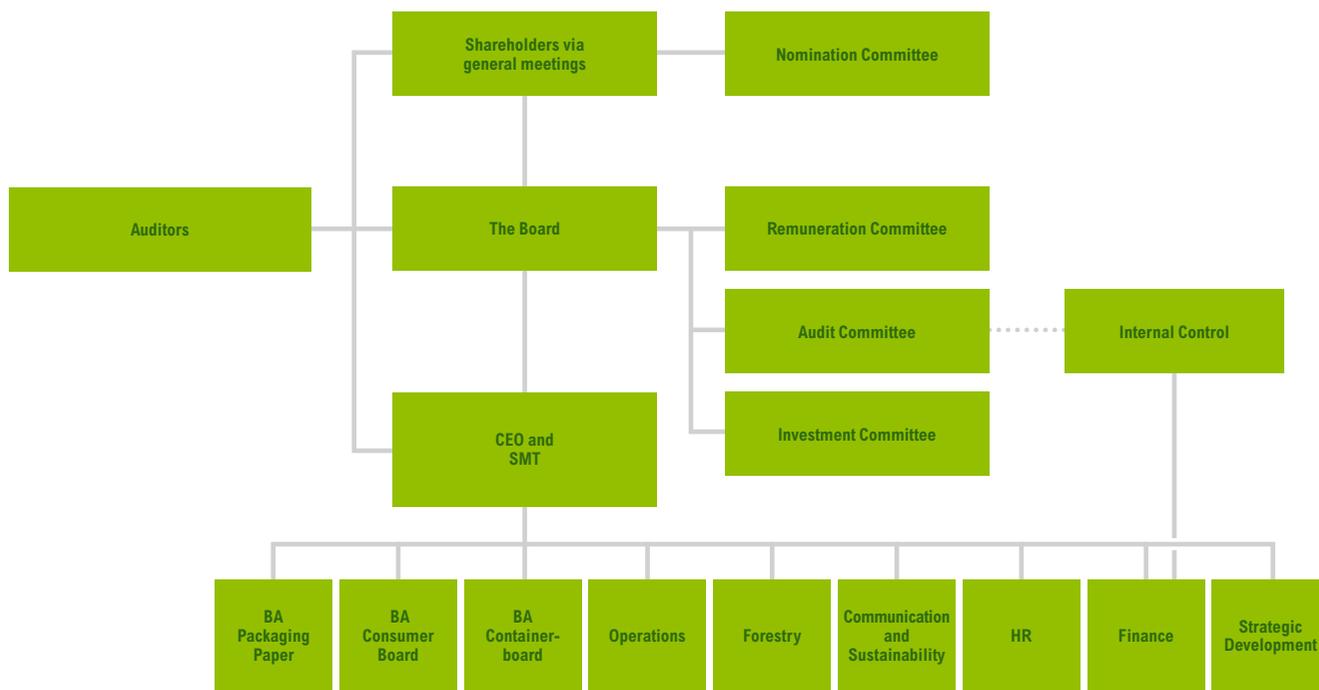


# Corporate governance in BillerudKorsnäs in 2014

This report on the BillerudKorsnäs Group's corporate governance in 2014 has been prepared in accordance with the rules in the Annual Accounts Act and the Swedish Code of Corporate Governance. The report has been drawn up by the Company's Board of Directors and been reviewed by the Company's auditors.



## Corporate governance in BillerudKorsnäs

Primary external regulations affecting BillerudKorsnäs' governance:

- The Swedish Companies Act
- Nasdaq Stockholm AB's Rulebook for Issuers
- The Swedish Code of Corporate Governance

Corporate governance in BillerudKorsnäs is based on applicable law, the Company's articles of association, Nasdaq Stockholm's Rulebook for Issuers, the Swedish Code of Corporate Governance ("the Code"), other relevant laws and regulations, and internal policies and guidelines. 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 2014, BillerudKorsnäs applied the Code in all respects, except for the following deviation. Prior to the Annual General Meeting (AGM), Board member Michael M.F. Kaufmann was appointed Chairman of the Nomination Committee. This deviates from the rule in the Code that no Board member shall act as chairman of the Nomination Committee. The deviation is in accordance with the resolutions passed by the AGM in

2014 regarding rules on the composition of the Nomination Committee. According to these resolutions, the chairman of the Nomination Committee shall be the Board member representing the largest shareholder. This decision is in the interests of the Company and all the shareholders and is a natural consequence of Michael M.F. Kaufmann's association with the Company's largest shareholder.

No breach of the relevant stock exchange rules or of good stock market practice has been reported by Nasdaq Stockholm's Disciplinary Committee or the Swedish Securities Council.

### OWNERSHIP STRUCTURE AND SHARES

BillerudKorsnäs' shares are listed on Nasdaq Stockholm. At year-end 2014, the total number of shareholders was 98 533, compared with 102 315 at the previous

year-end. Each share carries an entitlement to one vote. The proportion of foreign ownership was 34.8% (29.4) of the number of shares in the market. Other groups of shareholders consisted of private individuals' holdings in Sweden, at 21.6% (23.6), and legal entities in Sweden, at 43.5% (47). Further details of the Company's shares, shareholders and related information are presented in the 2014 Annual Report, under BillerudKorsnäs Shareholder Information, and on the Company's website.

### GENERAL MEETING OF SHAREHOLDERS

#### Rules for shareholders' meetings

Under the Swedish Companies Act, the shareholders' meeting is the Company's highest decision-making body. Shareholders exercise their voting rights at shareholder meetings. All shareholders entered in the share register at the record date who have

notified the Company in time are entitled to participate in the meeting and vote according to their total holdings of shares. Shareholders attending the AGM also have the opportunity to ask questions about the Group's activities. Notice of shareholders' meetings is posted on the Company's website and published as an advertisement in Post och Inrikes Tidningar. An announcement that the notice has been issued is published simultaneously in Svenska Dagbladet. The AGM shall be held in Stockholm within six months of the end of the financial year. Normally, the AGM is held in April or May. The AGM decides on matters such as the adoption of the Company's annual accounts, appropriation of the Company's profits and the discharge of Board members and the CEO from liability for the year. The AGM also elects members of the Board and auditors and votes on the establishment of a Nomination Committee, fees for the Board of Directors and auditors and guidelines for determining the salaries and other remuneration for the CEO and Senior Management Team. Resolutions are usually passed at a shareholders' meeting by simple majority except in those cases when the Companies Act stipulates a higher proportion of shares represented and votes cast at the meeting. Resolutions passed at a shareholders' meeting are disclosed after the meeting in a press release, and the minutes of the meeting are published on the Company's website. The AGM is held in Swedish and simultaneously translated into English.

#### 2014 Annual General Meeting

The 2014 AGM took place on 6 May 2014 at Hotel Rival in Stockholm, and addressed matters customarily dealt with at the AGM. The AGM voted to re-elect Jan Homan, Lennart Holm, Gunilla Jönson and Michael M.F. Kaufmann to the Board, to elect Bengt Hammar, Mikael Hellberg and Kristina Schauman as new Board members and to elect Lennart Holm as the new Chairman of the Board and Michael M.F. Kaufmann as new Deputy Chairman of the Board. The AGM also resolved to introduce a long-term incentive programme (LTIP 2014) and to authorise the Board to take a decision on the transfer of treasury shares. The minutes from the AGM are available on the Company's website.

#### 2015 Annual General Meeting

The 2015 AGM will take place at 2 p.m. on 5 May 2015 at Hotel Rival, Mariatorget 3, Stockholm. A full text of the notice of the 2015 AGM, including details of how to register for attendance at the meeting, is posted on the Company's website.

#### NOMINATION COMMITTEE

According to the Code, the Company is required to have a Nomination Committee, the main task of which is to prepare the AGM's decisions on elections and fees. The Company's AGM resolves on procedures determining how the members of the Nomination Committee are appointed and guidelines for the committee's work on drafting proposals to be considered at the next AGM. Under the guidelines, the Nomination Committee for the 2015 AGM consists of four people appointed by the Company's major shareholders. Please see the table below for the composition of the Nomination Committee for the 2015 AGM.

One task of the Nomination Committee is to produce proposals for Board members and auditors, as well as for fees for such persons, and a proposal for a chairman for the AGM, prior to the 2015 AGM. Before the 2015 AGM, the Nomination Committee held meetings in person and kept in contact by phone and e-mail. Shareholders have been welcome to submit proposals and express their views to the Nomination Committee by e-mail or post. On the Company's website, a separate section entitled "Nomination Committee" in the corporate governance section provides information to shareholders regarding how they can submit proposals to the committee. No separate remuneration was paid to the chairman or any other members of the Nomination Committee.

#### BOARD OF DIRECTORS

##### Composition

The articles of association stipulate that the Board of Directors of BillerudKorsnäs shall consist of no less than six members and no more than ten members, with no more than six deputies. Board members are appointed for one year at a time. The 2014 AGM established that the Board of Directors should consist of seven members elected by the meeting, without deputies, to serve until the end of the next AGM. For the period until the next AGM, the Board consists of Lennart Holm (Chairman), Bengt Hammar, Mikael Hellberg, Jan Homan, Gunilla Jönson, Michael M.F. Kaufmann and Kristina Schauman. In addition, the employee organisations have appointed two employee

representatives to serve on the Board. These are Helen Gustafsson and Kjell Olsson with deputies Kurt Lindvall and Tobias Söderholm. Other than the employee representatives and their deputies, none of the Board members are employed by the Group. 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 more 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 60–61. The Board of Directors has appointed the Group's Legal Counsel Andreas Mattsson as Board secretary.

#### 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 Board shall in the first instance focus its attention on general, long-term issues, as well as issues that are of an exceptional nature or of major importance to the Group and the Company.

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

The Board's work follows an annual cycle in order for it to optimally accomplish its tasks. At the beginning of the year, the

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

Representative	Shareholder	Share of voting power, % <sup>1</sup>
Michael M.F. Kaufmann	Frapag Beteiligungsholding AG	15.1
Peder Hasslev	AMF Insurance and Funds	9.7
Lennart Francke	Swedbank Robur funds	5.3
Mats Hellström	Nordea Funds	5.0

<sup>1</sup> As of 30 December 2014.



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

### Work of the Board in 2014

The Board of Directors met eleven times in 2014. All Board members elected by the general meeting attended all Board meetings, with the exception of Board member Michael M.F. Kaufmann, who was absent from one meeting.

The Board addressed, on an ongoing basis, strategic issues relating to the Company's operations and focus, follow-up of previous acquisitions, investments above a certain level, and other matters.

Important issues that were addressed in particular by the BillerudKorsnäs Board in 2014 included issues regarding strategic growth, sustainability, innovation and follow-up of integration work relating to the merger with Korsnäs.

All meetings followed an approved agenda, which was distributed to all Board members about a week before the meeting, along with documentation on the particular agenda item. Minutes are taken at all Board meetings and distributed to Board members in accordance with the rules stated in the Code.

### Assessment

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. In 2014, an extensive independent assessment of the Board's work was carried out by an external consultant. The Board also continuously evaluates the work of the CEO. Once a year, an assessment is made of the CEO without the CEO being present.

### BOARD COMMITTEES

The Board currently has three committees: a remuneration committee, an audit committee and an investment committee. The Board appoints the members to serve on these committees.

### AUDIT COMMITTEE

To support the Board in its role in supervising auditing issues, the Board has appointed a separate audit committee. The audit committee's main role is to contribute to a good standard of financial reporting and ensure that the Company is audited in an expert, efficient and independent way. Without having an impact on the Board's other responsibilities and tasks, the audit committee is charged with addressing all important accounting issues that affect the quality of the Company's financial reporting. With regard to financial reporting, particular attention is to be paid to the effectiveness of the Company's internal control and risk management. The audit committee is required to keep informed about the audit of the annual accounts and the consolidated accounts and to scrutinise and supervise the impartiality and independence of the auditor. Particular attention is to be paid to whether the auditors provide the Company with services other than auditing. The audit committee is also charged with assisting in the preparation of proposals for decisions by general meetings on the election and remuneration of auditors.

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

### Work in 2014

The committee held six meetings in 2014. All Board members elected by the general meeting attended all of the committee's meetings, with the exception of Board member Jan Homan, who was absent from one meeting. During the year the committee addressed various auditing issues, the audit plans for 2014, auditors' proposals, risk analysis, internal controls and tax issues. The committee met prior to each interim report and the year-end report. These meetings addressed accounting and reporting issues related to the reports. The chairman of the audit committee reported regularly to the Board on committee meetings. The Board's work on internal control related to financial reporting is summarised in "Internal control and risk management for financial reporting in 2014".

### REMUNERATION COMMITTEE

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

### Work in 2014

The committee held six meetings in 2014, three of which were by correspondence. All committee members attended these meetings, with the exception of Mia Brunell (Board member until the 2014 AGM). In 2014, the committee considered matters relating to bonus payments for 2013, an extraordinary synergy bonus in 2014 and salary reviews for the Senior Management Team in 2014. The committee also addressed the evaluation of the LTIP 2014 incentive programme and the structure of the LTIP 2015 incentive programme. The principles for remuneration to the CEO and other senior executives, as well as the actual figures, are contained in note 24 of the 2014 Annual Report.

### INVESTMENT COMMITTEE (former Integration and transformation committee)

The Board may also form temporary committees to address specific issues, and, due to the merger between Billerud and Korsnäs, established a special integration and transformation committee. The main task of the integration and transformation committee has been to monitor and assess work relating to integration between former Billerud and former Korsnäs. As previously communicated, this integration work has been highly successful and synergy targets have been achieved sooner than estimated. As the integration work has gradually been completed the committee's focus has shifted to other issues, in particular to examine and to prepare certain matters for the Board



regarding the company's research and development agenda and investments, and to assisting management with these issues.

The committee consists of Board members Lennart Holm (Chairman), Bengt Hammar and Gunilla Jönsson.

#### **Work in 2014**

The committee held three meetings in 2014. All committee members were present at these meetings. In 2014, the committee addressed matters regarding integration between former Billerud and former Korsnäs, and reviewed the company's current work regarding research and development, energy supply and investments in order to examine these issues together with management before they are addressed by the Board.

#### **Work to continue in 2015**

BillerudKorsnäs' Board intends to allow the committee to continue to operate in 2015 but under the name of the 'investment committee' in order to address issues regarding investments and development issues before they are addressed by the Board.

#### **AUDITORS**

The Company's auditors are appointed by the general meeting. At the 2014 AGM, audit firm Ernst & Young AB, with principal auditor Lars Träff, was elected as the Company's auditor for the period until the end of the 2014 AGM. During the year, Martin Brenner replaced Lars Träff as the principal auditor. Martin Brenner is an authorised public accountant and has experience of auditing other listed companies. Martin Brenner is currently also auditor of Softronic, Cycleurope and Aditro.

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 three occasions and with the Board without presence of the senior management on one occasion in 2014.

#### **CEO AND SENIOR MANAGEMENT TEAM**

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

The CEO and the Senior Management Team (SMT) are jointly responsible for daily operations. The SMT consists of the CEO and Executive Vice President (and COO), as well as the heads of the three business areas (Packaging Paper, Consumer Board and Containerboard) and the heads of the group functions Forestry, Communication and Sustainability, HR, Finance and Technology & Strategic Development. The role of the SMT is to establish Group-wide values and a long-term vision, as well as strategies and policies for the Group based on the objectives set by the Board. The SMT sets targets for operational activities, allocates resources and monitors the business' earnings. The SMT is also responsible for investment planning and follow-up, acquisitions and divestments, and for preparations for Board meetings.

The CEO chairs SMT meetings and makes decisions in consultation with the other senior executives. The SMT usually meets monthly to review the financial

performance of the preceding month, update forecasts and plans, as well as to discuss strategic issues. In addition, the SMT meets once a week for short teleconferences, and as necessary.

See page 58–59 for further information about the SMT's members.

#### **INTERNAL CONTROL**

BillerudKorsnäs' internal control function is responsible for implementing processes and regulations that ensure the internal control and quality of financial reporting. This function reports to the CFO and is also responsible for preparation and presentation of matters regarding internal control at meetings of the audit committee.

#### **PRINCIPLES FOR REMUNERATION OF SENIOR MANAGEMENT**

The 2014 AGM adopted guidelines on the remuneration of senior management in the Group. The guidelines state, for example, that BillerudKorsnäs shall apply market-related remuneration levels and employment terms that are appropriate in order to recruit and retain a Senior Management Team with a high level of competence and capacity to achieve set goals. Remuneration may be in the form of fixed or variable salary, long-term incentive programmes and other benefits such as company car and pension. Fixed and variable salary shall be determined in relation to expertise, area of responsibility and performance. Variable remuneration is paid depending on actual results measured against detailed targets, up to a set maximum percentage of a fixed annual salary. The maximum percentage is between 30 and 70 percent. However, variable remuneration shall be paid only if the Company makes an operating profit. Notice of termination is normally 6–12 months, and if the Company gives notice, severance pay shall be a maximum of 12 months' salary.

For the complete resolution on principles for remuneration, see note 24 of the 2014 Annual Report. The Board's proposal for guidelines in 2015 is presented in the Directors' Report.

# Senior Management Team



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

## PER LINDBERG

### President and CEO

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

**Year employed:** 2005

**Year born:** 1959

**Other assignments:** Board member of Nordstjernan AB, SP Technical Research Institute of Sweden, Bergvik Skog AB and Middlepoint AB. Chairman of the Swedish Forest Industries Federation and member of IVA Royal Swedish Academy of Engineering Sciences Division VIII – Forest Technology. **Background:** Managing Director, Korsnäs AB. Vice President, Investment AB Kinnevik. Management and strategy consultant, Applied Value Corporation, US. **Shareholding<sup>1</sup>:** 86 547

## CHRISTER SIMRÉN

### Executive Vice President, COO

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

**Year employed:** 2012

**Year born:** 1961

**Other assignments:** –

**Background:** CEO of Korsnäs AB and Wermland Paper AB. Member of the management team of Kinnevik. Chairman of the Board of Grycksbo Paper Holding AB. **Shareholding<sup>1</sup>:** 25 200

## UNO BRINNEN

### Senior Vice President Forestry

**Education:** MSc in Forestry, Sweden's Agricultural University, 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.

**Shareholding<sup>1</sup>:** 6 700

## LENNART EBERLEH

### Senior Vice President Containerboard

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

**Year employed:** 2001

**Year born:** 1969

**Other assignments:** –

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

**Shareholding<sup>1</sup>:** 18 125

## ULF ELIASSON

### Senior Vice President Consumer Board

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

**Year employed:** 2012

**Year born:** 1962

**Other assignments:** Board member of Bomhus Energi Aktiebolag, Board member of SPCI (Swedish Society of Paper and Cellulose Engineers), Board member of ACE (Alliance for Beverage Cartons and the Environment).

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

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

## HENRIK ESSÉN

### Senior Vice President Communication and Sustainability

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

**Year employed:** 2011

**Year born:** 1974

**Other assignments:** –

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

**Shareholding<sup>1</sup>:** 2 800

## KARIN HÅGFELDT

### Senior Vice President Corporate Human Resources

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

**Year employed:** 2011

**Year born:** 1970

**Other assignments:** –

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

**Shareholding<sup>1</sup>:** 5 875

## SUSANNE LITHANDER

### CFO

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

**Year employed:** 2011

**Year born:** 1961

**Other assignments:** Board member of Acando AB and Eltel AB.

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

**Shareholding<sup>1</sup>:** 975

## JOHAN NELLBECK

### Senior Vice President Packaging Paper

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

**Year employed:** 2006

**Year born:** 1964

**Other assignments:** Board member of CEPI Eurokraft.

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

**Shareholding<sup>1</sup>:** 16 000

## MAGNUS WIKSTRÖM

### Senior Vice President Technology & Strategic Development

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

**Year employed:** 2006

**Year born:** 1963

**Other assignments:** Board member of Innventia AB, Board member of Awapatent AB.

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

**Shareholding<sup>1</sup>:** 16 719

<sup>1</sup> Own and closely related persons' shareholdings as of 6 March 2015.

# Board of Directors



## 1. LENNART HOLM

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

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

**Year born:** 1960

**Other assignments:** Chairman of the Board of Vida AB, Nexam Chemical Holding AB, Chamber Tech AB, Brunkeberg Systems AB, Vigmed Holding AB and Hamnkrogen i Helsingborg Holding AB. Board member of BMC Management AB, Chamber Bygg Sweden AB, Dermazip AB, Hempel A/S, Lennart Holm Development AB, Neco Norden AB, Preventic Försäkrings AB and SOS Barnbyar Sverige.

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

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

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

## 2. BENGT HAMMAR

Board member since 2014 and member of the investment committee

**Education:** BA and MA in International Economy and Politics, Princeton University, New Jersey, United States

**Year born:** 1951

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

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

**Shareholding<sup>1</sup>:** 1 100

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

## 3. MIKAEL HELLBERG

Board member since 2014, chairman of the remuneration committee, member of the audit committee

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

**Year born:** 1954

**Other assignments:** Chairman of the Board of Delicato Bakverk AB, Berntson Brands AB and Wallvision AB. Board member of Cederroth International AB, Lomond Industrier AB and Fresk Försäljning AB.

**Background:** CEO of Wasabröd AB, Pripps Bryggerier/Carlsberg Sverige AB, Alcro-Beckers AB and Nordic Head of Procter & Gamble HABC. Chairman of the Board of several companies, including AB Annas Pepparkakor, Björnkälder AB, NCS Colour AB, Mobeon AB and Anticimex AB.

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

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

## 4. JAN HOMAN

Board member since 2012 and member of the audit committee

**Education:** Business studies, University of Commerce, Vienna, Austria.

**Year born:** 1947

**Other assignments:** Chairman of the Board of Frapag Beteiligungsholding AG. Board member of Constantia Flexibles Group, Allianz Elementar Versicherungs AG, Erste Group Bank AG and Slovenska Sportelna. Head of European Aluminium Foil Association and Flexible Packaging Europe.

**Background:** CEO of Constantia Flexibles Group and CEO of Constantia Teich Group.

**Shareholding<sup>1</sup>:** –

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

## 5. GUNILLA JÖNSON

Board member since 2003 and member of the investment committee

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

**Year born:** 1943

**Other assignments:** Senior Professor in Packaging Logistics, Engineering Faculty LTH, and senior advisor to the Vice Chancellor of Lund University. Chairman of International Institute for Industrial Environmental Economics (IIIEE). Board member of SIK, Invest in Skåne AB and Chalmers Industrietechnik. Member of IVA Royal Swedish Academy of Engineering Sciences, Division VIII – Forest Technology.

**Background:** Dean of Faculty of Engineering, Lund University.

Various executive and other positions at SCA Packaging. Research Director, Swedish Packaging Research Institute.

**Shareholding<sup>1</sup>:** 3 528

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



**6. MICHAEL M.F. KAUFMANN**

Board member since 2005, member of the remuneration committee  
**Education:** MBA, Universities of Stuttgart and Erlangen-Nürnberg.  
**Year born:** 1948  
**Other assignments:** CEO, Frapag Beteiligungsholding AG. CEO, HKW Privatstiftung.  
**Background:** Formerly held various managerial positions in Frantschach/Mondi, Vienna, Austria.  
**Shareholding<sup>1</sup>:** 9 500  
**Independent/Not independent:** Independent of the Company and management, not independent of the Company's major shareholders.

**7. KRISTINA SCHAUMAN**

Board member since 2014, chairman of the audit committee  
**Education:** MSc in Economics and Business, Stockholm School of Economics  
**Year born:** 1965  
**Other assignments:** Board member of ÅF AB, Livförsäkringsbolaget Skandia, Orexo AB and Apoteket AB. Member of Save the Children's advisory board in Sweden.  
**Background:** Various financial managerial positions in Stora Enso, ABB and Investor and top executive positions in OMX AB, Carnegie Investment bank and Apoteket AB.  
**Shareholding<sup>1</sup>:** –  
**Independent/Not independent:** Independent of the Company and management, independent of the Company's major shareholders.

**8. KJELL OLSSON**

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

**9. KURT LINDVALL**

Deputy Board member since 2001, employee representative Pappers  
**Year born:** 1951  
**Other assignments:** Operator at BillerudKorsnäs.  
**Background:** –  
**Shareholding<sup>1</sup>:** –  
**Independent/Not independent:** Independent of management and the Company's major shareholders, not independent of the Company (employed).

**10. HELÉN GUSTAFSSON**

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

**11. TOBIAS SÖDERHOLM**

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

<sup>1</sup> Own and closely related persons' shareholdings as of 6 March 2015.



# Internal control and risk management for the financial reporting 2014

In accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal control. A report on internal control and risk management in respect of financial reporting for the 2014 financial year has been drawn up and published by the Board in accordance with Chapter 6, Paragraph 6 of the Annual Accounts Act and Section 7.4 of the Swedish Code of Corporate Governance. The report describes how internal control related to financial reporting is organised. This year's report is presented below.

## PRIORITY AREAS IN 2014

The 2014 financial year was characterised by continued integration work and efforts to create joint processes. BillerudKorsnäs has a shared service centre that ensures efficient and uniform handling of financial processes. The service centre manages reporting, accounts payable, accounts receivable, payroll and other financial procedures. In the first half of the year, the procedures of the final unit, Karlsborg, were transferred to the service centre. This completed the transition to a shared service centre. The service centre now covers all Swedish and Finnish units.

There has also been a focus on continuing to implement Group-wide IT environments. In 2014, a shared system for calculating and analysing product profitability was implemented. In addition, work also started on implementing a shared ordering, inventory and invoicing system. Implementation of this system is expected to be completed in the 2016 financial year. During 2014, existing purchasing and maintenance systems have been upgraded and a Group-wide supplier register has been rolled out. Furthermore, a Group-wide tool for consolidating and analysing purchasing volumes and a shared contract database were fully implemented in 2014.

During the first six months of 2014, an internal control function was introduced with responsibility for implementing processes and frameworks that ensure the internal control and the quality of the financial reporting.

## EXTERNAL FINANCIAL REPORTING

The following report has been prepared in accordance with the Swedish Code of Corporate Governance and current instructions to the Code and constitutes the Board's report on internal control for the financial reporting. The purpose of internal control for the financial reporting is to provide suitable safeguards as to the reliability of external financial reports in the form of

interim reports, year-end reports and annual reports and to ensure that external financial reports are prepared in compliance with all laws, applicable accounting standards and other requirements of listed companies. The Board has overall responsibility for ensuring that BillerudKorsnäs has effective internal control. The CEO is responsible for ensuring that a process and organisational structure are in place to ensure the internal control and quality of financial reporting. BillerudKorsnäs' internal control work is based on the internal control principles developed by the Committee of Sponsoring Organizations of the Tradeway Commission (COSO). These principles consist of the following five components:

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

For more information about BillerudKorsnäs' corporate governance work, please see the section Corporate Governance in BillerudKorsnäs in 2014.

### 1. Control Environment

Solid internal control is fundamental to the proper functioning of the Board. The rules of procedure for the Board and Board committees, as well as the instructions for the CEO, are intended to establish a clear division of roles and responsibilities that will facilitate the efficient management of risks identified in operations. The Board has also established a series of fundamental policies significant to internal control activities, such as accounting and reporting instructions, a finance policy and financial targets, and has adopted a suitable structural organisation, including the Company's Senior Management Team.

The Senior Management Team reports regularly to the Board based on predetermined procedures. The audit committee also reports

to the Board. The Senior Management Team is responsible for ensuring that essential internal controls are implemented as necessary to manage significant risks in day-to-day activities. This includes Group-wide policies and guidelines for how the individual employee shall understand his or her role in the work to maintain adequate internal control. These include an operating policy, code of conduct, finance policy, authorization instruction, accounting and reporting instructions and credit guidelines. BillerudKorsnäs' shared service centre ensures effective and uniform management of financial processes through the development of uniform procedures and control systems.

### 2-3. Risk Assessment and Control Activities

The Company uses a model for assessing the risk of errors in financial reporting. It continually monitors items where there is an increased risk of material error, and ensures that adequate control activities are in place.

For information regarding financial risk and important items subject to appraisal and assessment, please see the Risk Management and Sensitivity Analysis section and note 32 in the 2014 annual report.

### 4. Information and Communication

Material policies, guidelines and manuals that are of significance to financial reporting are available on BillerudKorsnäs' intranet. Relevant employees are regularly informed of amendments and updates to these. Both formal and informal information channels carry important information from staff to the Senior Management Team and the Board. For example, BillerudKorsnäs has a whistleblower function that enables employees to report suspected irregularities. Guidelines for external communication and a Communication Policy ensure that the Company meets the strict requirements on accurate information for financial markets.

## 5. Monitoring

The audit committee carries out preparatory work prior to the Board's assessment of the information submitted by the Senior Management Team and the Company's auditors. The audit committee's tasks also include ensuring, on behalf of the Board, that actions are taken concerning the deficiencies and proposed actions identified in the external audit and by the internal control

function. See the Corporate Governance section in BillerudKorsnäs 2014 for further information about the audit committee and its work.

### INTERNAL AUDIT

In accordance with paragraph 7.4 of the Swedish Code of Corporate Governance, the Board has evaluated the need for a separate review function. In view of the

structural organisation of internal control and the monitoring performed by the internal control function and by the financial management and controller organisation, the Board has decided that a separate internal audit or review function is not necessary at present. The issue of a separate internal audit function is reviewed annually.

# Auditor's report on the Corporate Governance Statement

It is the board of directors who is responsible for the corporate governance statement for the year 2014 on pages 54–63 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate

governance statement 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.

In our opinion, the corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, March 24, 2015  
Ernst & Young AB

Martin Brenner  
Authorized Public Accountant