
Spain	12	42	12	42
Other countries	53	58	54	54
Subsidiaries total	4 333	77	4 464	77
Group total	4 468	76	4 596	76

SEKm	Group		Parent company	
	2020	2019	2020	2019
Employee benefit costs				
Wages, salaries and other remuneration				
Board, CEO and Executive Management Team ¹	45	52	45	52
of which variable remuneration	2	9	2	9
Other employees	2 481	2 494	108	113
of which variable remuneration	12	53	2	3
Total salaries and other remuneration	2 526	2 546	153	165
Social security costs				
Contractual pensions for the CEO and Executive Management Team				
Defined-benefit pensions	–	–	–	–
Defined-contribution pensions	10	9	10	9
Contractual pensions, other				
Defined-benefit pensions	–	–	–	–
Defined-contribution pensions	259	255	27	26
Other social security costs	791	840	60	57
Total social security costs	1 060	1 104	97	92
Total employee benefits expense	3 586	3 650	250	257

¹ CEO and Executive Management Team refers to those of both the parent company and the Group, the Group CEO and the Executive Management Team. Board refers to the Board of BillerudKorsnäs AB.

Number of women in management positions, %

%	2020	2019
Group and parent company management		
Board	38	43
CEO and Executive Management Team	25	27

For information about the benefits of senior managers in accordance with the Annual Accounts Act, see note 29.

6 Items affecting comparability

SEKm	Group		Parent company	
	2020	2019	2020	2019
New board machine at Gruvön – further expenses (operating expenses)	–	–40	–	–
New board machine at Gruvön – restructuring (operating expenses)	–	50	–	–
Restructuring (Operating expenses)	–36	–49	–11	–19
Workplace environment (Operating expenses)	–	32	–	–
Revaluation of biological assets (Change in value of biological assets)	132	–	–	–
UPM - compensation (Raw materials and consumables)	–160	–	–	–
Revaluation of biological assets in associated companies (Profit from participations in associated companies)	73	–	–	–
Other	–	6	–	–
Items affecting comparability	9	–1	–11	–19

Items affecting comparability presented to enable an adjustment of the result that better reflects the underlying business.

Items affecting comparability can include additional project costs for major projects, major restructuring/write-downs/revaluations, litigations, specific impact due to strategic decisions, and significant earnings effects from acquisition and disposals.

7 Net financial items

SEKm	Group		Parent company	
	2020	2019	2020	2019
Finance income				
Dividends from Group companies	–	–	26	2 033
Dividends from Other holdings	–	352	–	–
Capital gain/loss from sale of Other holdings	–	–	–	10
Interest income, Group companies	–	–	40	18
Net change in exchange rates	27	–	27	–
Interest income, other	5	4	3	2
Finance income	32	356	96	2 063
Finance costs				
Interest expense for financial liabilities measured at amortised cost	–103	–101	–99	–93
Impairment losses, subsidiaries	–	–	–8	–
Impairment losses, associates/Other holdings	–	–	–5	–5
Capital gain/loss, Other holdings	–	–	–	–6
Interest expense for pension provision	–10	–17	–6	–7
Net interest income on derivatives in hedge accounting	–	–	–17	–46
Interest expense, Group companies	–	–	–34	–
Net change in exchange rates	–	–12	–	–12
Interest expense, lease liability	–4	–4	–	–
Other financial expenses	–10	–43	–11	–47
Finance costs	–127	–177	–180	–216
Net financial items	–95	179	–84	1 847

8 Appropriations

SEKm	Parent company	
	2020	2019
Group contributions, received	610	665
Tax Allocation reserve, resolved	–	14
Tax allocation reserve, provided/adjusted	–4	–
Parent company total	606	679

9 Tax

SEKm	Group		Parent company	
	2020	2019	2020	2019
Profit/loss before tax				
Sweden, Group companies	596	1 252	393	2 205
Rest of world, Group companies	83	13	–	–
Total profit/loss before tax	679	1 265	393	2 205
Tax expense				
Current tax				
Tax expense for the period	–80	–78	–64	–40
Tax attributable to previous period	–42	–39	–3	–
Total current tax	–122	–117	–67	–40
Deferred tax				
Deferred tax income/expense related to temporary differences	119	–137	–22	–
Total tax expense	–3	–254	–89	–40

%	Group		Parent company	
	2020	2019	2020	2019
Reconciliation, effective tax rate				
Swedish income tax rate	21.4	21.4	21.4	21.4
Effect of other tax rates for foreign subsidiaries	0.1	1.1	–	–
Revaluation of deferred tax relating to reduced tax rate in Sweden	–13.3	–2.7	–	–
Tax-exempt dividends	–0.8	–5.8	–1.4	–19.7
Tax attributable to previous periods	1.2	4.1	0.8	–
Impairment of shares	0.9	–	0.7	–
Non-deductible expenses	1.2	0.4	0.4	–
Tax exempt income	–0.3	–0.1	–	–
Result from participations in associated companies	–2.9	0.1	–	–
Taxable non-booked income	0.4	0.2	0.6	0.1
Recognised/utilised tax deficit not recognised in previous years	–7.1	–0.2	–	–
New tax losses for which deferred tax asset is not recognised	–	1.6	–	–
Deductions for allocation of shares in incentive programmes	0.1	–	0.1	–
Other	–0.5	–	–	–
Tax rate according to income statement	0.4	20.1	22.6	1.8

The tax rate in Sweden is 21.4%. From the financial year 2021 the tax rate will be 20.6%. This has had a positive effect of SEK 88 million in relation to revaluation of deferred tax.

The low effective tax rate is also due to additional recognition of a deferred tax asset in Finland relating to tax losses carried forward.

The profit before taxes includes profits from participations in associated companies of SEK 89 million that is a net amount after tax, which lowers the effective tax rate.

The tax free dividend that has affected the group and the parent company during 2019 is mainly derived from dividends from Bergvik Skog AB of SEK 352 million.

Change in deferred tax in temporary differences and loss carry-forwards

SEKm	Opening balance, 1 January		Recognised in profit and loss		Recognised directly in equity/balance sheet		Closing balance, 31 December	
	2020	2019	2020	2019	2020	2019	2020	2019
GROUP								
Deferred tax liability								
Non-current assets	3 410	3 307	–72	103	53	–	3 391	3 410
Tax allocation reserve	333	372	1	–39	–	–	334	333
Hedging reserve	19	77	13	7	8	–65	40	19
Other	6	–	2	6	–	–	8	6
Total deferred tax liability	3 768	3 756	–56	77	61	–65	3 773	3 768
Deferred tax asset								
Foreign tax credit	–	–	3	–	–	–	3	–
Inventories	6	20	40	–14	–	–	46	6
Accounts receivable	4	4	–1	–	–	–	3	4
Provisions	101	123	–14	–46	–1	24	86	101
Loss carry-forwards	83	94	41	–11	–	–	124	83
Negative net interest	10	–	–6	10	–	–	4	10
IFRS 16 - Leasing	1	–	–	1	–	–	1	1
Total deferred tax asset	205	241	63	–60	–1	24	267	205
Total net deferred tax liability	3 563	3 515	–119	137	62	–89	3 506	3 563
Portion recognised as deferred tax asset	50	118	–	–	–	–	103	50
Portion recognised as deferred tax liability	3 613	3 633	–	–	–	–	3 609	3 613
PARENT COMPANY								
Deferred tax liability								
Other non-current assets	–	–	2	–	–	–	2	–
Total deferred tax liability	–	–	2	–	–	–	2	–
Deferred tax asset								
Accounts receivable incl. FX effects	2	9	–11	–7	–	–	–9	2
Negative net interest	10	–	–10	10	–	–	–	10
Provisions	8	11	1	–3	–	–	9	8
Total deferred tax asset	20	20	–20	–	–	–	–	20
Total net deferred tax liability	–20	–20	22	–	–	–	2	–20

Temporary differences and/or loss carry-forwards for the Group that are not recognised as deferred tax assets total SEK 200 million (411). The assessment was made based on uncertainty about whether this tax asset can be recovered.

10 Discontinued operations

On August 30, 2019 89.9% of BSÖ Holding AB (parent company for Bergvik Skog Öst AB) was sold to the pension company AMF. The price corresponded to an enterprise value of SEK 12.2 billion on a debt free basis. At completion of the sale, Bergvik Skog Öst owned approximately 317 000 hectares of forestland and had a net debt of approximately SEK 3.3 billion.

During the period May 31, 2019 to August 30, 2019, the operations in BSÖ Holding AB Group was classified and accounted for as discontinued operations in the BillerudKorsnäs Group.

In 2020 the purchase price was adjusted and decreased the capital gain by SEK 16 million.

GROUP SEKm	2020	2019
Results of Discontinued operations		
Income		67
Expenses		-56
Profit/Loss before tax		11
Taxes		-
Result after taxes, before sale of discontinued operation		11
Acquisition costs		-31
Negative excess value from the acquisition		35
Capital gain/loss from sale of the discontinued operation ¹	-16	5 694
Result from sale, after tax	-16	5 698
Total result from discontinued operation	-16	5 709
Divested assets and liabilities		
Biological assets		7 693
Other non-current assets		380
Current assets		268
Total assets		8 341
Deferred tax liability		1 597
Non-current liabilities		3 545
Current liabilities		149
Total liabilities		5 291
Selling price		
Consideration received, less selling costs		7 862
Less: Cash and cash equivalents in divested business		-185
Effect on cash and cash equivalents		7 677
¹ Capital gain/loss		
Consideration received, less selling costs	-16	7 862
Received shares in BSÖ Holding AB		882
Assets sold		-8 341
Liabilities sold		5 291
Capital gain/loss	-16	5 694

11 Earnings per share

	2020	2019
Basic earnings per share		
Profit/loss for the period, SEKm	660	6 720
Weighted number of outstanding ordinary shares	206 815 793	206 761 223
Basic earnings per share, SEK	3.19	32.50
Diluted earnings per share		
Profit/loss for the period, SEKm	660	6 720
Weighted number of outstanding ordinary shares	206 815 793	206 761 223
Adjustment for assumed dilution through incentive programme	301 083	230 631
Number of shares included in calculation of earnings per share	207 116 876	206 991 854
Diluted earnings per share, SEK	3.19	32.47

12 Intangible assets

SEKm	Acquired intangible assets									
	Goodwill		Customer contracts		Brand		Other intangible assets		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
GROUP										
Acquisition value										
Carrying amount at start of year	2 042	2 042	567	567	115	115	120	128	2 844	2 852
Investments									–	–
Acquisition of business		45						28	–	73
Sale of business		–46						–29	–	–75
Divestments and disposals							–1	–1	–1	–1
Reclassification	–60							–7	–60	–7
Translation differences		1					–1	1	–1	2
Carrying amount at year-end	1 982	2 042	567	567	115	115	118	120	2 782	2 844
Accumulated depreciation/amortisation										
Carrying amount at start of year			–502	–430	–95	–90	–108	–104	–705	–624
Depreciation/amortisation			–65	–72	–8	–5	–3	–4	–76	–81
Divestments and disposals							1	1	1	1
Translation differences							1	–1	1	–1
Carrying amount at year-end	–	–	–567	–502	–103	–95	–109	–108	–779	–705
Accumulated impairment losses										
Carrying amount at start of year	–31	–31			–12	–12			–43	–43
Impairment losses									–	–
Carrying amount at year-end	–31	–31	–	–	–12	–12	–	–	–43	–43
Carrying amounts according to balance sheet	1 951	2 011	–	65	–	8	9	12	1 960	2 096

The Group's goodwill of SEK 1 951 million arose in connection with the Korsnäs acquisition in 2012 and has been allocated to the product area Board, which is a cash-generating unit in line with the Billerud-Korsnäs organizational structure. During the year goodwill of SEK 60 million that was related to the Marma Skog group, was reclassified to forest land, since the excess value is related to forest land.

With regard to impairment testing of the goodwill related to the acquisition of Korsnäs, the recoverable amount has been calculated as value in use. The calculations use cash flow based on the multi-year plan approved by the Company's management for the period 2021–2030. A long forecast plan (10 years) have been used due to the fact

that this is a long term business. The assumptions in the multi-year plan are based on historical experience and forecasts regarding market performance and other factors. The main assumptions relate to volume growth, EBITDA margin, operating capital and investment needs. Forecasts are made on management's assessments which are based on both internal and external sources.

An annual growth rate of 2% (2) was used to extrapolate cash flows beyond 2030. The discount rate before tax that was used is 11% (11). An impairment test was performed and no need for impairment was identified.

The Company's management believes that no reasonable changes in any of the major assumptions would result in any impairment. It also includes possible effects due to COVID-19.

The impairment test has not been effected by IFRS 16, since the IFRS16 adjustment only has an impact on group level.

13 Property, plant and equipment¹

SEKm	Buildings and land ²		Plant and equipment ³		Leased fixed assets		Construction in progress ⁴		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
GROUP										
Acquisition value										
Carrying amount at start of year	8 650	4 566	41 498	36 919	–	7	915	6 817	51 063	48 309
Investments	2	3	20	11			1 228	3 006	1 250	3 020
Acquisition of business ⁵		8 142		5				5	–	8 152
Revaluation									–	–
Reclassification	41	4 072	1 143	4 839		–4	–1 191	–8 908	–7	–1
Divestments and disposals		–1	–9	–322		–3			–9	–326
Disposals via divestment of business ⁵		–8 134		–5				–5	–	–8 144
Translation differences	–3	2	–87	51			–1		–91	53
Carrying amount at year-end	8 690	8 650	42 565	41 498	–	–	951	915	52 206	51 063
Accumulated depreciation/amortisation										
Carrying amount at start of year	–3 089	–2 840	–23 060	–22 019	–	–7			–26 149	–24 866
Acquisition of business ⁵		–43		–5					–	–48
Depreciation/amortisation	–314	–237	–1 443	–1 321					–1 757	–1 558
Reclassification		–15		11		4			–	–
Divestments and disposals		1	8	306		3			8	310
Disposals via divestment of business ⁵		43		3					–	46
Translation differences	1	2	62	–35					63	–33
Carrying amount at year-end	–3 402	–3 089	–24 433	–23 060	–	–	–	–	–27 835	–26 149
Accumulated impairment losses										
Carrying amount at start of year	–111	–111	–1 925	–1 925					–2 036	–2 036
Impairment losses									–	–
Carrying amount at year-end	–111	–111	–1 925	–1 925	–	–	–	–	–2 036	–2 036
Carrying amounts according to balance sheet	5 177	5 450	16 207	16 513	–	–	951	915	22 335	22 878

SEKm	Buildings and land ²		Plant and equipment ³		Leased fixed assets		Construction in progress ⁴		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
PARENT COMPANY										
Acquisition value										
Carrying amount at start of year	2	2	11	10			–	–	13	12
Investments				1					–	1
Divestments and disposals			–2						–2	–
Reclassification									–	–
Carrying amount at year-end	2	2	9	11	–	–	–	–	11	13
Accumulated depreciation/amortisation										
Carrying amount at start of year			–8	–6					–8	–6
Depreciation/amortisation			–1	–2					–1	–2
Divestments and disposals			1						1	–
Carrying amount at year-end	–	–	–8	–8	–	–	–	–	–8	–8
Carrying amounts according to balance sheet	2	2	1	3	–	–	–	–	3	5

1 For forest land, see note 14. Comparable figures for 2019 related to forest land and biological assets has been moved to note 14.

2 Of which land is SEK 58 million (66) in the Group and SEK 1 (1) million in the parent company.

3 Light machinery and equipment represent only a minor proportion of the value of plant and equipment and thus are not disclosed separately.

4 Capitalised loan expenditure included in cost of acquisition totalled SEK 30 million in 2019, and the interest rate used in determining loan expenditure was 1% in 2019. No capitalised loan expenditure was recognised during 2020.

5 Relates to the acquisition and divestment of Bergvik Skog Öst and Papper Bottle A/S (former ecoXpac A/S) in 2019.

14 Forest assets

SEKm	Forest land		Biological assets		Total	
	2020	2019	2020	2019	2020	2019
GROUP						
Acquisition value						
Carrying amount at start of year	16	11	15	11	31	22
Investments					–	–
Unrealised changes in fair value	148		132		280	–
Reclassification	82	5		4	82	9
Change due to harvesting			–1	–1	–1	–1
Other changes			1	1	1	1
Carrying amount at year-end	246	16	147	15	393	31
PARENT COMPANY						
Acquisition value						
Carrying amount at start of year	5	5	–	–	5	5
Carrying amount at year-end	5	5	–	–	5	5

Forest assets include two parts, growing trees that are recognized as biological assets in accordance with IAS 41 – Agriculture, and forest land that is recognized in accordance with IAS 16 – Property, Plant and Equipment.

During 2020 BillerudKorsnäs made a valuation of around 36 000 hectares of forest assets, of which approximately 18 000 hectares are productive forests. At the same time, the company changed the accounting method for valuing forest land assets from acquisition cost to the revaluation method based on fair value, mainly based on transaction prices for forest properties in comparable areas.

The Group's forest assets are measured at fair value mainly based on the transaction prices for forest properties in those areas where the Group owns forests. Fair value measurements are based on measurement level 3. The total value of the forest assets is allocated to growing trees, which are recognised as biological assets, as well as to forest land. The value allocated to the biological assets is established by calculating the present value of expected cash flows, less selling costs but before tax, from harvesting those trees currently growing. Calculation of present value uses a discount rate before tax of 5%. The value of the forest land is calculated as the difference between the total value of the forest assets and the biological assets.

The main part of the forests are located in areas close to the mountain areas in Jämtland and Dalarna, where the productivity is rather low. A large part of the mature forests are very old, >170 years and has been assessed as not possible to harvest, mainly due to certification criteria, which is reflected in the low value of the biological assets. Approximately 2 000 forest hectares, of which 1 000 hectare are productive, are located close to the Group's production units in Sweden.

According to current market statistics, the average price for the forest assets are assessed to approximately 10 900 SEK per hectare. Based on that, the forest assets are valued to SEK 393 million.

This fair value exceeded the previously recognized book value by SEK 280 million. The value change related to biological assets of SEK 132 million was recognized in the income statement presented as an item affecting comparability in results. The value change related to the forest land of SEK 148 million was recognized in Other Comprehensive Income.

BillerudKorsnäs expects to own another 15 400 hectares of forest assets as a result of the transactions with Bergvik Skog Öst AB during 2019, of which around 5 500 hectares are productive forest land, when the cadastral processes for these properties are finalized. These forest assets will be recognized at that time.

15 Right of use assets

SEKm	2020	2019
Right of use assets		
Vehicles	195	182
Office rents	64	44
Other	1	2
Total	260	228
Leases liabilities		
Current	95	89
Non-current	170	144
Total	265	233
Amounts recognized in profit or loss		
SEKm	2020	2019
Depreciation charge of right-of-use assets		
Vehicles	70	71
Office rents	34	33
Other	1	1
Total	105	105
Interest expense	4	4
Other Disclosures		
Additions to right of use assets		
Vehicles	91	61
Office rents	55	11
Other	1	–
Total	147	72
The total cash outflow for leases	109	109
Expense relating to short-term leases	2	1
Expense relating to leases of low-value assets	2	2
Committed lease not delivered	46	63

An incremental borrowing rate of 1.4% (1.2) was used to calculate the lease liability.

For maturity analysis of leasing liabilities, see Note 28 Financial assets and liabilities.

Leases

For the Parent Company, the future contractual lease commitments was SEK 35 million 2020 (44), of which SEK 10 million (11) is payable within one year and SEK 25 million (33) within two to five years. Leasing costs for 2020 were SEK 11 million (9).

16 Investments in Group companies

SEKm	2020	2019
Acquisition value		
Opening balance at start of year	10 910	10 910
Investments ¹	36	–
Closing balance at year-end	10 946	10 910
Accumulated impairment losses		
Opening balance at start of year	–298	–298
Impairment losses ²	–8	–
Closing balance at year-end	–306	–298
Carrying amount on the balance sheet	10 640	10 612

¹ Investment in 2020 relates to shareholder contributions to BillerudKorsnäs Managed Packaging AB of SEK 5 million and BillerudKorsnäs Venture 31 million.

² In 2020, impairment losses related to impairment of the holdings in BillerudKorsnäs Venture AB.

Specification of parent company's investments in Group companies

Subsidiary/Registered office/Corp. ID no.	Number of shares	Holding in % ¹	Carrying amount, SEKm
BillerudKorsnäs Venture AB, Solna, 559040-3548	50 000	100	23
Paccess AB, Solna, 556459-7572	1 000	100	–
BillerudKorsnäs Sweden AB, Stockholm, 556876-2974	2 000	100	1 040
ScandFibre Logistics AB, Örebro, 556253-1474	10 000	100	8
BillerudKorsnäs Asia Holding, Hong Kong	10 000	100	–
BillerudKorsnäs Beetham Ltd, Cumbria	3 500 000	100	80
BillerudKorsnäs Benelux B.V., Amsterdam	200	100	3
BillerudKorsnäs France S.A.S., Paris	25 401	100	–
BillerudKorsnäs Germany GmbH, Hamburg	2	100	1
BillerudKorsnäs Spain S.L, Barcelona	–	100	1
BillerudKorsnäs Italy S.r.l, Milano	–	100	–
BillerudKorsnäs China Limited, Shanghai	–	100	4
BillerudKorsnäs Lithuania UAB, Klaipeda	200	100	15
BillerudKorsnäs Estonia OÜ, Pärnu	1	100	–
BillerudKorsnäs Latvia SIA, Juanjalgava	5 623	100	43
Billerud Incorporated, Delaware	100	100	–
BillerudKorsnäs Finland OY, Jakobstad	2 500	100	1 167
BillerudKorsnäs Skog & Industri AB, Gävle, 556023-8338	53 613 270	100	8 240
BillerudKorsnäs Packaging India Private Ltd, New Dehli	8 750	100	3
NimblePacc Packaging Private Ltd, New Dehli	36 908	100	4
BillerudKorsnäs Singapore Private Ltd, Singapore	500 000	100	3
BillerudKorsnäs Vietnam LLC, Ho Chi Minh City	0	100	–
BillerudKorsnäs Bangladesh Limited, Dhaka	998	99,8	–
BillerudKorsnäs Managed Packaging AB, Solna, 559176-2017	50 000	100	5
			10 640

In addition to participations directly owned by the parent company, the following companies are part of the Group

Subsidiaries and joint arrangements/Registered office/Corp. ID no.	Holding in % ¹	Subsidiaries and joint arrangements/Registered office/Corp. ID no.	Holding in % ¹
BillerudKorsnäs Rockhammar AB, Lindesberg, 556761-2436	100	Bomhus Energi AB, Gävle, 556793-5217 (joint arrangement)	50
Diacell AB, Gävle, 556155-2786	100	Fastighets AB Marma Skog 31, Gävle, 556580-2203	100
Korsnäs Sägverks AB, Gävle, 556024-8477	100	AB Marma Skog 75, Gävle, 556802-4359	100
AB Stjersunds Bruk, Gävle, 556028-6881	100	AB Marma Skog 76, Gävle, 556802-4367	100
Trävaru AB Dalarne, Gävle, 556044-3920	100	AB Marma Skog 77, Gävle, 556802-4375	100
BillerudKorsnäs UK Ltd, Stowe	100	AB Marma Skog 78, Gävle, 556904-3465	100
BillerudKorsnäs USA LLC, Delaware	100	AB Marma Skog 79, Gävle, 559269-7253	100
BillerudKorsnäs International Trading Ltd, Shenzhen	100		
BillerudKorsnäs Taiwan Ltd, Taiwan	100		

¹ Participating interest in capital, which is the same as the proportion of votes in the total number of shares.

17 Receivables from and liabilities to Group companies, interest-bearing

SEKm	2020	2019
GROUP AND PARENT COMPANY		
Non-current receivables from associates		
Carrying amount at start of year	18	17
Change for the year	–5	1
Carrying amount at end of year	13	18
SEKm		
PARENT COMPANY		
Current receivables from Group companies		
Carrying amount at start of year	80	87
Change for the year	10 648	–7
Carrying amount at end of year	10 728	80
Current liabilities to Group companies		
Carrying amount at start of year	356	548
Change for the year	9 138	–192
Carrying amount at end of year	9 494	356

Interest-bearing receivables and liabilities relate to the Group accounts with an internal rate of return and interest-bearing fixed-term loans and investments.

The change compared to prior year is mainly due to the fact that interest have added to receivables and liabilities between Swedish Group companies.

18 Participations in associates

SEKm	2020	2019	Associates								
GROUP			SEKm	Country	Revenue	Earnings	Assets	Liabilities	Shareholders' equity	Proportion owned, %	Carrying amount
Carrying amount at start of year	953	16	2020								
Capital contribution to associates ¹	5	5	FreeForm Packaging AB	Sweden	3	-4	28	21	7	50	4
Dividend	-4	-	Trätåg AB	Sweden	230	-	35	35	-	50	-
Acquisition of associated companies ²	-	949	SSG Standard Solutions Group AB	Sweden	114	14	91	19	72	28	21
Participations in associates' profit/loss after tax	89	-17	BSÖ Holding AB Group ³	Sweden	440	825	13 579	5 685	7 894	10	956
Carrying amount at end of year	1 043	953	Paper Bottle Company A/S	Denmark	6	-1	114	23	91	47	62
			Total								1 043
			2019								
			FreeForm Packaging AB	Sweden	1	-6	27	26	1	50	1
			Trätåg AB	Sweden	209	-	39	39	-	50	-
			SSG Standard Solutions Group AB	Sweden	118	9	80	23	57	28	16
			BSÖ Holding AB Group ³	Sweden	206	4 102	12 675	5 555	7 121	10	878
			Paper Bottle Company (former ecoXpac) A/S	Denmark	12	-19	104	22	82	47	58
			Total								953
			SEKm	2020	2019						
			PARENT COMPANY								
			Acquisition value								
			At start of year	-	-						
			Capital contribution to associates ¹	5	5						
			Impairment losses, associates ⁴	-5	-5						
			Closing balance	-	-						
			Specification of participations in associates directly owned by the parent company								
			Company, corporate ID no. and registered office	Votes and capital, %	Carrying amount						
			2020								
			Associates								
			FreeForm Packaging AB, 556928-2873, Norrköping	50	-						
			Parent company total		-						
			2019								
			Associates								
			FreeForm Packaging AB, 556928-2873, Norrköping	50	-						
			Parent company total		-						

1 Capital contributions in 2020 and 2019 related to FreeForm Packaging AB.

2 In 2019, additional shares in Paper Bottle Company A/S were acquired. During 2019, shares in BSÖ holding AB were also purchased.

3 The holding in BSÖ Holding AB amounts to 10.1%. The holding is classified as shares in associated companies in accordance with IAS 28, although BillerudKorsnäs holds less than 20% of the votes when it is judged that BillerudKorsnäs has a significant influence over BSÖ Holding AB. BillerudKorsnäs has ownership representation in the Board and participates in strategic decision issues. The majority of the BSÖ Holding AB Group's sales are made to the BillerudKorsnäs Group. BillerudKorsnäs is essentially technically and operationally involved in the BSÖ Holding AB Group's ongoing operations. As a result of the transaction, when BillerudKorsnäs sold 89.9% of the shares in BSÖ Holding AB, an excess value of SEK 159 million related to forest land arised, which is included in the value of the shares. Since BSÖ Holding AB Group do not apply the revaluation method according to IAS 16 on forest land, the SEK 159 million represent an adjustment to BillerudKorsnäs AB Group's accounting principles. See note 10 for more information regarding the transaction. Besides the information disclosed above in the table, BSÖ Holding AB Group includes Cash and cash equivalents SEK 163 million (84), longterm financial interest bearing liabilities SEK 3 490 million (3 486). The profit/loss includes revaluation of biological assets of SEK 915 million (5 200). Depreciations, amortisation and impairment of non-current assets SEK 6 million (32), finance cost SEK 47 million (24), tax expenses SEK 214 million (1 086) mainly related to deferred tax on biological assets.

4 Impairment loss in 2020 and 2019 relates to the impairment of the investment in Free Form Packaging AB.

19 Other holdings

Name/Corp. ID no.	Number of shares	Holding in %	Carrying amount, SEKm
2020			
Group			
One tenant-owner property	1		–
BioBag International AS, Norway, 966 534 281	360	10	34
Bergvik Skog Öst AB, 556644-5473	1	0.1	4
Bergvik Skog AB (in liquidation process), 556610-2959	353	5	10
Radio Skog AB, 556137-8505	400	10	–
RK Returkartong AB, 556483-8828	28	4	–
Recycl3R Solutions SL, Spain, B-16.557.514	117	10	3
Kezzler AS, Norway, 983 594 123	5 280 490	8	47
Hanhaa Ltd, UK, 09097664	21 336	13	–
Vericool Inc, US, 47-5317336	543 915	12	10
IUC Norr AB	200	3	–
Total			108
PARENT COMPANY			
SSG Standard Solutions Group AB, 556403-1523	7 143	14	–
Total			–
2019			
GROUP			
One tenant-owner property	1		–
BioBag International AS, Norway, 966 534 281	360	10	9
Bergvik Skog Öst AB, 556644-5473	1	0.1	4
Bergvik Skog AB, 556610-2959	353	5	55
Radio Skog AB, 556137-8505	400	10	–
RK Returkartong AB, 556483-8828	28	4	–
Recycl3R Solutions SL, Spain, B-16.557.514	117	10	3
Kezzler AS, Norway, 983 594 123	528 049	9	47
Hanhaa Ltd, UK, 09097664	21 336	13	–
Vericool Inc, US, 47-5317336	543 915	14	42
IUC Norr AB	200	3	–
Total			160
PARENT COMPANY			
SSG Standard Solutions Group AB, 556403-1523	7 143	14	–
Total			–

Changes regarding the Group's Other holdings are stated in Note 28.

20 Inventories

SEKm	Group	
	2020	2019
Raw materials and consumables	1 347	1 194
Finished goods	2 133	2 192
Work in progress	71	67
Advances to suppliers	78	119
Total	3 629	3 572

Of the inventory of finished goods, SEK 301 million (28) has been measured at net realisable value.

Operating costs include SEK 29 million (99) for impairment of inventories.

21 Shareholders' equity

Share capital

Owners of ordinary shares are entitled to a dividend approved at a later date, and the shareholding entitles the owner to vote at the AGM, with one vote per share. All shares have the same rights to Billerud-Korsnäs' remaining net assets. Regarding shares in the Company's treasury (see below), all rights are suspended until the shares are re-issued.

Other contributed capital

The shares represent equity paid in by the owners. This includes part of share premium reserves transferred to the statutory reserve at 31 December 2005. Allocations to the share premium reserve from 1 January 2006 onward are also recognised as paid-in capital.

Reserves

Translation reserve

The translation reserve comprises all exchange rate differences arising from the translation of financial reports of foreign operations that have prepared their financial reports in a currency other than the currency that is the Group's functional currency. The parent company and Group present their financial statements in Swedish kronor. In addition, the translation reserve consists of exchange rate differences arising from the revaluation of debts raised to hedge net investments in foreign operations.

Revaluation surplus

The revaluation surplus comprises of unrealised changes in fair value of forest land.

Fair value reserve

Until 2019 the fair value reserve includes the accumulated net change in the fair value of financial assets measured at fair value through other comprehensive income until the asset is derecognised from the balance sheet.

Hedging reserve

The hedging reserve comprises the effective portion of accumulated net changes in the fair value of a cash flow hedge instrument attributable to hedge transactions that have not yet occurred.

Retained earnings

Retained earnings including profit/loss for the year includes profit earned by the parent company and its subsidiaries and associates. From 2020 retained earnings includes accumulated net change in the fair value of financial assets measured at fair value through other comprehensive income, until the asset is derecognised from the balance sheet. Previous allocations to the statutory reserve, excluding transferred share premium reserves, are included in this capital item.

Repurchased shares

Repurchased shares includes the acquisition cost of the Company's treasury shares held by the parent company. At 31 December 2020, the Group's holdings of treasury shares totalled 1 387 922 (1 430 062).

Dividend

After the end of the reporting period, the Board of Directors proposed to the AGM a dividend of SEK 4.30 per ordinary share, totalling SEK 889 million. This proposal will be voted on at the AGM on 5 May 2021.

	2020	2019
Dividend, SEKm	889	889
Dividend per ordinary share, SEK	4.30	4.30

Financial position

BillerudKorsnäs' financial target for its financial position is for the longterm ratio of net interest-bearing debt to EBITDA to be less than 2.5. Group interest-bearing net indebtedness in relation to EBITDA at the end of 2020 was 2.0 (1.9) times. Interest bearing net debt in relation to adjusted EBITDA was 2.0 (1.9), see more information in Note 6 regarding items affecting comparability.

PARENT COMPANY

Restricted reserves

Restricted reserves may not be reduced by the distribution of profits.

Share capital

The share capital at year-end consists of 208 219 834 (208 219 834) ordinary shares with a quotient value of SEK 7.38 (7.38) and entitling holders to one vote per share.

Statutory reserve

The purpose of the statutory reserve is to save a part of net earnings that is not needed to cover retained losses.

Non-restricted equity

Share premium reserve

When shares are issued at a premium, that is, at a price that is greater than the shares' quotient value, an amount corresponding to the amount received in excess of the quotient value of the shares must be transferred to the share premium reserve.

Retained earnings

These consist of the preceding year's non-restricted equity after payment of dividends, if any. Together with profit/loss for the year this constitutes total non-restricted equity, that is, the amount available for distribution as a dividend to shareholders.

22 Proposed allocation of profit

Non-restricted equity in the parent company consists of:

SEK	
Share premium reserve	4 407 645 318
Retained earnings	1 559 317 591
Profit/loss for the year	303 725 727
Total	6 270 688 636

The Board proposes that:

SEK	
Dividend to shareholders, 206 831 912 shares at SEK 4.30 per share ¹	889 377 222
and that the remaining amount be retained	5 381 311 414
Total	6 270 688 636

¹ Allocation of shares under the LTIP programme in April/May, if any, not taken into account.

23 Provisions for pensions and similar commitments

BillerudKorsnäs has defined-benefit pension plans for office-based staff in Sweden (ITP plan). BillerudKorsnäs also has defined-contribution pension plans.

In addition to this, there are defined-benefit pensions secured through endowment insurance, along with a provision for non-vested pensions of SEK 18 million (23) in the subsidiary BillerudKorsnäs Skog & Industri AB.

Parts of the ITP plan's pension commitments are secured through provisions on the balance sheet in accordance with the FPG/PRI system.

All newly earned pension contributions within the ITP 2 plan are secured through pension insurance with Alecta. Alecta cannot provide sufficient information to recognise the ITP plan as a defined-benefit plan, and the plan is therefore recognised as a defined-contribution plan in accordance with UFR 10.

The ITP plan secured with Alecta is a multi-employer defined-benefit plan. Alecta's collective consolidation ratio was 148% (148) at yearend. The collective consolidation ratio consists of the market value of Alecta's assets in relation to the insurance undertakings calculated as per Alecta's actuarial assumptions, which do not correspond to IAS 19. BillerudKorsnäs' pension undertakings secured with Alecta constitute a marginal proportion of total undertakings secured with Alecta.

This means that no pension costs for newly earned defined-benefit pension are recognised as defined-benefit.

The recognised defined-benefit pension costs are attributable to previous periods.

Fees for pension insurance with Alecta totalled SEK 117 million (122) for the year.

GROUP	2020	2019
SEKm		
Pension costs		
Pension costs in profit/loss for the year		
Employee benefit costs		
Defined-contribution plans	269	264
Defined-benefit plans	–	–
Special payroll tax	72	70
Finance costs	10	17
Total	351	351
Pension costs in other comprehensive income		
Actuarial changes	4	114
Provisions for pensions in balance sheet		
Provisions at start of year	871	784
Pension costs	–4	–
Finance costs	10	17
IFRS adjustment		
Actuarial changes		
Change in financial assumptions	14	121
Change in demographic assumptions	–	–
Experience-based adjustments	–10	–7
Payments	–45	–44
Provisions at end of year	836	871
of which covered by credit insurance with FPG/PRI	799	830
Of the provision, SEK 45 million (43) is expected to be paid within 12 months. As collateral for pension commitments, the Group has pledged endowment insurance totalling SEK 48 million (42).		
	31 Dec 2020	31 Dec 2019
Actuarial assumptions		
The following material actuarial assumptions have been applied in the calculation of commitments (weighted averages).		
Discount rate	0.8%	1.2%
Future increases in pensions	1.5%	1.8%
Lifetime	DUS 14	DUS 14

Sensitivity analysis actuarial assumptions

Parameter	Change	Impact on pension liability
Discount rate	+0.5%	–61
Discount rate	–0.5%	68
Inflation	+0.5%	65
Inflation	–0.5%	–59
Lifetime	+1 year	45
Lifetime	–1 year	–44

The sensitivity analysis is based on a change in an individual actuarial assumption while other assumptions remain unchanged. This method shows the sensitivity of the undertaking to a single assumption. This is a simplified method as the actuarial assumptions are usually correlated. The average maturity of pension undertakings is around 14 years.

PARENT COMPANY

SEKm	2020	2019
Pension costs		
Employee benefit costs	37	34
Special payroll tax	11	10
Finance costs	6	7
Total cost of direct pensions	54	51

Provisions for pensions in balance sheet

Present value of pension commitments related to retirement under the management of the company at start of year	178	178
Pension costs	4	4
Finance costs	6	7
Pensions paid	–12	–11

Present value of pension commitments related to retirement under the management of the company at start of year

	176	178
Commitments paid to endowment insurance held by BillerudKorsnäs	34	30
Other provisions	8	7

Provisions for pensions in balance sheet	218	215
of which covered by credit insurance with FPG/PRI	176	178

Of the provision, SEK 13 million (11) is expected to be paid within 12 months. As collateral for pension commitments, the parent company has pledged endowment insurance totalling SEK 34 million (29).

24 Provisions

SEKm	Severance pay, redundancy pay		Working environment, restructuring costs		Other costs		Total carrying amount	
	2020	2019	2020	2019	2020	2019	2020	2019
GROUP								
Change for the year								
Carrying amount at start of year	53	146	165	237	4	4	222	387
Provisions made during the year	38	49	–	2			38	51
Unutilised amount reversed during the year	–2	–52	–	–32			–2	–84
Amount utilised during the year	–45	–90	–28	–42			–73	–132
Carrying amount at end of year	44	53	137	165	4	4	185	222
of which current portion of provisions	37	50	28	36	4	4	69	90
PARENT COMPANY								
Change for the year								
Carrying amount at start of year	19	21	–	–	4	4	23	25
Provisions made during the year	11	19					11	19
Unutilised amount reversed during the year	–	–2					–	–2
Amount utilised during the year	–21	–19					–21	–19
Carrying amount at end of year	9	19	–	–	4	4	13	23
of which current portion of provisions	9	19	–	–	4	4	13	23

25 Interest-bearing liabilities

SEKm	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
GROUP				
Non-current liabilities				
Syndicated loans	–	–	–	–
Bilateral loans	1 335	1 335	1 449	1 449
Bond loans	5 100	5 129	5 900	5 926
Leasing	170	170	144	144
Other interest-bearing liabilities	–	–	–	–
Carrying amount at year-end	6 605	6 634	7 493	7 519
Current liabilities				
Syndicated loans	–	–	–	–
Bond loans	800	800	400	400
Commercial papers	–	–	–	–
Bilateral loans	89	89	93	93
Leasing	95	95	89	89
Other interest-bearing liabilities	–	–	–	–
Carrying amount at year-end	984	984	582	582
Repayment periods and future interest payments on loans contracted				
(number of years from 31 Dec 2020)	0–1	1–2	2–	Total
Bilateral loans	89	89	1 247	1 425
Bond loans	800	1 700	3 400	5 900
Commercial papers	–	–	–	–
Leasing	95	67	103	265
Other interest-bearing liabilities	–	–	–	–
Group total	984	1 856	4 750	7 590
Future interest payments	77	59	76	212

The majority of the liabilities are due for payment within five years of the end of the reporting period.

The difference between carrying amount and fair value is due to the liabilities not being marked to market in the balance sheet and instead being recognised at amortised cost. The Group has no loans recognised at fair value through profit or loss. The fair value of interest-bearing liabilities is established according to value hierarchy Level 2. For a definition of value hierarchy please see Note 28.

Terms and repayment periods

The agreements for the syndicated loans, bilateral loans and bond loans issued outside the MTN programme contain financial covenants which must be met for them to be available. These covenants primarily relate to the net debt/equity ratio and interest coverage ratio. All covenants were met throughout 2020. The syndicated loans, which are a revolving credit facility of SEK 5 500 million, were unutilised as of 31 December 2020. The credit facility falls due in May 2024. The syndicated loans and bilateral loans have variable interest rates.

BillerudKorsnäs had eight outstanding bond loans totalling SEK 5 900 million as of 31 December 2020. Of the outstanding bond loans, SEK 4 350 million have variable interest and SEK 1 550 million fixed interest. SEK 4 300 of the bonds were issued under the MTN programme, which was established in 2013. Of the outstanding SEK 5 900 million, SEK 800 million matures in 2021, SEK 1 700 million in 2022, SEK 1 800 million in 2023, SEK 600 million in 2024 and SEK 1 000 million in 2025.

Commercial papers are issued under the programme originally established in 2003. The commercial paper programme has a framework amount of SEK 4 000 million. Commercial papers have a minimum maturity of one day and a maximum maturity of one year. As of 31 December 2020, no commercial papers had been issued.

26 Liabilities to credit institutions

SEKm	2020	2019
PARENT COMPANY		
Non-current liabilities		
Syndicated loans	–	–
Bilateral loans	1 335	1 449
Bond loans	5 100	5 900
Other interest-bearing liabilities	–	–
Carrying amount at year-end	6 435	7 349
Current liabilities		
Syndicated loans	–	–
Bilateral loans	89	93
Bond loans	800	400
Commercial papers	–	–
Other interest-bearing liabilities	–	–
Carrying amount at year-end	889	493

Repayment periods

(number of years from 31 Dec 2020)	0–1	1–2	2–	Total
Syndicated loans	–	–	–	–
Bilateral loans	89	89	1 247	1 425
Bond loans	800	1 700	3 400	5 900
Commercial papers	–	–	–	–
Other interest-bearing liabilities	–	–	–	–
Total	889	1 789	4 647	7 325

The majority of the liabilities are due for payment within five years after the closing date.

27 Accrued expenses and deferred income

SEKm	Group		Parent company	
	2020	2019	2020	2019
Employee benefit expenses, including social security costs	567	596	35	43
Excise duties	2	1	–	–
Delivery expenses	86	113	–	–
Wood expenses	129	150	–	–
Energy expenses	48	50	–	–
Other	524	504	31	60
Total	1 356	1 414	66	103

28 Financial assets and liabilities

SEKm	Fair value through profit/loss – hedge accounting		Amortised cost		Fair value through other comprehensive income		Financial liabilities valued at amortised cost		Total carrying amount		Fair value	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Valuation classification	Level 2				Level 3							
GROUP												
Other shares and participations					108	160			108	160	108	160
Non-current receivables	–	16	26	27					26	43	26	43
Accounts receivable			2 350	2 408					2 350	2 408	2 350	2 408
Other receivables	295	105	392	407					687	512	687	512
Cash and cash equivalents ¹			3 036	3 450					3 036	3 450	3 036	3 450
Total	295	121	5 804	6 292	108	160	–	–	6 207	6 573	6 207	6 573
Non-current interestbearing liabilities							6 605	7 493	6 605	7 493	6 634	7 519
Current interest-bearing liabilities							984	582	984	582	984	582
Accounts payable							3 129	2 937	3 129	2 937	3 129	2 937
Other liabilities	96	33					238	286	334	319	334	319
Total	96	33	–	–	–	–	10 956	11 298	11 052	11 331	11 081	11 357
PARENT COMPANY												
Other shares and participations									–	–	–	–
Non-current receivables			47	47					47	47	47	48
Accounts receivable			2 016	1 912					2 016	1 912	2 016	1 912
Other receivables			15	2 015					15	2 015	242	2 097
Cash and bank balances ²			2 836	3 260					2 836	3 260	2 836	3 260
Total	–	–	4 914	7 234	–	–	–	–	4 914	7 234	5 141	7 317
Bond and syndicated loan							5 100	5 900	5 100	5 900	5 129	5 926
Non-current interestbearing liabilities							1 335	1 449	1 335	1 449	1 335	1 449
Current interest-bearing liabilities							889	493	889	493	889	493
Accounts payable							66	30	66	30	66	30
Other liabilities							43	48	43	48	48	74
Total	–	–	–	–	–	–	7 433	7 920	7 433	7 920	7 467	7 972

1 Short-term investments are classified as 'Cash and cash equivalents' when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.

2 Short-term investments are classified as 'Cash and bank balances' when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.

Net changes in the value of cash flow hedges recognised in operating profit/loss total SEK –138 million (–100) in 2020, of which SEK 113 million (–231) are recognised in 'Net sales'. In the section Financial Risks, risks related to cash flow hedges are described.

The Group enters into derivatives contracts under International Swaps and Derivatives Association (ISDA) master netting agreements. These agreements mean that when a counterparty is unable to settle its commitments for all transactions, the agreement is discontinued and the net amount of all outstanding balances have to be settled. These ISDA agreements do not meet the criteria for set-off, as set-off of ISDA contracts is only permitted if the counterparty or the Group is unable to settle its commitments. There is no intention to settle these balances on a net basis.

The net amount of interest rate swaps in hedge accounting covered by netting agreements is SEK 0 million (0) in other receivables and SEK 0 million (0) in other debt.

The net amount of other derivatives in hedge accounting covered by netting agreements is SEK 286 million (88) in other receivables and SEK 87 million (0) in other debt.

Fair value hierarchy

Level 1. Valuation based on fully observable data, unadjusted listed prices on an active market for identical assets and liabilities that the Company has access to at the valuation date.

Level 2. Valuation based on data other than listed prices in level 1 that are directly or indirectly observable.

Level 3. Valuation is based essentially on non-observable data for the asset or liability.

Reconciliation of Level 3 fair values	2020	2019
GROUP		
Carrying amount at start of year	160	1 530
Acquisition, Vericool	–	22
Acquisition, Recycl3R Solutions, SL	–	3
Divestment, One tenant-owner property	–	–2
Divestment, Vindin	–	–13
Impairment of carrying amount in other comprehensive income, Vericool	–32	–
Impairment of carrying amount in other comprehensive income, Bergvik skog AB	–45	–121
Impairment of carrying amount in other comprehensive income, Paboco A/S	–	–7
Impairment of carrying amount in other comprehensive income, Hanhaa	–	–8
Change in fair value recognised in other comprehensive income, BioBag	25	–
Change in fair value recognised in other comprehensive income, Bergvik Skog AB	–	–892
Fair value transferred to profit/loss for the year, Bergvik Skog AB	–	–352
	108	160

Valuation of other shares and participations is based primarily on the proportion of the Company's equity.

Maturity structure

(number of years from 31 Dec 2020)	0–1	1–2	2–	Total
Bilateral loans	89	89	1 247	1 425
Bond loans	800	1 700	3 400	5 900
Commercial papers	–	–	–	–
Other interest-bearing liabilities	–	–	–	–
Accounts payable	3 129	–	–	3 129
Other liabilities	238	–	–	238
Interest rate swaps in hedge accounting	–	–	–	–
Derivatives in hedge accounting	66	28	2	96
Lease liabilities	95	67	103	265
Group total	4 417	1 884	4 752	11 053

Future interest payments

For more information on currency hedging, see separate section in the Director's Report, for hedging of interest rate swaps and electricity see section on interest rate risk and energy price risk respectively in the section on risk management and sensitivity analysis.

29 Remuneration to the board and senior management

Remuneration to the Board of Directors

The Chairman and members of the Board receive remuneration in accordance with resolutions by the Annual General Meeting. Additional fees are paid for work on committees. The Chairman of the Board received SEK 1 350 (1 350) thousand in 2020. In 2019 the fee was split between Jan Åström and Lennart Holm.

Board fees, SEK thousand, Name	Fee for year		Fee for audit committee		Fee for remuneration committee		Fee for investment committee		Fee	
	2020–2021	2019–2020	2020–2021	2019–2020	2020–2021	2019–2020	2020–2021	2019–2020	2020	2019
Jan Åström	1 350	935			50	50	50	50	1 450	1 035
Michael M.F. Kaufmann	880	880			25	25			905	905
Bengt Hammar	520	520					50	50	570	570
Kristina Schauman	520	520	155	155					675	675
Andrea Gisle Joosen ¹	520	520	75	75	25	13			620	608
Victoria Van Camp	520	520					50	50	570	570
Tobias Auchli	520	520	75	75			50	50	645	645
Jan Svensson	520	–							520	–
Lennart Holm	–	675				12			–	687
Total	5 350	5 090	305	305	100	100	200	200	5 955	5 695

¹ Andrea Gisle Joosen have received remuneration of SEK 85 thousand, for board work in BillerudKorsnäs Venture AB.

Remuneration to the CEO and Executive Management

The 2020 Annual General Meeting approved the following guidelines for remuneration to senior executives. Senior executives includes the CEO and other members of the Executive Management Team (EMT, former ELT).

The guidelines' promotion of BillerudKorsnäs' business strategy, long-term interests and sustainability

BillerudKorsnäs is challenging conventional packaging for a sustainable future and this mission describes the purpose of BillerudKorsnäs' business operations. Profitable growth is essential when challenging less sustainable packaging materials and solutions over time. In order to deliver profitable growth, a goal-oriented and intensive work is being undertaken. BillerudKorsnäs' employees are the people that with a customer focus, are driving the change that is needed to realise the strategy and achieve our ultimate purpose – a sustainable future.

For further information on BillerudKorsnäs' business strategy, see the company's website www.billerudkorsnas.com/about-us/strategy-platform.

A prerequisite for the successful implementation of the BillerudKorsnäs' business strategy and safeguarding of BillerudKorsnäs' long-term interests, including its sustainability, is that BillerudKorsnäs is able to recruit and retain qualified employees with high competence and capacity to achieve set goals. BillerudKorsnäs shall together with

its employees challenge conventional packaging for a sustainable future. To achieve this, it is necessary that BillerudKorsnäs offers competitive total remuneration which creates incentives for senior executives to think new, feel responsibility, cooperate and create value. The goal is to create incentives to promote BillerudKorsnäs' business strategy and long-term interests, deliver exceptional results and to link incentives for key persons within BillerudKorsnäs with the shareholders' interests. These guidelines enable this objective and that senior executives can be offered a competitive total remuneration.

Types of remuneration, etc.

BillerudKorsnäs shall be on market terms as regards compensation levels and terms of employment. The remuneration shall consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Furthermore, the general meeting may resolve on, among other things, long-term share and share price-related remuneration.

The variable cash remuneration to the CEO and ELT members is paid based on outcomes in relation to clearly stated goals and shall amount to a maximum between 30 and 70 per cent of their respective annual fixed cash salary. Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are only made on an individual basis, either for the purpose of recruiting or retaining senior executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 100 per cent of the annual fixed cash salary. Any

resolution on such remuneration shall be made by the board based on a proposal from the remuneration committee.

Decisions on long-term share and share price-related remuneration are made by the general meeting – irrespective of these guidelines. Long-term share and share price-related remuneration shall be designed to ensure long-term commitment to BillerudKorsnäs' development and in order for the CEO and ELT members to have a significant, long-term shareholding in BillerudKorsnäs. The outcome of the long-term share- and share price-related remuneration shall be linked to certain predetermined performance criteria based on BillerudKorsnäs' share price and results. For more information about these programs, including the criteria for the outcome, see the company's website www.billerudkorsnas.com/about-us/corporate-governance under the headings "Long-term incentive programs" and "Remuneration".

Pension benefits shall be defined contribution. The pension premiums for defined contribution pension shall amount to a maximum of 30 per cent of the annual fixed cash salary. Variable cash remuneration shall qualify for pension benefits to the extent required by mandatory collective agreement provisions.

Other benefits may include, for example, life insurance, medical insurance (Sw: sjukvårdsförsäkring) and company car. Premiums and other costs related to such benefits may amount to not more than 40 per cent of the annual fixed cash salary.

The decision-making process to determine, review and implement the guidelines

The board has established a remuneration committee. The committee's tasks include preparing the board's decision to propose guidelines for executive remuneration. The board shall prepare a proposal for new guidelines at least every fourth year and submit it to the annual general meeting.

The guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in BillerudKorsnäs. The members of the remuneration committee are independent of the company and its executive management. The CEO and ELT members do not participate in the board's processing of and resolutions regarding remuneration-related matters if they are affected by such matters.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Criteria for awarding variable cash remuneration, etc.

The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. They may also be individualised, quantitative or qualitative objectives. The objectives for the group for variable cash remuneration are, currently to 40 per cent based on the performance measure EBITDA, 30 per cent based on net sales, 20 per cent based on capital employed and 10 per cent based on certain sustainability goals. The weighting of these group-wide goals may change from year to year depending on the group's focus areas and strategic decisions.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The remuneration committee is responsible for the evaluation so far as it concerns variable cash remuneration to the CEO. For variable cash remuneration to other ELT members, the CEO is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by BillerudKorsnäs.

Variable cash remuneration shall only be paid provided that BillerudKorsnäs' operating profit is positive, and the remuneration committee shall only use its discretion to decide on variable remuneration in accordance with the goals set out above in a way that implies that there is a link between such compensation and BillerudKorsnäs' result.

Salary and employment conditions for employees

In the preparation of the board's proposal for these remuneration guidelines, salary and employment conditions for employees of BillerudKorsnäs have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the board's basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to executives and remuneration to other employees will be disclosed in the remuneration report.

Termination of employment

In the event of termination of an employment, a notice period of six to twelve months is normally applied and a right to severance pay corresponding to the fixed cash salary for one year if the employment is terminated by BillerudKorsnäs. When termination is made by an ELT member, the notice period may not exceed six months, without any right to severance pay.

Remuneration to board members elected by general meetings

Board members elected by general meetings in BillerudKorsnäs shall in special cases be able to be remunerated for services within their respective areas of expertise, which do not constitute board work in BillerudKorsnäs AB. For these services, a market-based fee shall be paid, which must be approved by the board.

Derogation from the guidelines

The board may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve BillerudKorsnäs' long-term interests, including its sustainability, or to ensure BillerudKorsnäs' financial viability. As set out above, the remuneration committee's tasks include preparing the board's resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

Exception from the guidelines adopted by the general meeting

During 2020, BillerudKorsnäs has with one exception followed the guidelines for remuneration to senior executives adopted by the annual general meetings in 2019 and 2020. The exception is that the Board has approved that Christoph Michalski, who was recruited as new CEO in 2020, shall have a pension of 35% of the annual salary (compared to 30% according to the guidelines adopted by the annual general meeting 2020).

SEK 000 Year	Gross remuneration salary	Variable remuneration LTIP	Other benefits	Pension costs	Total	
Remuneration and benefits to the CEO						
2020 ¹	1 502 ⁵	–	–	24	534	2 060
2020 ²	6 478 ⁶	–	–	251	1 930	8 659
2019 ³	1 283 ⁷	–	–	26	152	1 461
2019 ⁴	18 872 ⁸	2 174	389	489	3 832	25 756 ⁹

Remuneration and benefits to rest of Executive Management Team

2020	27 703	465	1 386	1 671	8 059	39 284 ¹⁰
2019	22 414	5 814	1 546	843	5 209	35 826 ¹¹

1 CEO, Christoph Michalski, November–December 2020

2 Acting CEO, Lennart Holm, January–October 2020

3 Acting CEO, Lennart Holm, November–December 2019

4 Former CEO, Petra Einarsson

5 This amount includes paid holiday days, holiday supplement, allowances for expenses and lunch coupons totalling SEK 2 thousand in addition to fixed salary.

6 This amount includes paid holiday days, holiday supplement, allowances for expenses and lunch coupons totalling SEK 150 thousand in addition to fixed salary.

7 This amount includes paid holiday days, holiday supplement, allowances for expenses and lunch coupons totalling SEK 0 thousand in addition to fixed salary.

8 This amount includes paid holiday days, holiday supplement, allowances for expenses and lunch coupons totalling SEK 132 thousand in addition to fixed salary.

9 Remuneration of former CEO who was noticed during the year 2019 amounted to SEK 17 135 thousand, of which gross salary SEK 12 413 thousand, variable remuneration SEK 2 174 thousand, LTIP SEK 0 thousand, other benefits SEK 273 thousand and pension costs SEK 2 275 thousand. The CEO receive salary during the notice period of 12 months and a notice severance pay of 6 months salaries.

10 Remuneration for noticing two former EMT members during the year amounted to SEK 8 095 thousand, of which gross salary SEK 5 470 thousand, variable remuneration SEK 70 thousand, LTIP SEK 685 thousand (estimated benefit), other benefits SEK 248 thousand and pension costs SEK 1 622 thousand. They receive salary during the notice period of 12 months.

11 Acting CFO, Kristina Schauman, received fees through own company, SEK 1 665 thousand which is not included in the table above, January–May 2019.

Comments on the tables

- Variable remuneration for 2020 refers to amounts to be paid out in 2021 but charged to 2020, while variable remuneration for 2019 refers to remuneration paid out in 2020 but charged to 2019. The actual amounts are based on financial and individual targets linked to the development of the business and based on profit for 2020 and 2019.
- The LTIP for 2020 relates to the benefit value of the outcome of the LTIP 2017, and the LTIP for 2019 relates to the benefit value of the outcome for LTIP 2016.
- Other benefits include car allowance, accommodation allowance and other taxable benefits.
- Pension costs refers to the costs charged to profit/loss for the year.
- In BillerudKorsnäs' long-term incentive programmes participants are allocated a certain number of BillerudKorsnäs shares free of charge after a three-year vesting period, provided certain criteria are met.

The CEO participates in LTIP 2020 with 8 134 BillerudKorsnäs shares, known as 'savings shares'.

Other members of the Executive Management Team including division/product group team and mill managers (Category 2) participate with 25 330 savings shares.

The CEO has an exchange ratio of 6x in LTIP 2020.

Each savings share entitles the holder to 6 rights to performance shares

The Executive Management Team and certain senior management roles like mill managers, have an exchange ratio of 5x in LTIP 2020. Each savings share entitles the holder to 5 rights to performance shares.

Certain nominated key personnel and talents have an exchange ratio of 4x.

Each savings share entitles the holder to 4 rights to performance shares.

30 Additional disclosures for the cash flow statement

SEKm	Group		Parent company	
	2020	2019	2020	2019
Interest paid and received and dividend				
Interest and dividends received	32	356	96	20
Interest paid	-137	-194	-204	-209
Total	-105	162	-108	-189
Adjustments for items not included in cash flow, etc.				
Depreciation, amortisation and impairment of assets	1 938	1 744	1	1
Interest adjustment	11	25	-12	18
Impairment of shares in subsidiaries	-	-	8	-
Pensions and other provisions	-84	-211	-13	-3
Unrealised earnings, electricity certificates and emission allowances	-5	10	-	-
Share of profit/loss in associates/impairment of investments	-89	17	5	5
Impairment of Other holdings	-	-	-	-
Share-based payments	6	6	5	5
Unrealised exchange rate differences	-27	12	-25	14
Revaluation of biological assets	-132	-	-	-
Disposal of fixed assets	-2	8	-	-
Discontinued operations	-	15	-	-
Anticipated dividend	-	-	-	-2 000
Other	6	-	-	-
Total	1 622	1 626	-31	-1 960
Cash and cash equivalents ¹				
The following are included in cash and cash equivalents				
Short-term investments	-	-	-	-
Cash and bank balances	3 036	3 450	2 836	3 260
Total	3 036	3 450	2 836	3 260

¹ Short-term investments are classified as 'Cash and cash equivalents' when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.

SEKm	2019	Cash flows	Leasing	Divestment	Changes not affecting cash flow		2020
					Business combinations	Changes in exchange rates	
GROUP							
Non-current interest-bearing liabilities	7 493	-912	45	-	-	-21	6 605
Current interest-bearing liabilities	582	310	95	-	-	-3	984
	8 075	-602	140	-	-	-24	7 589
PARENT COMPANY							
Non-current interest-bearing liabilities	7 349	-893	-	-	-	-21	6 435
Current interest-bearing liabilities	493	400	-	-	-	-4	889
	7 842	-493	-	-	-	-25	7 324
SEKm	2018	Cash flows	Leasing	Divestment	Changes not affecting cash flow		2019
					Business combinations	Changes in exchange rates	
GROUP							
Non-current interest-bearing liabilities	7 130	-651	144	3 500	-2 615	-15	7 493
Current interest-bearing liabilities	1 894	-1 400	89	3	-4	-	582
	9 024	-2 051	233	3 503	-2 619	-15	8 075
PARENT COMPANY							
Non-current interest-bearing liabilities	6 731	632	-	-	-	-14	7 349
Current interest-bearing liabilities	1 846	-1 353	-	-	-	-	493
	8 577	-721	-	-	-	-14	7 842

31 Untaxed reserves

SEKm	2020	2019
PARENT COMPANY		
Tax allocation reserve		
Carrying amount at start of year	1 512	1 526
Resolved	–	–14
Provided/adjusted	4	–
Carrying amount at year-end	1 516	1 512

32 Events after the end of the period

On 11 January, the Nomination Committee announced its decision to propose that Jan Svensson be elected as Chairman of the Board at the 2021 Annual General Meeting. Jan Svensson is a member of the Board of BillerudKorsnäs since 2020 and was the CEO of Latour 2003–2019. Jan Åström has announced that he will not be available for re-election as Chairman of the Board, but as a Board member, and the Nomination Committee will propose that he is elected to this role.

On 28 January the Board of Directors made a decision to invest in a new recovery boiler at Frövi, planned to be in operation at the end of 2023. A new recovery boiler will improve environmental performance, increase energy production and create possibilities for increased efficiency and integration of the mill. The investment is estimated to total SEK 2.6 billion. The investment is planned to be financed by cash flow from operating activities. In 2021, the negative cash flow effect of the investment is estimated to SEK 700 million. The value of the current recovery boiler will be depreciated until it is closed, which will result in additional depreciations of around SEK 25 million per year for 2021–2023.

On 26 February, it was announced that Helene Biström, EVP Commercial, has decided to leave BillerudKorsnäs at her own request, and that a recruitment process to find a new EVP Commercial will be initiated immediately.

33 Investment commitments

Group

In 2020, the Group signed agreements on the future acquisition of property, plant and equipment for SEK 585 million (563). Of these commitments, it is expected that SEK 452 million (359) will be settled in 2021.

Parent company

The parent company has not entered into any agreements regarding future acquisitions of property, plant or equipment.

34 Pledged assets and contingent liabilities

SEKm	Group		Parent company	
	2020	2019	2020	2019
Pledged assets for own liabilities and provisions				
Pledged endowment insurance	–	–	34	29
Pledged shares, joint arrangements	–	319	–	–
Total pledged assets	–	319	34	29
Contingent liabilities				
Guarantee commitment, FPG/PRI	10	10	4	4
Other guarantees	139	133	110	111
Guarantees for associates	1	1	–	–
Guarantees for Group companies	–	–	345	363
Total contingent liabilities	150	144	459	478

Pledged endowment insurance of SEK 48 million (40) are accounted for with net amounts in the Group, and are not disclosed as pledged in the table above for the Group. 2019 amounts have been adjusted.

The shares in Bomhus Energi were pledged as security for Bomhus Energi's loans in 2019.

The parent company's guarantee commitments for Group companies include BillerudKorsnäs Skog & Industri AB's PRI liability of SEK 317 million (333).

There are no indications that any pledged securities or contingent liabilities will lead to any outflow of resources.

35 Related parties

The parent company and the Group has related-party relationships with its subsidiaries and joint arrangements (see Note 16), and associated companies (Note 18). Board members, senior management and close family members to these persons, and companies that those persons have a significant influence over are considered as related parties.

Summary of related-party transactions

SEKm	Year	Sales of goods and services to related parties	Procurement of goods and services from related parties	Liabilities to related parties	Receivables from related parties
GROUP					
Relationship					
Associates and joint arrangements ¹	2020	151	640	81	20
Associates and joint arrangements ²	2019	28	335	156	110
PARENT COMPANY					
Relationship					
Subsidiaries	2020	382	58	10 174	11 819
Subsidiaries	2019	320	40	12 420	14 624
Associates and joint arrangements	2020	–	–	–	13
Associates and joint arrangements	2019	–	–	–	18

¹ Sale of services to Bergvik Skog Öst as an associated company (BSÖ Holding AB Group) amounted to SEK 150 million and purchases of wood to SEK 323 million. Purchase of steam/electricity from Bomhus Energi AB as joint arrangement amounted to SEK 261 million.

² Sale of services and purchase of wood from Bergvik Skog Öst relates to the period September 1 to December 31 2019. Sales amounted to SEK 28 million and purchases to SEK 44 million. Purchase of steam/electricity from Bomhus Energi AB amounted to SEK 272 million.

Transactions with key individuals in executive positions

Salaries, remuneration and other benefits are accounted for in Notes 5 and 29.

36 Business combinations

Bergvik Skog Öst AB

SEKm	2019
GROUP	
Acquisition balance sheet, Bergvik Skog Öst AB	
Biological assets	7 718
Other non-current assets	381
Current assets	410
Total assets	8 509
Deferred tax liability	1 597
Non-current liabilities	69
Current liabilities	2 728
Total liabilities	4 394
Purchase consideration	-4 079
Acquisition costs ¹	-31
Cash and cash equivalents (acquired)	381
Net effect on cash and cash equivalents	-3 729
Negative goodwill	35

¹ Acquisition costs of SEK 9 million was accounted for in 2018. Total transaction costs amount to SEK 40 million.

On May 31 2019, BillerudKorsnäs finalised the purchase of shares in Bergvik Skog Öst AB, which comprises approximately 350 000 hectares of forest land in Sweden. In connection to the transaction, BillerudKorsnäs also divested the shares in Bergvik Skog Väst AB to Stora Enso.

Negative excess value of SEK 35 million has been accounted for as a revenue in Result from discontinued operations. The negative excess value occurred since the purchase price for the transaction was based on accounts for previous period, which have changed during the transaction. The transaction implied that BillerudKorsnäs Skog & Industri AB took over an internal loan from Bergvik Skog AB amounting to SEK 2 615 million, which is included in the current liabilities of SEK 2 728 million.

Paper Bottle Company A/S (former ecoXpac A/S)

SEKm	2019
GROUP	
Acquired balance sheet, ecoXpac A/S	
Goodwill	45
Non-current assets	33
Current assets	22
Total Assets	100
Non-current liabilities	1
Current liabilities	12
Total liabilities	13
Purchase consideration	-59
Cash and cash equivalents (acquired)	14
Net effect on cash and cash equivalents	-45

Together with ALPLA, which manufactures plastic packaging solutions, BillerudKorsnäs has decided to embark on the joint journey of development regarding a fully bio-based and recyclable paper bottle, and form a joint venture through ecoXpac A/S, a manufacturer of paper bottles in Denmark.

As a part of forming this joint venture, BillerudKorsnäs acquired shares in ecoXpac A/S on 29 March 2019. Prior to the acquisition the BillerudKorsnäs Group owned 19.6% of the shares. At the end of the second quarter, BillerudKorsnäs' shareholding totalled 89.2%.

Revaluation of previous holdings increased other comprehensive income by SEK 13 million. Non-controlling interests as a result of the acquisition amounted to SEK 9 million. Acquisition costs have been carried as an expense and are estimated to total SEK 1 million.

Following regulatory approvals such as merger control clearances, the transaction was completed on 9 July 2019. BillerudKorsnäs sold 44.6% of the shares in ecoXpac A/S to ALPLA for a consideration of DKK 28 million. BillerudKorsnäs' wholly owned subsidiaries BillerudKorsnäs Venture AB thereafter has a shareholding in ecoXpac A/S of 44.6%. The remaining shares are owned by the founder family. The sale of the subsidiary are disclosed in Note 37, Divestments of subsidiaries. EcoXpac A/S changed name to Paper Bottle Co A/S (Paboco A/S) during the third quarter 2019.

37 Divested subsidiaries

Paper Bottle Company A/S (former ecoXpac A/S)

SEKm	2019
GROUP	
Divested assets and liabilities	
Goodwill	46
Other non-current assets	37
Current assets	18
Total Assets	101
Non-current liabilities	11
Current liabilities	1
Total liabilities	12
Selling price	
Consideration received, less selling costs	40
Less: Cash and cash equivalents in divested business	-9
Effect on cash and cash equivalents	31
Capital gain	
Consideration received, less selling costs	40
Received shares in Paper Bottle Company A/S	40
Assets sold	-101
Liabilities sold	12
Reduced non-controlling interests	9
Capital gain	-

As a part of creating a joint venture with ALPLA, BillerudKorsnäs 9 of July 2019 sold 44.6% of the shares in Paper Bottle Company A/S for a consideration of DKK 28 million. BillerudKorsnäs' wholly owned subsidiary BillerudKorsnäs Venture AB has per December 31 2019 and 2020 a shareholding in Paper Bottle Company A/S of 46.7%. The remaining shares are owned by the founder family.

38 Critical accounting estimates and judgements

Pension liabilities

A discount rate of 0.8% (1.2) has been applied in calculating the obligation in relation to BillerudKorsnäs' defined-benefit plans. Future increases in pension in the form of inflation adjustment have been assumed to be 1.5% (1.8). BillerudKorsnäs applies a demographic assumption in accordance with DUS 14. For further information about pensions, see Note 23.

Property, plant and equipment

The value of non-current assets includes identified surplus value for non-current assets at the acquisition of Korsnäs 2012. This surplus value was tested for impairment together with goodwill within Product area Board. No need for impairment was identified. For further information about property, plant and equipment, see Note 13.

Goodwill

Impairment testing was conducted with respect to goodwill. No need for impairment was identified. For further information about goodwill, see Note 12.

39 Information about the parent company

BillerudKorsnäs AB is a Swedish limited liability company with registered office in Stockholm. The shares of the parent company are registered with Nasdaq Stockholm AB. The address of the head office is Box 703, SE-169 27 Solna, Sweden. The consolidated accounts for 2020 comprise the parent company, its subsidiaries and 50% of joint arrangements regarding Bomhus Energi AB, which together form the Group. The Group also includes owned participations in associates.

Signatures

The undersigned affirm that the consolidated accounts and the annual accounts, respectively, have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and generally accepted accounting practices and give a true and fair view of the financial position and results for the Group and parent company, respectively.

The directors' report for the Group and parent company, respectively, provides a true and fair view of the Group's and parent company's operations, financial position and performance, and describes material risks and uncertainties faced by the parent company and Group companies. The Annual and Sustainability Report and the consolidated financial statements were approved for publication by the Board on 25 March 2021.

The Annual Report also contains the Group's and Parent Company's statutory sustainability reporting in accordance with the Swedish Annual Accounts Act, Chapter 6, Section 11.

The consolidated statement of income and comprehensive income and consolidated balance sheet as well as the parent company's statement of comprehensive income and balance sheet will be subject to adoption by the Annual General Meeting of Shareholders on 5 May 2021.

Solna, 25 March 2021

Jan Åström
Chairman

Michael M. F. Kaufmann
Vice Chairman

Tobias Auchli
Member

Andrea Gisle Joosen
Member

Bengt Hammar
Member

Kristina Schauman
Member

Jan Svensson
Member

Victoria Van Camp
Member

Gunnevi Lehtinen Johansson
Member

Nicklas Johansson
Member

Christoph Michalski
Chief Executive Officer

Our audit report was issued on 25 March 2021
KPMG AB

Ingrid Hornberg Román
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of BillerudKorsnäs AB (publ), corp. id 556025-5001

Translation of the Swedish original.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of BillerudKorsnäs AB (publ) for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 43–110 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the

financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis of opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of goodwill

See disclosure 12 and accounting principles on pages 78–84 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

Per 31 December 2020, the carrying value of goodwill on the Group's consolidated balance sheet is SEK 1,951 million. The Group's goodwill is primarily attributable to the division and business segment Board.

Goodwill should annually be subject to at least one impairment test. The assessment of the carrying value is inherently complex and based on the Group's forecasts regarding internal and external conditions and plans. An example of such an assessment is the forecast of future cash flows, which is based, amongst other things, on assumptions about future business developments and market conditions. Another important assumption to evaluate is which discount rate to use in order to correctly reflect market estimates for the time value of money as well as the specific risks that the business is facing.

There is a risk that incorrect assumptions are used when determining the fair value, which could have significant impact on the results and on the financial position.

Response in the audit

We have evaluated whether the goodwill impairment test was performed in accordance with the prescribed accounting method for discounted cash flows.

Moreover, we have considered the reasonableness of the assumptions used by the Group in their future cashflow forecasts (such as predicted sales volume growth, EBITDA-margin developments, working capital and investments) as well as the discount rate used through evaluation of the Group's written documentation and forecasts.

An important part of our work has also been to analyse the Group's sensitivity analysis of their own valuation to assess how reasonable changes in the assumptions may impact the values.

Furthermore, we have evaluated the disclosures about goodwill and the goodwill impairment test that are included in the group consolidated accounts.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–42 and 114–131. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an

auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are

responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements
Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of BillerudKorsnäs AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis of opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's

type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Addi-

tional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of BillerudKorsnäs AB (publ) by the general meeting of the shareholders on the 5 May 2020. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2015.

Stockholm 25 March 2021
KPMG AB

Ingrid Hornberg Román
Authorised Public Accountant

Sustainability data 2020

This is the eighth sustainability report for BillerudKorsnäs. This report has been prepared in accordance with the GRI Standards: Core option.

Scope

The sustainability report is included in this Annual and Sustainability Report 2020. The report covers all the companies in which BillerudKorsnäs has operational control, i.e. majority-owned companies in line with BillerudKorsnäs' Annual and Sustainability Report 2020.

The BillerudKorsnäs sustainability report is prepared in accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting, GRI Standards, and comprises pages 26–42, 63–67 and 114–121, and the GRI Appendix which is available

at <http://billerudkorsnas.com/sustainability>. Sustainability reporting also includes the statutory sustainability report under Chapter 6 Section 11 of the Annual Accounts Act.

Annual reporting

Sustainability reporting is done annually. The most recent sustainability report, the Annual and Sustainability Report 2019, was published in April 2020. The report also constitutes our reporting to the UN Global Compact, Communication on Progress.

Changes to reporting

There are no significant changes to reporting structure or GRI Standards alignment in 2020. The sustainability targets have been updated

during 2020 to align with the corporate strategy. Details to changes in disclosures are described next to the disclosure and/or in the GRI Appendix.

Target group

The primary target group of the report is investors. Other stakeholders such as customers, suppliers, employees and society will find their most essential questions answered in this report.

Assurance report

The Sustainability Report has been reviewed by KPMG, see auditors' report on page 122.

Sustainability targets

Area / KPI	Base year ¹	Outcome 2018	Outcome 2019	Outcome 2020	Target 2020	Target 2021	Target 2024	Target 2030
Focus areas								
Accidents resulting in absence per million hours worked (own employees) ² , LTIFR	2013	7.2	7,4 (4%)	6,1 (–18%)	3.2 (–56%)	(4,0) –30%	–30%	<1.5
Accidents resulting in absence per million hours worked (contractors) ² , LTIFR	2019	11.5	7,1 (–38%)	13,7 (92%)	3.2 (–57%)	(8,0) –30%	–30%	<1.5
Reduction of total greenhouse gas emissions from production and purchased energy ³ , %	2016	–3%	–3%	–10%	–13%	–15%	–20%	–59%
Reduced emissions of greenhouse gases from sources not owned or controlled by BillerudKorsnäs ⁴ , %	2016	–22% ⁷	–25% ⁷	–17%	N/A	–	–	–30%
Proportion of customers who consider that BillerudKorsnäs' work on sustainability creates value ⁵ , %	2016	72	77	77	77	78	79	85
Sustainability Foundation								
Proportion of wood supply from Europe, %	2019	97%	99%	99%	96%	96%	96%	
No. of group-certified forest owners in BillerudKorsnäs' group certificates for FSC® and PEFC™, no.	2013	175	191	213	200	215	260	
Proportion of purchase value covered by supplier assessment ⁶ , %	2014	76,6%	79,8%	78,8%	75%	77%	83%	
Transport of wood raw material and finished products, g CO ₂ e/tonne km	2016	11.8	12.2	12.4	12.4	12.0	11.0	
Proportion of women in total, %	2013	23,1%	23,7%	23,8%	24%	24%	27%	
Proportion of female managers, %	2013	23,0%	23,9%	23,8%	24%	24%	27%	
Energy consumption, MWh/tonne product	2013	5,3	5,3	5,3	5,2	5,2	5,0	
Emissions of fossil CO ₂ in the manufacturing process, kg/tonne product	2013	38,1	37,5	30,0	30	29	26	
Number of weeks of work experience (internships, thesis and careers introduction)	2014	1 324	1 206	1 051	1 200	1 200	1 300	
Proportion of employees completed Code of Conduct training, %	–	–	–	–	–	80%	95%	
Proportion of production units certified according to food safety standards, %	2019	100%	100%	100%	100%	100%	100%	

1 Base year refers to the year in which the target began to be measured.

2 The target for LTIFR have been updated for 2021–2024 to be yearly reduction of lost time injury frequency rate of 30% compared to previous year. The table shows absolute LTIFR as well as yearly reduction in brackets.

3 Direct emissions from own operations and indirect emissions from purchased energy.

4 Indirect emissions from purchasing goods and services, such as transport and chemicals.

5 The KPI is measured through our customer survey. The latest customer survey was performed in autumn 2019 and had 461 responses.

6 Purchase value includes group purchasing and logistics but excludes Wood supply. A supplier assessment is valid for a maximum of 3 years but normally only 1 year.

7 Disclosures for 2018 and 2019 has been restated, see page 116.

Environmental statistics

	2020	2019	2018
Production (102-7)			
Board, paper and pulp, ktonnes	3 047	2 888	2 910
Materials used (301-1)			
Wood, thousand m ³ sub	10 351	9 480	9 869
Pulp, purchased externally, ktonnes	300	276	298
Pulp, purchased internally, ktonnes	160	164	147
Chemicals (renewable), ktonnes	74	68	70
Total renewable materials, ktonnes	10 885	9 988	10 385
Chemicals (non-renewable), ktonnes	420	373	378
Total materials used, ktonnes	11 306	10 360	10 763
Air emissions (305-7)			
Sulphur (S), tonnes	371	416	353
of which diffuse sources, tonnes	277	301	257
Nitrogen oxides (NOx), tonnes	3 050	2 905	2 991
Dust, tonnes	604	543	460
Water withdrawal (303-1)			
Surface water, million m ³	190	177	191
Groundwater, million m ³	0	0	0
Municipal water, million m ³	0.4	0.4	0.4
Total water withdrawal ¹ , million m ³	191	177	192

	2020	2019	2018
Emissions to water (306-1)			
Process water, million m ³	141	134	138
COD (chemical oxygen demand) ² , tonnes	28 249	28 236 ³	28 938
TSS (total suspended solids), tonnes	3 078	2 914 ³	3 799
Organically bound chlorine (AOX), tonnes	146	145	140
Nitrogen (N), tonnes	454	424	490
Phosphorus (P), tonnes	47	41	52
Waste (306-2)			
Process waste, tonnes	90 292	73 656	70 188
Hazardous waste, tonnes	1 201	851	875

1 The water is used to wash pulp in several stages during manufacture. In total, virtually all the process water is circulated and reused. How many times the process water is used varies, but according to our examples, it is used 30–50 times before being sent for biological treatment.

2 COD is calculated from TOC.

3 COD and TSS for 2019 has been restated due to improved reporting methodology at one of our production units.

Comments

The production increase in 2020 resulted in increases for most of the material categories. The increase in waste generation is mainly related to production but also increases of dredged materials in 2020.

Energy consumption and production 2020, %



- Self-generated biofuels, 79
- Purchased biofuels, 10
- Net steam and electricity, purchased, 9
- Purchased fossil fuels, 2

	2020	2019	2018
Energy consumption (302-1)			
Solid biofuels, self-generated, GWh	2 068	2 231	1 998
Waste liquor, GWh	10 419	9 777	9 978
Raw tall oil, GWh	1	5	4
Other (e.g. soap, gas, turpentine, methanol), GWh	139	119	128
Total self-generated biofuels, GWh	12 627	12 132	12 107
Solid biofuels, purchased, GWh	759	622	541
Tar oil, GWh	875	872	854
Total purchased biofuels, GWh	1 633	1 494	1 395
Total biofuels, GWh	14 260	13 626	13 502
Heavy and light fuel oil, GWh	165	224	227
LPG, GWh	110	106	108
Natural gas, GWh	109	120	128
Total purchased fossil fuels, GWh	384	450	464
Total fuel consumption, GWh	14 644	14 076	13 965
Proportion fossil fuels used, %	2.6	3.2	3.3
Steam, bio-based, GWh	211	228	255
Steam, fossil-based, GWh	2	1	1
Hot water, GWh	18	17	17
Total purchased steam, hot water (GWh)	231	246	273
Sold primary energy, GWh	364	387	375
Sold secondary energy (waste heat), GWh	571	552	511
Total sold energy, GWh	935	939	886
Purchased electricity, GWh	1 981	1 806	1 790
Self-generated electricity, GWh	1 393	1 391	1 365
Sold electricity, GWh	52	54	56
Total electricity, GWh	3 322	3 143	3 098
Total energy consumption, GWh	16 121	15 367	15 304
Energy intensity MWh/tonne¹	5.29	5.32	5.26

1 Use of electricity and energy minus fuel for self-generated electricity and sold energy.

Comments

BillerudKorsnäs used 2.6% fossil fuels in 2020, which is an improvement compared to the previous year. The main impact comes from reduced need of fossil fuel oil due to improved production stability. The energy intensity has a slight improvement during 2020 from 5.32 to 5.29 MWh/tonne.

	2020	2019	2018
Greenhouse gas emissions (305-1, 305-2, 305-3)			
Biogenic emissions, ktonnes CO ₂ ¹	4 937	4 743	4 735
Scope 1 – Direct emissions			
From biofuels, ktonnes CO ₂ eq ²	40	38	37
From fossil fuels, ktonnes CO ₂ ³	91	108	111
Total emissions scope 1, ktonnes CO₂eq	131	146	148
Scope 2 – Indirect emissions⁴			
Purchased electricity and steam (market based), ktonnes CO ₂ eq	10	7	5
Scope 3 – Indirect emissions			
Purchased goods (chemicals), ktonnes CO ₂ eq	256	228	237
Upstream transports, ktonnes CO ₂ eq	54	49	55
Business trips, air and rail, ktonnes CO ₂ eq	<1	1	2
Car commuting, employees, ktonnes CO ₂ eq	4	4	4
Downstream transports, ktonnes CO ₂ eq	139	129	130
Total emissions scope 3	453	397	412
CO₂ Intensity, Scope 1+2 (305-4)			
From fossil fuels, kg CO ₂ /tonne ³	30.0	37.5	38.1
From biofuels, kg CO ₂ eq/tonne	13.0	13.0	12.9
From purchased electricity and energy, kg CO ₂ eq/tonne	3.4	2.3	1.7
Total emissions per tonne of product, kg CO₂eq/tonne	46.4	52.8	52.7

1 Bio-generated carbon dioxide only.

2 CO₂eq (nitrous and methane) from biofuels. Bio-generated carbon dioxide from bio-generated fuels is not included in Scope 1.

3 CO₂ reported under EU ETS only. The emission factor for fossil CO₂ is 76.2 kg CO₂/TJ.

4 Purchased electricity and steam (location based), ktonnes CO₂eq. 2020: 105, 2019: 112 and 2018: 130. Figure for 2018 have been updated due to updated emission factor.

Comments

Absolute Scope 1 emissions decreased in 2020, mainly due to reduced need for fossil fuel oil. Scope 2 market based emissions increased due to an increased emission factor for purchased steam.

Upstream transports increased mainly due to increased transported volume where a significant part of that volume being transported by truck. Downstream transports increased due to a change of emission factor for oversea shipping.

Emissions from purchased goods have increased in 2020 due to increased consumption of chemicals. Emissions from purchased goods have been restated for 2018 and 2019 due to a changed emission factor for one of the most common chemicals.

The disclosure for CO₂ intensity now includes CO₂ emissions from biofuels to increase compareability.

Managed forest land

BillerudKorsnäs manages the forestry holding of Bergvik Skog Öst entailing almost 300 000 hectares of productive forest land in mid Sweden. The forestry management assignment includes all harvesting, forestry measures and all other practical issues related to the forest holding. BillerudKorsnäs also manages forest land for private smallholders in mid and north Sweden. Some of them have chosen to certify their forest according to PEFC™ and FSC® by becoming members of BillerudKorsnäs group certification. The group consists of more than 200 members and a total productive forest area of more than 100 000 hectares.

Forest owners and timber suppliers	Managed productive area, ha	Productive area voluntarily set aside, ha	Proportion voluntarily set aside out of total productive area, %
Bergvik Skog Öst AB	296 000	21 200 ¹	7.2%
Certified smallholders (including Marma)	112 080	13 257	11.8%

¹ Bergvik Skog Öst AB also have 21 000 hectares low productive forest land that is set aside that is not included.

Financial statistics

Economic value distributed, per stakeholder, SEKm (201-1)

	2020	2019	2018
<i>Direct economic value generated:</i>			
Income	24 118	24 978	23 937
<i>Economic value distributed by:</i>			
Suppliers	-17 915	-17 936	-18 006
Investments in property, plant and equipment and non-current intangible assets	-1 250	-2 868	-5 120
Salaries and employee benefits	-3 586	-3 650	-3 595
Interest to lenders	-127	-177	-104
Dividend to shareholders	-889	-889	-890
Taxes paid ¹	68	-121	-423
Total	-23 669	-25 641	-28 138
At the company's disposal	419	-663	-4 201

Tax distribution by country, SEKm

	2020	2019	2018
Sweden ²	91	-91	-332
Italy	-4	-14	-83
China	-7	-5	-
Latvia	-1	-2	-
Lithuania	-1	-	-
Estonia	-	-	-
USA	-3	-3	-4
France	-	-1	-1
Netherlands	-	-	-
Germany	-	-1	-2
United Kingdom	-1	-1	-
Spain	-5	-2	-
Finland	-	-	-
India	-	-1	-1
Vietnam	-1	-	-
	68	-121	-423

¹ In Sweden the Swedish Tax Agency repaid preliminary tax of approximately SEK 190 million in 2020.

² Includes property tax of SEK 15 million (12) in 2020.

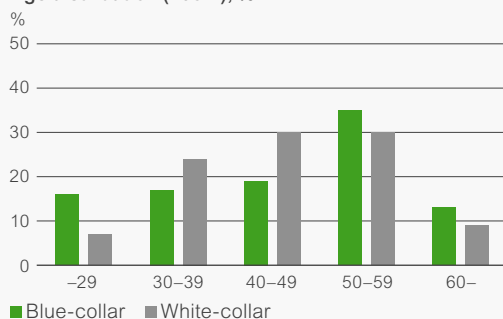
Of total Net sales in the Group of SEK 23 884 million, Net sales in legal entities registered in Sweden amount to SEK 20 455 million, Finland SEK 1 425 million, China SEK 527 million, USA SEK 510 million and UK SEK 501 million.

Of total operating profit of SEK 774 million, operating profit in legal entities registered in Sweden amount to SEK 690 million, Finland SEK -69 million, China SEK 2 million, USA SEK 28 million and UK SEK 53 million.

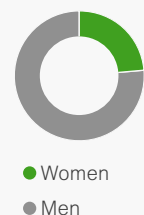
Employee statistics

Employee statistics 2020 (2019)

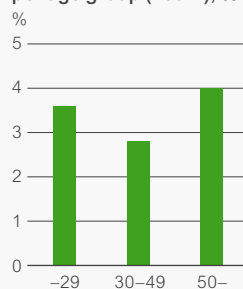
Age distribution (405-1), %



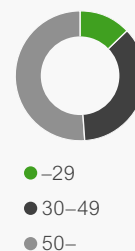
Proportion of employees (102-8), %



Proportion sick leave per age group (403-2), %



Proportion of total sick leave per age group (403-2), %



Other employee disclosures

By the end of the year, a total of 89% of all BillerudKorsnäs employees were covered by some form of formal grouping, such as collaboration councils, safety committees or safety groups (403-1). 90% of employees had at least one performance review with their line manager (404-3).

Comments

Changes in number of employees compared to 2019 is partly explained by the cost savings programme.

Sick leave increased slightly compared to last year. As previously, it is in the older group of employees, aged over 50, that have the highest reported sick leave and the age group 30-49 that has the lowest reported sick leave.

The accident rate (LTIFR) for own employees decreased from 7.4 to 6.1 in 2020. There has been a lot of focus on safety initiatives such as improved procedures and safety culture at the production units.

The accident rate (LTIFR) for contractors however, increased from 7.1 to 13.7 in 2020. There is an increase in accidents reported at the same time as the amount of hours worked by contractors decreased. Some of the increase might be attributable to improved inclination to report accidents but overall the results moves in the wrong direction. Several initiatives are underway to work more focused with our contractors, with the goal of reducing the number of accidents.

In 2020 BillerudKorsnäs experienced two work-related deaths for contractors in conjunction with tree felling in Latvia. Read more on page 28.

The age distribution for white and blue-collar workers is fairly similar, with the smallest proportion of employees among the youngest and oldest age groups. The compilation shows that there is a higher proportion of blue-collar than white-collar employees in the older groups, particularly in the 50-59 age group.

	Total	Sweden	Finland	United Kingdom	Baltic Region	Sales offices and other
Employees						
Average number of employees ¹ (102-8), no.	4 468 (4 596)	3 850(3 914)	127 (128)	134 (163)	73 (74)	284 (300)
of whom women, %	23.8 (23.7)	22.0 (21.8)	18.9 (22.0)	11.2 (9.5)	27.4 (27.0)	55.3 (59.4)
Employees at year-end, no.	4 407 (4 542)	3 797 (3 890)	120 (118)	133 (158)	73 (74)	284 (302)
of whom blue-collar, %	56.3 (56.5)	59.4 (59.8)	66.7 (62.7)	63.9 (67.7)	83.6 (82.4)	0.0 (0.0)
of whom white-collar, %	43.7(43.5)	40.6 (40.2)	33.3 (37.3)	36.1 (32.3)	16.4 (17.6)	100(100)
Proportion of female managers ² , %	23.8 (23.9)	23.7 (24.2)	30.0 (23.5)	12.5 (17.6)	25.0 (100)	26.9 (21.4)
Average age, years	46 (45)	46 (45)	46 (46)	46 (45)	51 (50)	42 (40)
Sickness absence (403-1)						
Total sick leave as % of hours worked	3.4 (3.2)	3.5 (3.2)	6.3 (6.3)	5.3 (4.1)	4.3 (7.6)	0.8 (1.4)
Sick leave as proportion of hours worked, men %	3.3 (3.2)	3.2 (3.1)	6.5 (7.1)	5.6 (4.0)	5.0 (8.6)	0.4 (0.7)
Sick leave as proportion of hours worked, women %	3.8 (3.2)	4.3 (3.5)	5.7 (2.8)	2.2 (5.1)	2.4 (4.6)	1.0 (1.9)

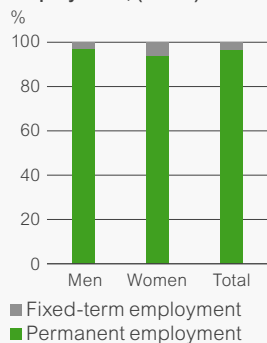
¹ 92% of employees in the Group are covered by collective agreements (102-41).

² 42% of the Board of Directors are women. The age breakdown is 8% in the 30-50 age group and 92% over the age of 50. Deputies and employee representatives are included.

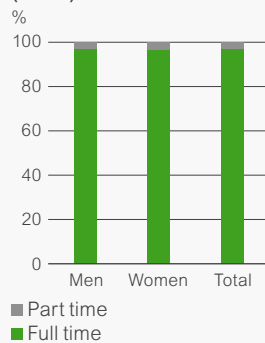
	2020			2019		
	Employees	Contractors	Total workforce	Employees	Contractors	Total workforce
Number of fatalities	0	2	2	0	0	0
Number of high-consequence work-related injuries	0	0	0	0	0	0
Number of LTI	51	31	82	66	25	91
Milion hours worked	8.3	2.3	10.6	8.9	3.5	12.4
LTIFR	6.1	13.7	7.7	7.4	7.1	7.4
Change vs previous year, %	-18	92	5			

UN Global Compact

Employees' form of employment, (102-8) %



Employees' hours of work, (102-8) %



Equal pay analysis (405-2)

Corrected average pay, comparable posts, women/men %

Survey	1	2	3	4	5
White collar	103	93	–	100	86
Blue collar	99	97	98	–	–

Comments

The annual equal pay analysis covering the five Swedish legal entities have been conducted together with an external consultant. The analysis did not find any unjustified pay differences, where the deviation did not have an objective explanation. Objective grounds and objective causes in this analysis are period of employment, age and history.

Since 2009 BillerudKorsnäs has been a signatory of the UN's responsible business initiative, Global Compact. This shows the world around us that we have taken a stand on the initiative, support its ten principles and are working for them together with many other large companies worldwide.



Framework for us

For BillerudKorsnäs the UN Global Compact serves as a framework for the entire business. Our Code of Conduct is founded on the ten principles, which in turn steer policies and the way employees are to act. This Annual and Sustainability Report in line with GRI Standards serves as part of the annual reporting – Communication on Progress – to Global Compact. Our reporting has qualified for Advanced level since 2014.

The UN's Development Goals

BillerudKorsnäs has evaluated its impact on UN's 17 global Sustainable Development Goals (SDG). We reached the conclusion that BillerudKorsnäs has the greatest opportunity to influence and contribute towards SDGs 8, 9, 12, 13, 14 and 15. More information is available on page 27.

External networks

BillerudKorsnäs is a member of a number of networks of various kinds to learn from, contribute towards and influence development in the forest industry, packaging and sustainability, but also for society as a whole. Working together produces results.

Selection of networks where BillerudKorsnäs is represented on the board, or helps to fund:

- Alliance for Beverage Cartons and the Environment (ACE) – European platform for beverage carton manufacturers and their carton suppliers on environmental issues affecting the industry.
- Asian Corrugated Carton Association (ACCA) – international organisation for the corrugated carton industry.
- Confederation of European Paper Industries (CEPI) – European industry organisation for the pulp and paper industry.
- CEPI Eurokraft – European organisation for producers of kraft paper for sacks and packaging.
- Energiforsk – network for Swedish energy research.

- European Federation of Corrugated Board Manufacturers (FEFCO) – European industry organisation for producers of corrugated board.
- EXTR:ACT – an organisation created by the companies in ACE working to increase the industry's recycling work.
- Global Recycling Alliance for Beverage Cartons and the Environment (GRACE) – collaboration on efficient collection and recycling solutions worldwide.
- Packbridge – European cluster with partners from the entire packaging value chain.
- Paper Province – company cluster for forest bioeconomy.
- Returkartong – materials company for paper packaging covered by producer responsibility in Sweden. Returkartong is one of the owners of FTI, the packaging and newspaper collection service.
- RISE Research Institutes of Sweden AB – state-owned company for Swedish industrial research institutions.
- Skogforsk – Swedish forest industry research organisation.
- SSG Standard Solutions Group – a knowledge centre that helps industry to be more efficient and safer in the field of asset management.
- Svenska FSC® – Sweden's initiative for the Forest Stewardship Council.
- The Swedish Forest Industries Federation – Swedish industry organisation for the pulp, paper and wood mechanical industry.
- Treesearch – a national research platform for new materials from forest raw material.
- Wallenberg Wood Science Center – a research centre in the new materials sector with the forest as a raw material.
- 4evergreen – industry alliance to boost the contribution of fibre-based packaging in a circular economy.

Policies and management systems

Framework for policies

BillerudKorsnäs' policy framework includes eight policies;

1. Governance Policy
2. Responsible Business Policy
3. Sustainability Policy
4. Communication & Information Policy
5. Finance Policy
6. People Policy
7. Operations & Quality Policy
8. Safety Policy

Each policy has a policy owner who is responsible for implementing respective policy in the organisation. Each policy is supported by underlying group directives as well as processes and procedures.

Company-wide management systems

Today the production units have their own certificates for quality, environment, traceability of wood raw material, energy, food safety and health and safety. Work is in progress to coordinate joint processes in management systems.

What was done in 2020:

- Quality (ISO 9001) and environment (ISO 14001). The focus during the year was to coordinate identified common processes regarding production sites and corporate level.
- Energy (ISO 50001). With regard to the energy management system, we focused on governance issues on group level.
- Food safety (FSSC 22000). Implementation work on new requirements in ISO 22000.
- Forestry (FSC® FM/PEFC™ FM) and traceability (FSC® CoC/PEFC™ CoC). Developed and implemented new routines to fulfil the new FSC FM standard in Sweden. Initiated the process to transfer to a single site ISO 9001/14001 certificate that cover the whole Wood Supply scope

Development group

Work on management systems is coordinated by the management system development group. It includes representatives of each production unit, Forestry and central responsible officers at the Technology and ESQ, Operations unit. The group also follows up work on environmental and quality management. Other management systems and forest certification are followed up in competence-based groups

External evaluation

BillerudKorsnäs is assessed continuously by numerous customers and analysts through surveys about performance and work methods. This is fully in line with our ambition to provide stakeholders with a solid basis for their evaluation of our business. Below are the major, public reviews carried out in 2020:

- Dow Jones Sustainability Index. BillerudKorsnäs was included in DJSI World as one of the world's 10% most sustainable companies. The company was named Industry Leader in Containers & Packaging.
- CDP. BillerudKorsnäs received high points when CDP evaluated the company on disclosure, awareness and management of climate, water and forest issues.
- EcoVadis. BillerudKorsnäs received the highest rating level in EcoVadis, thus continuing to be in the top of the companies being evaluated. BillerudKorsnäs was rated 'Platinum'.
- The UN Global Compact. In the 'Communication on Progress' report, which highlights progress in the work with the UN Global Compact, BillerudKorsnäs is classed as 'Advanced'.

Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA



Examples of reporting for external evaluation

External systems or initiatives	The focus of reporting
Global Reporting Initiative (GRI)	Sustainability Report
UN Global Compact	Sustainability Report
CDP	Three reports: Climate, Forestry and Water
ISS ESG	Environmental, social and governance aspects
Environmental Product Declaration (EPD)	Environmental performance of products
EcoVadis	Working conditions, environment, supply chain
Sustainalytics	Environmental, social and governance aspects
Dow Jones Sustainability Index	Economic, environmental and social aspects

Certificates at BillerudKorsnäs 2020¹

	ISO 9001	ISO 14001	ISO 50001	FSSC 22000/ ISO 22000	OHSAS 18001	FSC® FM/ PEFC™ FM	FSC® CoC/ PEFC™ CoC
Frövi	X	X	X	X			X
Gruvön	X	X	X	X			X
Gävle	X	X	X	X			X
Karlsborg	X	X	X	X			X
Skärblacka	X	X	X	X			X
Pietarsaari	X	X		X	X		X
Beetham	X	X		X	X		X
Forestry	X	X				X	X

¹ Today there are two differences in the company's certification. All the Swedish production units have energy management systems, but the others do not. These others instead carry health and safety certification, which the Swedish plants do not. For the Swedish production units the motivation for introducing energy management systems was both financial and environmental, while the Swedish Work Environment Agency's regulations for systematic work environment efforts have been seen as sufficiently rigorous to attain ambitious work environment targets.

Materiality

BillerudKorsnäs' purpose is to challenge conventional packaging for a sustainable future. In 2019, BillerudKorsnäs performed an in-depth strategy review to clarify what the organisation must focus on over the next few years in order to deliver on our purpose and achieve our goals.

More than 100 employees from across the organisation was involved, and the work resulted in a few priority areas and specific initiatives. The starting point for the strategy review was to identify the key trends and external factors that will shape our industry in 2024 and beyond. Read more on pages 10–14. Sustainability was identified as a major driver, thus a sustainability materiality assessment was conducted to identify material topics in 2019.

The identification of topics was based on our ongoing stakeholder engagement processes. Read more in our GRI Appendix. Internal workshops were conducted to assess our significant impact on each topic, and how the topics are deemed to influence the assessments and decisions of stakeholders. The result of this assessment, together with the strategy review, was an important input to form BillerudKorsnäs sustainability focus areas, read more on page 27.

In 2020 the materiality assessment has been updated to correspond to changes in stakeholder perceptions and simplification of topics assessed. The materiality assessment gave the following prioritisation of topics for BillerudKorsnäs to manage and report on.



← Very high → Low

Climate-related Disclosures

The Task Force on Climate-related Financial Disclosures (TCFD) is an initiative under which companies can voluntarily opt to disclose how climate risks and opportunities may affect their profitability. By following the recommendations, BillerudKorsnäs can get an opportunity to obtain useful data for our strategic choices, but also increase transparency so that investors can make a fair assessment of our long-term potential for profitable growth. While climate topics are highly prioritised within BillerudKorsnäs, we acknowledge that our reporting on climate-related risks and opportunities is not yet complete. Given the scale, unpredictability, and long-term nature of climate-related risks, the assessments and information provided will be updated over time.

Governance

Climate-related risks and opportunities are governed at overall level by the Board of Directors (BoD) and at an operational level by the CEO, Executive Management Team (EMT), Sustainability function and other staff. The BoD addresses, on an ongoing basis, strategic issues related to operations, investments, acquisitions, etc. that includes climate-related risks and opportunities. For example, the company has committed to science-based climate targets for 2030 and 2050, which has an impact on major investments and strategic decision-making processes. Read more about Corporate Governance at pages 50–53.

Strategy

BillerudKorsnäs has identified several climate-related risks and opportunities that have an actual and potential impact on the company's business and strategy. Many of these are driven by the trends described on pages 10–11, such as new policy developments, increased market demand and more strict sustainability requirements. The most substantive risks are included in the Enterprise Risk Management process, which is based on an impact and likelihood rating scale. The three major climate-related transition and physical risks that can have significant impact on the company within the next 5–10 years, and beyond, are:

- *Availability and price of wood raw material:* Wood and pulp account for more than a third of our operating expenses. Transitional risks such as the growing interest in the forest as a source of raw material and recent policy development, and physical risks such as forest fires and increasing global temperatures, affect the availability and thus the price of forest raw material.
- *Price of purchased electricity:* A continued ambitious climate policy in Sweden and at EU level will affect electricity prices, such as through the price of emission allowances.

- *Operational disruptions due to physical impact on our production units:* When the climate is changing we will see increased temperatures and frequency of severe weather events. Our operations may be subject to flooding, water shortages or other disturbances. If a production unit is shut down for a long period of time it can impact BillerudKorsnäs' sales volume.

One significant opportunity has been identified:

- *Increased demand of products, driven by policy changes and consumer awareness:* Climate and energy policy in the coming decade will gradually be sharpened and favour companies that deliver bio-based products and/or comply with sustainable practices. Increasing demand can have a significant impact on sales volumes and/or profits.

The response to all above issues are further described in BillerudKorsnäs' Risk Management and Sensitivity Analysis, read more on pages 63–69.

To determine the resilience of BillerudKorsnäs' climate strategy, we have applied two RCP-scenarios from IPCC. The 2° scenario (RCP 2,6) is based on active climate politics while the 4° scenario (RCP 8,5) is based on business-as-usual. From a financial perspective, the main conclusion is that the opportunities, mainly due to an increase in market potential, exceeds the risks in both scenarios. The demand for and cost of wood raw material is assumed to increase in a 2° scenario due to active climate politics (transitional risk), while in a 4° scenario, the effect is more uncertain – warmer temperatures can both lead to a longer forest growth season (opportunity) and increased risk of forest damage (physical risk).

Risk Management

The Sustainability Director and BillerudKorsnäs' Sustainability function are responsible for identifying transitional and physical risks and opportunities, and keeping the BoD and/or EMT informed about issues that may have a short or long term impact on the company. Major climate-related risks are assessed and included in the Enterprise Risk Management process at least annually, including input from the line organisations. Read more on pages 63–69. The impact and significance are estimated by using primary and secondary data. For example, the future cost of raw material in the different scenarios is calculated by using external market analysis combined with internal purchasing data and expertise.

A number of actions are ongoing and/or planned to mitigate significant risks. BillerudKorsnäs' BoD and EMT are continuously updated on the management of significant risks through relevant business



The TCFD structures its recommendations around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets.

areas or functions. For example, the Energy function observes the energy market and suggests potential investments or decisions that may need to be taken, while also monitoring that the production units are improving their energy efficiency. This provides a resilience for a potential future increase in electricity costs. To mitigate the risk related to availability and price of wood raw material, our business area Wood Supply focuses on value chain optimisation and long-term relationships. Read more on pages 25 and 34. To meet the growing demand of sustainable packaging solutions, business area Commercial is working in close collaboration with customers and partners to develop innovative solutions that can capture new market potential. Read more on pages 17–22.

Metrics and Targets

On an overall level, one of the most meaningful targets and ways for BillerudKorsnäs to assess the resilience of our strategy is to follow-up on our climate target, which is aligned with the Paris Agreement and approved by the Science-based Target initiative. The target covers Scope 1, 2 and 3 greenhouse gas emissions. Key metrics related to energy, innovation and product development are also used. Read more on page 114. In terms of external metrics, a number of historical and forward-looking indicators are used to monitor BillerudKorsnäs' business environment from a strategic and risk management perspective.

Assurance report

Auditor's Limited Assurance Report on BillerudKorsnäs AB's Sustainability Report and statement regarding the Statutory Sustainability Report

To BillerudKorsnäs AB (publ)

Introduction

We have been engaged by the Board of Directors of BillerudKorsnäs AB (publ) to undertake a limited assurance engagement of BillerudKorsnäs' Sustainability Report for the year 2020. The sustainability report is accompanied by a separate GRI Index in English available on <http://billerudkorsnas.com/Sustainability/>. BillerudKorsnäs has defined the scopes of the Sustainability Report and the Statutory Sustainability Report on page 2 in this document.

Responsibilities of the Board of Directors and the Group Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on pages 114–118 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our assignment is limited to the historical information that is presented and does not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR12. The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of BillerudKorsnäs in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and the Group Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 25 March 2021

KPMG AB

Ingrid Hornberg Román

Authorized Public Accountant

Torbjörn Westman

Expert Member of FAR

Five-year summary and Alternative performance measures (APM)

In addition to the financial measures defined in IFRS, certain key figures, which qualify as alternative performance measures (APM) are presented to reflect the underlying business performance and enhance comparability from period to period. These APMs should not be considered as a substitute for measures in accordance with IFRS. In Note 6 items affecting comparability are presented, which also make it possible to adjust the result to better show the underlying business performance.

Summary income statement

SEKm	2020	2019	2018	2017	2016
Net sales	23 884	24 445	23 692	22 345	21 657
Other income	199	169	230	220	155
Operating income	24 083	24 614	23 922	22 565	21 812
Operating expenses	-21 371	-21 784	-20 979	-18 805	-18 206
EBITDA	2 712	2 830	2 943	3 760	3 606
Depreciation/amortisation/impairment	-1 938	-1 744	-1 513	-1 519	-1 561
Operating profit/loss	774	1 086	1 430	2 241	2 045
Net financial items	-95	179	-89	-138	-108
Profit/loss before tax	679	1 265	1 341	2 103	1 937
Tax	-3	-254	-304	-465	-419
Profit/loss from discontinued operations	-16	5 709	-	-	-
Net profit/loss	660	6 720	1 037	1 638	1 518

Summary statement of cash flows

SEKm	2020	2019	2018	2017	2016
Operating surplus	2 406	2 674	3 219	3 650	3 781
Change in working capital	-53	-463	-267	241	332
Net financial items	-105	217	-49	-103	-86
Tax paid	83	-109	-401	-472	-285
Cash flow from operating activities	2 331	2 319	2 502	3 316	3 742
Operative investments	-1 250	-2 868	-5 120	-4 196	-1 607
Cash flow after operative investments	1 081	-549	-2 618	-880	2 135

Key financial ratios

	2020	2019	2018	2017	2016
Margins					
EBITDA, %	11	12	12	17	17
Operating margin, %	3	4	6	10	9
Return (rolling 12 months)					
Return on capital employed, %	3	4	7	12	12
Return on equity, %	3	41	7	12	12
Capital structure at end of period					
Capital employed, SEKm	24 667	24 938	23 687	19 548	16 906
Working capital, SEKm	2 292	2 159	2 056	1 760	1 957
Equity, SEKm	19 294	19 462	14 355	13 811	13 022
Interest-bearing net debt, SEKm	5 373	5 476	9 333	5 737	3 884
Net debt/equity ratio, multiple	0.28	0.28	0.65	0.42	0.30
Interest-bearing net debt/EBITDA, multiple	2.0	1.9	3.2	1.5	1.1
Investments					
Investments in non-current assets, SEKm	1 252	2 926	5 142	4 261	1 645
Acquisitions, SEKm	-	3 774	36	-	6
Other key figures					
Capital turnover, multiple	1.0	1.0	1.1	1.2	1.2
Working capital as a percentage of sales	11	8	9	9	11
Human Resources					
Average number of employees	4 468	4 596	4 502	4 395	4 274
Capital employed					
SEKm, 31 December	2020	2019	2018	2017	2016
Total assets	36 360	36 923	33 714	28 196	25 854
Accounts payable	-3 129	-2 937	-3 825	-3 294	-3 049
Other liabilities and provisions	-1 903	-1 964	-2 094	-1 778	-1 766
Deferred tax liabilities	-3 609	-3 614	-3 633	-3 392	-3 410
Non-current interest-bearing assets	-16	-20	-19	-16	-15
Cash and cash equivalents	-3 036	-3 450	-456	-168	-708
Capital employed	24 667	24 938	23 687	19 548	16 906

Working capital

SEKm, 31 December	2020	2019	2018	2017	2016
Inventories	3 629	3 572	3 633	2 912	3 142
Accounts receivable	2 350	2 408	2 807	2 713	2 612
Other current assets	1 118	1 056	1 337	899	681
Accounts payable	-3 129	-2 937	-3 825	-3 294	-3 049
Other operating liabilities (excl. provisions)	-1 690	-1 743	-1 683	-1 527	-1 428
Tax liabilities, net	14	-197	-213	57	-1
Working capital	2 292	2 159	2 056	1 760	1 957

Interest-bearing net debt

SEKm, 31 December	2020	2019	2018	2017	2016
Interest-bearing provisions	836	871	784	784	778
Non-current interest-bearing liabilities	6 605	7 493	7 130	3 586	2 687
Current interest-bearing liabilities	984	582	1 894	1 551	1 142
Non-current interest-bearing assets	-16	-20	-19	-16	-15
Cash and cash equivalents	-3 036	-3 450	-456	-168	-708
Interest-bearing net debt	5 373	5 476	9 333	5 737	3 884

Adjusted EBITDA

SEKm	2020	2019	2018	2017	2016
Operating profit	774	1 086	1 430	2 241	2 045
Depreciation and impairment of non-current assets	1 938	1 744	1 513	1 519	1 561
EBITDA	2 712	2 830	2 943	3 760	3 606
Items affecting comparability ¹	-9	1	533	90	230
Adjusted EBITDA	2 703	2 831	3 476	3 850	3 836

Adjusted operating profit/loss

SEKm	2020	2019	2018	2017	2016
Operating profit	774	1 086	1 430	2 241	2 045
Items affecting comparability ¹	-9	1	591	150	350
Adjusted Operating profit	765	1 087	2 021	2 391	2 395

Adjusted earnings per share

SEK	2020	2019	2018	2017	2016
Profit attributed to owners of the parent company, SEKm	660	6 720	1 037	1 638	1 518
Items affecting comparability, attributed to owners of the parent company, SEKm ²	-5	-5 708	461	117	273
Adjusted profit attributed to owners of the parent company, SEKm	655	1 012	1 498	1 755	1 791
Weighted number of outstanding shares, thousands	206 816	206 761	206 962	207 114	207 037
Adjusted earnings per share	3.17	4.89	7.24	8.48	8.65

Adjusted return on capital employed (ROCE)

SEKm	2020	2019	2018	2017	2016
Adjusted Operating profit over 12 months ³	765	1 087	2 021	2 391	2 395
Average capital employed over 12 months	25 116	24 270	21 530	18 038	17 350
Adjusted Return on capital employed	3%	4%	9%	13%	14%

Interest-bearing net debt/Adjusted EBITDA

multiple	2020	2019	2018	2017	2016
Interest-bearing net debt	5 373	5 476	9 333	5 737	3 884
Adjusted EBITDA over 12 months ³	2 703	2 831	3 476	3 850	3 836
Interest-bearing net debt / Adjusted EBITDA	2.0	1.9	2.7	1.5	1.0

¹ See note 6 for items affecting comparability.

² Includes adjustment for discontinued operations in 2019.

³ 12 months is calculated by adding accumulated amounts for the current year plus full previous year, minus prior year's accumulated amounts for periods exceeding 12 months from the balance sheet date.

Quarterly data

BillrudKorsnäs' net sales and operating profit/loss by product areas are presented below. The results of the product areas are reported excluding the effects of currency hedging and excluding the effect on profit/loss of the translation of trade receivables in foreign currency and currency effects in connection with payments. These effects are reported separately in the item 'Currency hedging etc.' The portion of the currency exposure that relates to changes in invoicing rates is included in the product area's profit/loss. All comparable amounts have been restated to reflect the new organisation.

Quarterly net sales per product area and for the Group

SEKm	2020					2019				
	Full year	Q4 -20	Q3 -20	Q2 -20	Q1 -20	Full year	Q4 -19	Q3 -19	Q2 -19	Q1 -19
Product area Board	13 600	3 370	3 059	3 571	3 600	12 861	3 291	3 063	3 210	3 297
Product area Paper	7 576	1 777	1 835	1 940	2 024	8 888	1 890	2 116	2 370	2 512
Solutions & Other	2 750	667	637	722	724	2 854	706	674	751	723
Currency hedging, etc.	-42	-11	30	-77	16	-158	-72	-20	-38	-28
Total Group	23 884	5 803	5 561	6 156	6 364	24 445	5 815	5 833	6 293	6 504

Quarterly EBITDA per product area and for the Group

SEKm	2020					2019				
	Full year	Q4 -20	Q3 -20	Q2 -20	Q1 -20	Full year	Q4 -19	Q3 -19	Q2 -19	Q1 -19
Product area Board	1 855	481	266	571	537	1 771	493	374	324	580
Product area Paper	1 035	165	241	323	306	1 400	243	283	311	563
Solutions & Other	-136	6	33	-83	-92	-182	-69	-2	-18	-93
Currency hedging, etc.	-42	-11	30	-76	15	-159	-73	-20	-38	-28
Total Group	2 712	641	570	735	766	2 830	594	635	579	1 022

Quarterly EBITDA margin per product area and for the Group

%	2020					2019				
	Full year	Q4 -20	Q3 -20	Q2 -20	Q1 -20	Full year	Q4 -19	Q3 -19	Q2 -19	Q1 -19
Product area Board	14	14	9	16	15	14	15	12	10	18
Product area Paper	14	9	13	17	15	16	13	13	13	22
Group	11	11	10	12	12	12	10	11	9	16

Adjusted quarterly EBITDA, including maintenance shutdowns, per product area and for the Group

SEKm	2020					2019				
	Full year	Q4 -20	Q3 -20	Q2 -20	Q1 -20	Full year	Q4 -19	Q3 -19	Q2 -19	Q1 -19
Product area Board	2 330	645	577	571	537	2 186	619	503	484	580
Product area Paper	1 254	296	329	323	306	1 613	243	348	459	563
Solutions & Other	-145	-67	33	-44	-67	-181	-45	2	-58	-80
Currency hedging, etc.	-42	-11	30	-76	15	-159	-73	-20	-38	-28
Total Group	3 397	863	969	774	791	3 459	744	833	847	1 035
Costs for maint. Shutdowns	-694	-295	-399	-	-	-628	-126	-194	-308	-
Items affecting comparability	9	73	-	-39	-25	-1	-24	-4	40	-13
EBITDA	2 712	641	570	735	766	2 830	594	635	579	1 022

Adjusted quarterly EBITDA margin, including maintenance shutdowns, per product area and for the Group

%	2020					2019				
	Full year	Q4 -20	Q3 -20	Q2 -20	Q1 -20	Full year	Q4 -19	Q3 -19	Q2 -19	Q1 -19
Product area Board	17	19	19	16	15	17	19	16	15	18
Product area Paper	17	17	18	17	15	18	13	16	19	22
Group	14	15	17	13	12	14	13	14	13	16

Quarterly operating profit/loss per product area and for the Group

SEKm	2020					2019				
	Full year	Q4 -20	Q3 -20	Q2 -20	Q1 -20	Full year	Q4 -19	Q3 -19	Q2 -19	Q1 -19
Product area Board	516	149	-67	233	201	662	158	48	100	356
Product area Paper	558	51	120	202	185	885	119	152	180	434
Solutions & Other	-258	-26	3	-113	-122	-302	-101	-31	-48	-122
Currency hedging, etc.	-42	-11	30	-77	16	-159	-73	-20	-38	-28
Total Group	774	163	86	245	280	1 086	103	149	194	640

Quarterly operating margin per product area and for the Group

%	2020					2019				
	Full year	Q4 -20	Q3 -20	Q2 -20	Q1 -20	Full year	Q4 -19	Q3 -19	Q2 -19	Q1 -19
Product area Board	4	4	-2	7	6	5	5	2	3	11
Product area Paper	7	3	7	10	9	10	6	7	8	17
Group	3	3	2	4	4	4	2	3	3	10

Quarterly sales volumes per product area

ktonnes	2020					2019				
	Full year	Q4 -20	Q3 -20	Q2 -20	Q1 -20	Full year	Q4 -19	Q3 -19	Q2 -19	Q1 -19
Product area Board	1 842	460	419	472	491	1 665	432	404	414	415
Product area Paper	946	227	238	231	250	1 007	224	255	262	266
Total Group	2 788	687	657	703	741	2 672	656	659	676	681

BillerudKorsnäs shares

BillerudKorsnäs shares have been publicly listed since 20 November 2001 and are traded on the Large Cap list of Nasdaq Stockholm. The shares are included in the raw materials sector under the ticker symbol BILL.

Share capital

At 31 December 2020, share capital totalled SEK 1 537 642 792, represented by 208 219 834 shares. Each share, with the exception of the company's repurchased shares, entitles the holder to one vote and an equal right in the company's capital and dividend.

Treasury shares

In 2020 BillerudKorsnäs allocated 42 140 shares in accordance with a long-term incentive programme approved by the 2017 AGM. At 31 December 2020, the company's holdings of treasury shares totalled 1 387 922 shares, corresponding to approximately 0.7% of the total number of shares. The number of shares on the market totalled 206 831 912 at 31 December 2020.

Share price performance

BillerudKorsnäs shares over performed the Stockholm stock exchange overall in 2020. The share price rose by 32% during the year, compared with an increase of 13% in the Stockholm stock exchange, OMX Stockholm PI. The sector index OMX Stockholm Industrial Materials PI increased by 39% over the same period.

BillerudKorsnäs shares closed at SEK 145.55 at year-end 2020, corresponding to a market capitalisation of around SEK 30 billion. The highest closing price during the year was SEK 154.05 on 29 September, while the lowest was SEK 95.30 on 16 March.

Turnover

Around 195 million shares were traded in 2020, corresponding to a value of approximately SEK 25 billion. The average daily trading turnover was approximately 770 000 shares, corresponding to a value of SEK 99 million. On average, about 2 600 trades were made each trading day.

Ownership structure

At 31 December 2020, BillerudKorsnäs had 96 409 shareholders, compared with 96 846 at year-end 2019. Swedish ownership accounted for around 64%, roughly two-thirds of which were legal entities and one-third private individuals. The largest foreign ownership was in Austria, the US and the UK.

At year-end, the five largest owners FRAPAG Beteiligungsholding AG, AMF Pension and funds, Swedbank Robur funds, Fourth Swedish National Pension Fund (AP4) and Alecta owned a total of 39.2% of shares on the market. Total holdings of the 10 largest shareholders amounted to 50.8%.

Dividend

BillerudKorsnäs' target is to issue a dividend to shareholders amounting to 50% of net profit. The dividend will depend, for example, on BillerudKorsnäs' level of profits, its financial position and its future development opportunities. For 2020, BillerudKorsnäs' Board of Directors proposes a dividend of SEK 4.30 per share. The proposed dividend corresponds to approximately 135% of net profit for 2020.

Distribution of shares at 31 December 2020

Registered number of shares	208 219 834
Repurchased shares in Company treasury	-1 387 922
Shares on the market	206 831 912

Share price performance 2016–2020

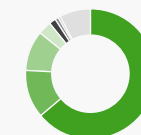


Shareholder categories, votes, %



- Foreign shareholders, 36.6
- Swedish mutual funds, 25.7
- Swedish individuals incl. closely held companies, 21.6
- Swedish institutions, 16.1

Geographical distribution of ownership, votes %



- Sweden, 64.0
- Austria, 12.1
- USA, 10.0
- United Kingdom, 3.2
- Norway, 1.8
- Finland, 0.7
- Switzerland, 0.6
- Other, 7.6

Share price performance 2020



Number of shares on the market

	2020	2019	2018	2017	2016
Average number of shares	206 815 793	206 761 223	206 962 008	207 113 788	207 037 234
Average number of shares after dilution	207 116 876	206 991 854	207 292 671	207 455 852	207 509 333
Number of shares at end of period	206 831 912	206 789 772	206 700 643	206 956 668	207 089 336
Number of shares at end of period after dilution	207 132 995	207 020 403	207 031 306	207 298 732	207 561 435

Ownership structure¹

Shareholding	No. of shares	%	No. of owners	%
1–100	1 541 515	0.7%	30 522	31.7%
101–500	13 447 614	6.5%	52 571	54.5%
501–10 000	20 852 926	10.0%	12 817	13.3%
10 001–100 000	10 728 081	5.2%	422	0.4%
100 001–	146 443 256	70.3%	77	0.1%
Anonymous ownership	15 206 442	7.3%	N/A	N/A
Total	208 219 834	100%	96 409	100%

¹ Including the company's own bought-back shares (1 387 922).

Key figures per share

SEK per share, unless stated otherwise	2020	2019	2018	2017	2016
Earnings	3.19	32.50	5.01	7.91	7.33
Diluted earnings	3.19	32.47	5.00	7.90	7.31
Dividend (for each financial year), actual	4.30 ¹	4.30	4.30	4.30	4.30
Dividend as % of					
– share price (dividend yield)	3.0	3.9	4.1	3.1	2.8
– profit	135	13	86	54	59
– Equity (closing balance)	4.6	4.6	6.2	6.4	6.8
Cash flow from operating activities	11.27	11.22	12.09	16.01	18.07
Shareholders' equity	93.28	94.11	69.45	66.74	62.88
Diluted equity	93.15	94.01	69.34	66.63	62.73
Share price/closing balance of equity, %	156	118	152	211	243
P/E ratio, multiple	45.6	3.4	21.1	17.8	20.9
EV/EBITDA, multiple	13.1	10.0	10.6	9.3	9.9
Share price (closing price, last trading day)	145.55	110.65	105.50	140.50	153.00

Key figures for 2019 affected by profit from discontinued operations of SEK 27.61 per share.

¹ Board's proposal.

The 10 largest shareholders

Shareholder	No. of shares, millions	Share of votes, %
FRAPAG Beteiligungsholding AG	25 000 000	12.1
AMF Pension & Funds	21 383 794	10.3
Swedbank Robur Funds	13 652 717	6.6
Fourth Swedish National Pension Fund	13 175 767	6.4
Alecta Pension Insurance	7 896 986	3.8
Handelsbanken Funds	6 232 439	3.0
Vanguard	4 910 802	2.4
Schroders	4 749 788	2.3
Lannebo Funds	4 320 000	2.1
Blackrock	3 694 726	1.8
Total top 10 shareholders	105 017 019	50.8

Analysts covering BillerudKorsnäs

Company	Analyst
ABG Sundal Collier	Martin Melbye
Bank of America Merrill Lynch	Alexander Berglund
Carnegie	Robin Santavirta
Citi	Deepak Kumar
Danske Bank	Oskar Lindström
Jefferies	Cole Hathorn
Kepler Cheuvreux	Johannes Grunselius
Nordea	Christian Kopfer
Pareto	Axel Persson
SEB	Linus Larsson
UBS	Mikael Doepel

Key figure definitions

Result

EBITDA

Operating profit before depreciation and amortisation (EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation). EBITDA is a measure of operating performance. It is a profit measure that is close to the operating cash flow.

Adjusted EBITDA

Operating profit before depreciation and amortisation adjusted for items affecting comparability.

Adjusted Operating profit

Operating profit adjusted for items affecting comparability.

Adjusted key figures

Adjusted key figures on EBITDA, Operating profit, Return on capital employed and Earnings per share provide a better understanding of the underlying business performance and enhance comparability from period to period, when the effect of items affecting comparability are adjusted for. Items affecting comparability can include additional project costs for major projects, major restructuring/write-downs/ revaluations, litigations, specific impact due to strategic decisions, and significant earnings effects from acquisition and disposals.

Margins

Gross margin (EBITDA, %)

Operating profit before depreciation, amortisation and impairment (EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation) as a percentage of net sales. The measure is used in business review as well as for benchmarking with peer companies.

Operating margin

Operating profit as a percentage of net sales. Operating margin shows the percentage of revenue remaining as operating profit after deducting all operating expenses. The measure is used in business review as well as for benchmarking with peer companies.

Return

Return on equity

Profit calculated over 12 months, attributable to owners of the parent company, as a percentage of average shareholders' equity calculated per quarter, attributable to owners of the parent company. The measure represents total profitability compared to the equity invested by the parent company's shareholders.

Return on capital employed (ROCE)

Operating profit calculated over 12 months as a percentage of average capital employed calculated per quarter. The return on capital employed is a measure that shows how effectively net operating assets total are used in order to generate return in the operating business. The measure takes capital invested in the operating activities

into account and is used in business review and benchmarking with peer companies.

Capital structure

Capital employed

Total assets less non-interest bearing liabilities, non-interest bearing provisions and interest-bearing assets. The measure is used to quantify the net total assets used in the operating business, and is used as a component in measuring operating profitability.

Capital turnover rate

Net sales divided by average capital employed. The measure shows how effective the capital employed is used in the business.

Diluted equity

Equity at the end of the period plus the effect of estimated participation in the incentive programs.

Equity

Equity at the end of the period.

Interest-bearing net debt

Interest-bearing provisions and liabilities less interest-bearing assets. The measure is used to quantify the debt financing, taken the amount of financial assets into account. The measure is used as a component in measuring financial risk.

Interest-bearing net debt / EBITDA

Interest bearing net debt at the end of the period divided by EBITDA for the last twelve months. The measure shows the size of the interest-bearing net debt compared to the repayment capacity. A higher (lower) ratio indicates a higher (lower) risk.

Interest-bearing net debt / Adjusted EBITDA

Interest bearing net debt at the end of the period divided by adjusted EBITDA for the last twelve months.

Net debt/equity ratio

Interest-bearing net debt divided by equity. The ratio shows the mix between interest-bearing net debt and equity financing. A higher ratio means higher financial leverage and may have positive effects on return on equity, but imply a higher financial risk.

Working capital

Inventories, accounts receivables and other operating receivables less accounts payables and other operating liabilities. The measure shows the amount of current net assets that is tied up in the business. Together with non-current assets, working capital constitutes the operating capital employed to generate operating returns.

Working capital as percentage of net sales

Average working capital for the last three months, divided by annual net sales at year end or annualised net sales during interim-quarter

(net sales for the quarter multiplied by four). Working capital in relation to net sales shows how effectively the working capital is used. A lower percentage means less capital is tied up to generate a given amount of revenue, and an increased ability to internally finance growth and return to shareholders.

Cash flow

Operating cash flow after operative investments

Cash flow from the operating activities, including gross investments in property, plant and equipment, and intangible assets. The measure shows cash flow generated in the operating business, which provides the amount of cash flows available to repay debt, acquire and invest in other businesses and pay dividends to the shareholders.

Per-share data¹

Cash flow from operating activities per share

Cash flow from operating activities divided by the average number of shares on the market during the period.

Diluted Earnings per share

Profit for the period, attributable to owners of the parent, divided by the average number of shares in the market after estimated participation in the incentive programs.

Diluted equity per share

Equity at the end of the period, attributable to owners of the parent company, divided by the number of shares on the market at the end of the period plus the effect of estimated participation in the incentive programs.

Earnings per share

Profit for the period, attributable to owners of the parent, divided by the average number of shares in the market.

Equity per share

Equity at the end of the period, attributable to owners of the parent company, divided by the number of shares on the market at the end of the period.

Adjusted earnings per share

Earnings per share adjusted for items affecting comparability after tax attributable to owners of the parent company.

EV/EBITDA

Market capitalisation plus interest-bearing net debt, divided by operating profit before depreciation, amortisation and impairment losses (EBITDA).

P/E-ratio

Share price at year-end divided by earnings per share.

¹ For number of shares, see section "BillerudKorsnäs shares".

Shareholder information, key dates and contact persons

Annual General Meeting

The Annual General Meeting of BillerudKorsnäs will be held on Wednesday 5 May 2021.

Due to the coronavirus pandemic, the Board of Directors has decided that the Annual General Meeting shall be conducted without the physical presence of shareholders, proxies and third parties, and that shareholders shall have the opportunity to exercise their voting rights only by post before the meeting.

Notice of the 2021 Annual General Meeting and more information regarding voting by post and the opportunity to ask questions to the Annual General Meeting can be found on BillerudKorsnäs' website www.billerudkorsnas.com.

Notification of attendance

Shareholders wishing to attend the Annual General Meeting must be registered in the shareholders' register maintained by Euroclear AB as of Tuesday 27 April 2021 and must notify the company of their participation not later than Tuesday 27 April 2021.

Postal voting in advance can be made according to the instructions and using the advance postal voting form that will be available at <https://anmalan.vpc.se/EuroclearProxy/> and on BillerudKorsnäs' website www.billerudkorsnas.com. The signed postal voting form may be submitted both electronically using Bank-ID or email and by post.

Financial information

All financial information including the Annual and Sustainability Report for 2020 is available in Swedish and English on BillerudKorsnäs' website www.billerudkorsnas.com.

Interim reports

January–March 2021	27 April 2021
January–June 2021	20 July 2021
January–September 2021	22 October 2021

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Photos: BillerudKorsnäs Image bank, Oskar Omne, Klas Sjöberg and Erik Thor.



We challenge conventional packaging for a sustainable future

This is BillerudKorsnäs

BillerudKorsnäs is one of the world's leading suppliers of high-quality, packaging materials made from natural cellulose fibre. Our wood raw material comes from sustainable managed forests and manufacturing takes place at resource-efficient, integrated production units.

Our customers are packaging manufacturers, brand owners and large retail and supermarket chains. Through close collaboration with customers and partners all over the world, we are able to offer a customised and broad product portfolio that features a high degree of innovation.

Demand is driven by global megatrends, particularly rising urbanisation, a greater focus on sustainability and changing consumption patterns. Consumer segments, primarily food and beverages, account for most of sales. While Europe is the core market, BillerudKorsnäs is gradually strengthening its presence in the leading growth markets of Asia.

Smart packaging solutions using paper or board from BillerudKorsnäs reduce the impact on the climate, cut the use of resources along the whole value chain and contribute to a sustainable future.



BILLERUDKORSNÄS

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