

# Remuneration report 2020

## INTRODUCTION

This report describes how the guidelines for remuneration to senior executives in BillerudKorsnäs (the "remuneration guidelines"), adopted by the annual general meeting 2020, were implemented in 2020. The report also provides information on the remuneration to BillerudKorsnäs' CEO and Board members (in addition to customary Board remuneration resolved by the annual general meeting), and a summary description of BillerudKorsnäs' outstanding share-based incentive programs. The report has been prepared in accordance with the Swedish Companies Act and the Rules on Remuneration of the Board and Executive management and on Incentive Programmes issued by the Swedish Corporate Governance Board.

## KEY DEVELOPMENTS 2020

The CEO summarizes the company's overall performance in his statement on page 6-7 in the Annual and Sustainability Report 2020.

## OVERVIEW OF THE APPLICATION OF THE REMUNERATION GUIDELINES IN 2020

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 have a customer focus and are driving the change that is needed to realise the strategy and achieve our ultimate purpose – a sustainable future.

Under BillerudKorsnäs' remuneration guidelines, the remuneration shall consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. In addition to remuneration covered by the remuneration guidelines, the annual general meetings of BillerudKorsnäs have resolved to implement share-based incentive programs, as well as remuneration to the board of directors. The remuneration guidelines are found on page 104-105 in the Annual and Sustainability Report and on BillerudKorsnäs' website, [www.billerudkorsnas.com](http://www.billerudkorsnas.com).

The application of the remuneration guidelines as well as the current structures and levels of remuneration and the uptake and expected outcome of the company's programs for short- and long-term variable remuneration are continuously monitored and evaluated by the remuneration committee and reported and discussed at board meetings. It is the conclusion of both the remuneration committee and the auditor that BillerudKorsnäs has complied with the remuneration guidelines during 2020, with one exception. In connection with recruitment of the new CEO during 2020, the Board agreed, in order to reach a competitive compensation package, that the pension benefit for the CEO shall amount to 35% of the annual salary (compared to 30% in the remuneration guidelines). No other deviations from the remuneration guidelines have been decided and no derogations from the procedure for implementation of the remuneration guidelines have been made. The auditor's report regarding the company's compliance with the remuneration guidelines is available on BillerudKorsnäs' website, [www.billerudkorsnas.com](http://www.billerudkorsnas.com).

Based on the conclusions from the evaluation of the programs for variable remuneration and the application of the guidelines for remuneration, the Board has decided to propose that the remuneration guidelines shall remain unchanged in all material respects, although some minor adjustments will be proposed to reflect the current remuneration structures and levels for remuneration. The proposed new guidelines for remuneration are found on page 55-56 in the Annual and Sustainability Report and under item 14 in the notice to the annual general meeting (both the Annual and Sustainability Report and the notice can be found on BillerudKorsnäs' website, [www.billerudkorsnas.com](http://www.billerudkorsnas.com)).



## REMUNERATION TO THE CEO'S AND BOARD MEMBERS (IN ADDITION TO BOARD REMUNERATION RESOLVED BY THE ANNUAL GENERAL MEETING) 2020<sup>1</sup>

Name of Director, position (start/end) TSEK	Financial year	1 Fixed remuneration		2	3	4	5	6
		Base salary <sup>2</sup>	Other benefits <sup>3</sup>	Variable remuneration - One-year variable <sup>4</sup>	Extraordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
Lennart Holm, Acting CEO	2020 (January-October)	6,478	251	-	-	1,930	8,659	100% fixed
Christoph Michalski, CEO	2020 (November-December)	1,502	24	-	-	534	2,060	100% fixed
Andrea Gisle Joosen, Board Member	2020	85 <sup>5</sup>	-	-	-	-	85 <sup>6</sup>	100% fixed

### APPLICATION OF PERFORMANCE CRITERIA

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability goals, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. BillerudKorsnäs' remuneration guidelines enable the company to offer the CEO a competitive total remuneration. By establishing that variable compensation shall be linked to predetermined and measurable financial and non-financial criteria, the variable cash remuneration, together with BillerudKorsnäs' share-based incentive programs, promote BillerudKorsnäs' business strategy, long-term interests and sustainability performance.

Given that Lennart Holm acted as interim CEO for the main part of 2020, and that Christoph Michalski was appointed CEO with effect from November 2020, no variable cash compensation was earned in 2020 by the respective CEOs. The performance criteria and targets for variable cash compensation to the CEO for 2021 include a set of pre-defined and measurable corporate performance measures linked to BillerudKorsnäs' strategy (EBITDA, net sales, and certain sustainability goals), and was set by the Board in December 2020. The application of these performance criteria for 2021 will be reported by BillerudKorsnäs in next year's remuneration report.

### SHARE-BASED REMUNERATION

#### Outstanding share-based incentive programs

Over the years, BillerudKorsnäs has implemented several long-term share based incentive programs for the executive management team and other key employees. These programs are intended to attract, motivate, and retain the participating employees by providing long-term incentives through awards linked to the company's share price. They have been designed to align the participants incentives with shareholder interests.

As per 31 December 2020, the company had three ongoing share-based incentive programs (2018, 2019 and 2020) resolved by the annual general meeting (the "programs").

The programs are targeting a maximum of 100 employees including the CEO and the other Executive Management Team members as well as other key personnel and talents. At the time of the annual general meeting 2021, the two programs from 2019 and 2020 will be ongoing, while the program for 2018 ends in connection with the release of BillerudKorsnäs' interim financial report for the first quarter, in April 2021.

<sup>1</sup> The table reports remuneration costs in 2020.

<sup>2</sup> This element includes cost of paid holiday days, holiday supplement, allowances for expenses and lunch coupons in addition to fixed salary.

<sup>3</sup> This element includes car allowance, fuel allowance, health care allowance and other benefits.

<sup>4</sup> Neither of the CEOs earned any variable remuneration during 2020.

<sup>5</sup> Board Member Andrea Gisle Joosen received remuneration for work performed in BillerudKorsnäs Venture AB in addition to her customary work on the Board.

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The programs follow the same overall structure and require the participating employees to own shares in BillerudKorsnäs. For each share allocated to the programs, the participants may be awarded BillerudKorsnäs shares – free of charge – subject to:

- the participant continuing his/her the employment with BillerudKorsnäs, and retaining the BillerudKorsnäs shares held in the framework of each program during the three-year vesting period, and
- fulfilment of certain defined retention and performance conditions for each program during the three-year measurement period, such conditions considered to be significant for the future development of BillerudKorsnäs.

The number of shares that the participant will receive depends on the fulfilment of the retention and performance conditions. The retention and performance conditions are similar in the programs from 2018 and 2019, while in the program from 2020 the so called matching share was replaced with a performance share linked to a defined sustainability target (see below for a more detailed description of the performance conditions).

The participating employees are divided into three participation categories. Category 1 and 2 may allocate BillerudKorsnäs shares up to value of 10% of their respective gross base salary, while category 3 may allocate 500 BillerudKorsnäs shares, in each program. For each share held in the framework of the program, category 1 may receive up to six BillerudKorsnäs shares, category 2 may receive up to five BillerudKorsnäs shares and category 3 may receive up to four BillerudKorsnäs shares.

BillerudKorsnäs' CEO, Christoph Michalski, participates as the category 1 participant in the program for 2020 that vests in connection with BillerudKorsnäs' interim financial report for the first quarter 2023, with a total of 8,134 BillerudKorsnäs shares allocated within the framework of the program.

All programs comprise BillerudKorsnäs shares. Additional information about the outstanding share-based programs can be found in note 29 on page 104-105 and on 54-55 in the Annual and Sustainability Report 2020 and on BillerudKorsnäs' website, [www.billerudkorsnas.com](http://www.billerudkorsnas.com).

### Performance targets in outstanding share-based incentive programs

LTIP year		Series A Performance Share Right	Series B Performance Share Right
2018	Matching Share Right 50% dependent on positive TSR for the period	BillerudKorsnäs' annual organic growth 2%-4%	BillerudKorsnäs' adjusted EBITDA Margin 15%-18%.
2019		50% dependent on positive TSR for the period	50% dependent on positive TSR for the period
2020	Performance share for sustainability, measured on DJSI 50% dependent on positive TSR for the period	BillerudKorsnäs' annual organic growth 2%-6% 50% dependent on positive TSR for the period	BillerudKorsnäs' adjusted EBITDA Margin 13%-18%. 50% dependent on positive TSR for the period

### New proposed performance based long-term share program for 2021

Based on the conclusions from the evaluation of the share-based programs and the uptake and outcome in the programs, the board has decided to propose a new performance based long-term share program for 2021. The new program is designed to better achieve the purpose of the incentive program, which is to create incentives for the participants, to be easy to comprehend and easily accessible to participants and to align the interests of the participants with the interests of the shareholders.

The proposed new performance based long-term share program for 2021 is set out under item 15 in the notice to the annual general meeting (the notice can be found on BillerudKorsnäs' website, [www.billerudkorsnas.com](http://www.billerudkorsnas.com)).



## COMPARATIVE INFORMATION ON THE CHANGE OF REMUNERATION AND BILLERUDKORSNÄS' PERFORMANCE

### Remuneration and company performance (SEK '000 unless otherwise stated)<sup>7</sup>

	2019	2020
<i>Directors' remuneration<sup>8</sup></i>		
CEO	26,828	10,719
CEO, adjusted for severance pay	9,693	10,719
<i>Company's performance<sup>9</sup></i>		
Sales growth in percent	3	-2
EBITDA margin	12	11
Return on capital employed (ROCE)	4	3
Interest bearing net debt/EBITDA	1.9	2.0
Dividend in percent of net profit	13	135
<i>Average remuneration on a full-time equivalent basis of employees<sup>10</sup></i>		
Employees of the company	548	564

### ADDITIONAL INFORMATION AVAILABLE IN THE 2020 ANNUAL AND SUSTAINABILITY REPORT AND ON BILLERUDKORSNÄS' WEBSITE

BillerudKorsnäs' remuneration guidelines, adopted by the annual general meeting 2020, and the auditor's report regarding whether BillerudKorsnäs has complied with the guidelines can be found on BillerudKorsnäs' website, [www.billerudkorsnas.com](http://www.billerudkorsnas.com).

Additional information on BillerudKorsnäs' remuneration during 2020 that is not covered by this report is available in the 2020 Annual and Sustainability Report, which can be found on:

p. 52-53	Work of the remuneration committee in 2020
note 29 on p. 104-105	Information required by Chapter 5, Sections 40-44 of the Annual Accounts Act (1995:1554), including detailed information on remuneration to the other senior executives covered by the remuneration guidelines adopted at the 2020 annual general meeting and the BillerudKorsnäs' share and share price related incentive programs
note 29 on p. 104-105	Remuneration to the board of directors

<sup>7</sup> Remuneration earned in the respective years.

<sup>8</sup> Remuneration includes fixed and variable short-term remuneration and benefits. SEK 26 828 thousand does not include LTIP costs for 2019 amounting to SEK 389 thousand.

<sup>9</sup> For definition on the performance conditions please see the Annual and Sustainability Report 2020 and mainly the section "Key Figure Definitions".

<sup>10</sup> Remuneration includes fixed and variable short-term and long-term remuneration and benefits.