

# Group Directive – People Review (Performance-, Talent- and Succession management)

## 1. Introduction and purpose

This Group Directive is related to and aligned with the People Policy. The Directive presents mandatory principles and describes how the Group People Policy is applied in detail. It is supplemented by underlying processes that set out more detailed rules concerning the People review process: Performance-, Talent- and Succession Management.

## 2. Scope and application

This Group Directive applies to Billerud and its controlled subsidiaries (“Billerud” or “the Group”) and covers Billerud’s business activities and operations globally. This Group Directive applies to all persons working for Billerud or on Billerud’s behalf, including board members, employees, and interns (“Representatives”).

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

## 3. People Review (Performance-, Talent- and Succession Management)

Our employees are one of our most important sources of differentiation and competitive advantage. Our starting point is our commitment to developing all our employees to be the best they can be and to unlocking their full potential. Each employee should have an Individual Development Plan from the annual Performance Management process, which is executed and followed up continuously.

We should also focus on ensuring and overseeing that the skills and commitment demonstrated by our high-performing talents are utilized in the best possible way for the benefit of the company, considering the talent's ambition and development needs.

Additionally, securing a pipeline of successors to managerial and other key positions is crucial to minimize being vulnerable to future competency gaps.

## 4. Roles and Responsibilities in the People Review

The People Review process consists of three parts: Performance-, Talent- and Succession Management.

HR is the process owner for these processes and is responsible for ensuring the availability of Group-wide tools for execution of these processes. This includes providing user guides, training, presentation materials, templates, calibration sessions etc, which means HR supports managers throughout the process.



The Global Management Team (GMT) and Function Management Teams are responsible for ensuring that we set fair and high-quality performance ratings and development plans as well as ensuring that their leaders actively engage in and drives those processes according to set guidelines and timelines.

Driving performance, developing our Sustainable employees and talents, and ensuring a solid succession pipeline is part of the key responsibilities in the role as a Sustainable leader in the company.

The direct manager is responsible for assessing employees, identifying talents, and setting and driving relevant plans. Managers who have direct-reporting managers are responsible for identifying successors and developing plans to address any gaps, ensuring that necessary actions are taken. Managers are also responsible for conducting year-end evaluation discussions, setting relevant objectives, and ensuring regular follow-up conversations throughout the year, including the mid-year conversation. The direct manager collaborates with HR and other managers within the group function/division to carry out these processes.

The employee is responsible for driving their own development and building their competence in line with identified needs and the opportunities offered.

## 5. Performance Management

The purpose of Performance Management is partly to develop our employees and keep them motivated to contribute to achieve our long-term objectives and strategy; and partly to measure and enhance the performance of our Sustainable Leaders and employees. Ensuring that our employees embody our values through their behavior, fulfil their roles and responsibilities, and meet the companies short- and long-term objectives. The goals of successful Performance Management include the following:

**Improved Employee Performance:** Identified areas of strength and areas needing improvement, and provided tools, training, and resources for employees to deliver good results and excel in their roles.

**Clear Communication and Expectations:** Clear communication between managers and employees. Established clear job responsibilities, performance expectations, and SMART goals aligned with the organization's objectives. This clarity helps in reducing misunderstandings and improving job satisfaction.

**Identification of Development Needs and the Next role:** Identified skill gaps and areas where employees need additional development. This helps in planning future development initiatives and ensuring that employees have the skills required to meet the organization's needs as well as employee growth through internal career movements.

### 5.1. Performance Management process

From a central level, the annual Performance Management end of year process is conducted annually for the entire group. The direct manager is responsible for gathering feedback from others



who have worked closely to their employee and to assess him/her using Billerud's Performance rating scale. The proposed ratings shall be reviewed and approved by the manager's manager and calibrated in relevant management teams to ensure more objective and fair assessments.

The direct manager is also responsible for driving performance and ensuring engagement through regular one-to-one conversations with their employees throughout the year. Towards the end of the year, the manager initiates and prepares for the end of year evaluation discussion. This discussion summarizes the performance of the past year, sets objectives, goals to motivate the employee and identifies any development needed in development plan for the year to come. These discussions should be documented in the Global People Tool (GPT).

The employee is responsible for preparing for the end-of-year discussion and proposing relevant goals and development activities that contribute to the company's performance, development, and strategy.

The final output of the end-of-year evaluation and the decided performance rating is then part of the annual salary review process and bonus process.

## 5.2. The Performance Rating

The performance rating includes a rating for performance, behavior and achieved goals according to the following five-step scale: Excellent, Very Strong, Strong, Improvement needed, Unacceptable. Billerud does not utilize a forced distribution of ratings, however, common sense must apply in the feasibility of performance distribution and consider the Group's greater delivery expectations against strategic goals and the overall business unit's annual performance.

To ensure a solid performance of all employees, there is an expectation that employees with a performance rating of "Unacceptable" shall have a Performance Improvement Plan (PIP) set-up by the manager with support of HR, if requested. Exceptions may be made after approval by the manager's manager and HR. E.g. in cases where the manager estimates that the prerequisites to reach "Strong" in the coming months can be managed with an ordinary Individual Development Plan.

Throughout the year, it is also expected that managers will implement a PIP if an employee is not performing up to expectations. All employees should have the opportunity to receive clear feedback and a plan to enhance their performance during the year.

## 5.3. The Calibration Process

The performance ratings shall be calibrated to ensure that ratings are as objective as possible. The functional head or HR representative shall inform the manager about the calibration process for that respective mill, division, or function. The manager prepares the calibration material and participates in the calibration session by actively challenging reasoning and bias, sharing experiences, asking questions, and showing their engagement.

Once the performance ratings are recorded in the system, the CEO will review the distribution of the ratings and provide guidance and expectations to the upcoming calibration sessions.

The CEO will sign off the performance ratings once the calibration sessions are completed.



## 6. Talent Management

The purpose of talent management is to secure our talent pool by ensuring that the company's talents are developed and that their competencies are used in the best possible way within the company. By utilizing our employees' capacities in the best possible way, we drive stronger results and growth in our business. The goals of successful talent planning include the following:

- Ensuring that our talents are engaged and motivated by developing them through relevant challenges, fostering their desire to stay with the organization.
- Ensuring that we have developed and prepared our talents for potential future career advancements.
- Building a pipeline of talents ready for greater responsibilities, enabling us to fill most of our positions internally, and supporting identified positions in the Succession planning process.
- Strengthening the commitment and loyalty of our sustainable employees and creating strong ambassadors in our talent pool, which in turn bolsters our employer brand.

### 6.1. Talent Management Process

The annual talent planning process is part of the Performance Management process and is conducted once a year for the entire group.

Local function managers, in collaboration with local HR, are expected to regularly follow-up on identified talents to ensure their development, engagement and next steps within the company.

The direct manager is responsible for establishing a comprehensive development plan with regular follow-ups and support, aimed at encouraging the talent to continue developing and to pursue their career within Billerud.

## 7. Succession Management

The purpose of succession management is to secure our pipeline of successors by identifying and developing employees who can replace current holders of senior management positions and/or other key roles. The goal is to ensure that the organization has a plan in place for having the right people with the right skills in the right place at the right time. The goals of successful succession management include the following:

- Ensuring that development and preparation are in place for our identified successors to assume important positions.
- Fulfilling most of our management and key positions internally, thereby offering our employees opportunities for growth and providing clear role models to demonstrate that advancement is possible.
- Minimizing any potential vulnerability during organizational changes or generational shifts.



### 7.1. Succession Management Process

Succession management is an ongoing process throughout the year and is followed up on at least once a year at a central level.

Local functional leaders, in collaboration with HR, are expected to conduct a quarterly review of the management team's succession plan to ensure its relevance.

It is mandatory for all management teams in the company to have a succession plan. The managers responsible for the positions included in the succession plans are responsible for defining these plans and developing strategies to address any gaps.

At Billerud, there is a group-wide process and method for succession planning.

## 8. Documentation, Controls and Audits

The Manager is responsible to register the performance rating, talent and succession planning in the Global People Tool (GPT), as well as adding relevant information in the forms for the year end evaluation discussion and the objectives and development discussion. If a manager leaves the position, it is important that the data is made available to the new manager through this documentation so that the employee's continuous development is not lost.

If the employee leaves, the data is erased and/or discarded in accordance with the Group Directive Off Boarding.

## 9. Accountability, Monitoring and Compliance

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

- (i) Developing more detailed rules (if needed) for the subject matter, consistent with the purpose and intent of this Group Directive,
- (ii) Ensuring that the Group Directive and underlying supporting documents are communicated and known to Representatives,
- (iii) Monitoring and following up of compliance with the Group Directive and underlying steering documents; and
- (iv) Take any other actions needed, including updates of reporting measures necessary to achieve the purpose and intent of this Group Directive.

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

