We challenge conventional packaging for a sustainable future.

Consumers appreciate environmentally friendly paper carrier bags. The material is vital to sustainable and attractive carrier bags. BillerudKorsnäs manufactures quality paper from primary fibre from forests in the north, which brings strength and purity, so attracting customers in many different industries.

All the grades in the range improve the functioning of the entire value chain – from the printer’s desire for good colour reproduction, via the packaging manufacturer’s production process requirements to the brand owner’s expectations of a strong, great-looking carrier bag that perfectly reinforces the brand.

A strong and sustainable carrier is profitable in many ways. It protects the products, reduces losses and saves money. BillerudKorsnäs’ kraft paper means material consumption and weight can be considerably kept down compared with bags made from paper with a low strength that is not adapted to this end use.

BillerudKorsnäs’ kraft papers, Xpression, are extremely strong, and carefully tested, evaluated and made to suit the most demanding applications, making them especially suitable for heavy grocery bags.

They are greatly appreciated by packaging manufacturers and end-users. In a recently conducted study of 8,000 European consumers, 93% stated that they preferred carrier bags made of paper. They are seen as being better for the environment than other materials.

1 Consumer survey on packaging, Ipsos, Speciality Paper Manufacturers Association, 2007
Sustainable preserved foods for smart consumers

In many areas, refrigeration of food poses a major problem. BillerudKorsnäs and TetraPak have worked together to develop liquid packaging board for packaging that challenges traditional tins. The packaging Tetra Recart® makes major demands in terms of board functionality. The content is sterilised inside the packaging and unopened it has a shelf-life of up to 24 months without refrigeration. Use is rapidly growing, especially for vegetables, soups and sauces.
This is BillerudKorsnäs

BillerudKorsnäs is one of the world’s leading suppliers of high-quality packaging materials based on renewable raw material. Our raw material comes from sustainably managed forests and manufacturing takes place at resource-efficient, integrated production plants.

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, account for 75% of sales. While Europe is its core market, BillerudKorsnäs is gradually strengthening its presence in the leading growth markets of Asia.

Smart packaging solutions made 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.
We focus on sustainability, innovation and service in three business areas

**Packaging Paper**
The Packaging Paper business area offers premium quality kraft and sack paper, coupled with smart solutions for customers in the industrial, medical and consumer segments.

**Consumer Board**
The Consumer Board business area delivers packaging solutions in high-quality cartonboard for beverages, food products and various other consumer goods.

**Containerboard**
Strong, light materials from the Containerboard business area are used in corrugated packaging for fragile goods and demanding distribution systems. Solutions for packaging optimisation are a key component of the offer.
Four market segments

**Food & Beverages 59% (60%)**
- PROTECTING AND PRESERVING FLAVOUR AND NUTRITION
  - Liquid packaging • Bread, sugar and flour bags • Cups • Trays
  - Corrugated boxes for fruit and vegetables • Take-away food and fresh food packaging

**Consumer & Luxury Goods 10% (10%)**
- ADDING VALUE AND STRENGTHENING THE BRAND
  - Carrier bags • Gift bags • Boxes for cosmetics, watches, shoes and drinks • Exclusive chocolate boxes

**Medical & Hygiene 6% (6%)**
- MAXIMISING PURITY AND PERFORMANCE
  - Medical packaging • Release liner for self-adhesive hygiene products
  - Paper for various sterilisation and packaging methods

**Industrial 25% (24%)**
- OPTIMISING AND IMPROVING EFFICIENCY
  - Sacks for cement and other powdered goods
  - Transport packaging • Steel interleaving
  - Speciality papers

BillerudKorsnäs AB operates in the global packaging market. The company has sales offices in 13 countries and provides 2 000 customers in 100 countries with products and services. For some time the company has had offices in the following countries: China, France, Germany, Indonesia, Italy, Spain, Sweden, Switzerland, Thailand, United Arab Emirates and United Kingdom. In 2014 new offices were opened in Singapore and the USA.
BillerudKorsnäs produces paper, board and pulp at eight plants.

Five of these are in Sweden (Gävle, Gruvön, Frövi/Rockhammar, Skärblacka and Karlsborg), two in Finland (Pietarsaari and Tervasaari) and one in the UK (Beetham). There are also four production plants for wood pellets in Latvia (subsidiary Latgran). The business has its head office in Stockholm.

Production in four countries

The fourth pellet factory run by Latgran opened in Gulbene, Latvia, in 2014.

Our production units

SWEDEN
1. Stockholm (head office)
2. Gävle, 725 ktonnes
3. Gruvön, 685 ktonnes
4. Frövi/Rockhammar, 450 ktonnes
5. Skärblacka, 400 ktonnes
6. Karlsborg, 300 ktonnes

FINLAND
7. Pietarsaari, 200 ktonnes
8. Tervasaari, 100 ktonnes

UNITED KINGDOM
9. Beetham, 45 ktonnes

LATVIA\(^2\) (Latgran)
10. Gulbene,
    Jaunjelgava,
    Jekabpils,
    Kraslava, 600 ktonnes

1 All figures relate to production capacity 2014
2 Pellets
2.7 million tonnes paper and board were sold in 2014
**Key events 2014**

**BILDERUD FLUTE® IMPROVED**

At Gruvön SEK 180 million was invested with the aim of further improving our world-leading fluting in the Containerboard business area. The improvement in quality will build on existing unique strength properties and increase production volumes.

**ECOVADIS GIVES TOP MARKS**

BillerudKorsnäs has been rated Gold by the analysis company EcoVadis in its ranking of suppliers in 150 sectors, including 150 suppliers in our industry. EcoVadis collects sustainability performance data in an international assessment system that includes the environment, working conditions, corporate social responsibility and suppliers. EcoVadis’ assessment covers suppliers in about 100 countries.

**FRÖVI TO BE THE BIGGEST OF ITS KIND IN THE WORLD**

BillerudKorsnäs decided to invest SEK 900 million to increase production capacity for high-quality cartonboard and liquid packaging board in Frövi to 550 000 tonnes per year. Capacity will also be increased in Rockhammar to supply Frövi with CTMP pulp. The aim is for this investment to be up and running in 2017.

**Paper beats plastic**

IVL Swedish Environmental Research Institute was commissioned by BillerudKorsnäs to compare different kind of environmental impact, from a life cycle perspective, of packagings based on paper with corresponding packagings made of plastic. Greenhouse gas emissions were 50–70% lower for paper products.

**18% less fossil CO₂ per tonne of product**

BillerudKorsnäs’ direct emissions of greenhouse gases from the use of fuel in production fell to 31 kg per tonne produced, thanks to investments in plants and more efficient processes.

**THE NEW CEMENT SACK THAT DISAPPEARS WITHOUT A TRACE**

BillerudKorsnäs won this year’s product development award for its new sack solution at the Lafarge Global Supplier Awards 2014. Lafarge and BillerudKorsnäs jointly developed a paper sack for cement that can be dissolved in the water when the concrete is being mixed.

**WINNING MATERIAL IN THE PRO CARTON ECMA AWARD**

BillerudKorsnäs produced material for six different entries that made the final of the packaging contest, the Pro Carton ECMA Award. Four of the entries, presented by BillerudKorsnäs customers, were judged the winners in different categories at the annual congress in Sorrento, Italy. Two of these used BillerudKorsnäs White in their entries.
I am proud and delighted to see BillerudKorsnäs’ strong development in 2014. We did exactly what we said we would – we delivered to our shareholders, customers and partners. We also established a new strategic platform and a mission – to challenge conventional packaging for a sustainable future.

**FOUR STRATEGIES FOR THE FUTURE**

Our four strategies for profitable growth cover position, innovation, sustainability and efficiency. And we are working flat out on all of them.

We opened new sales offices in Miami and Singapore. We brought all our innovation work under the Innovation Agenda umbrella, where we invest in green materials technology, new business models and service and logistics. When it comes to attaining a sustainable future, challenges and opportunities lie ahead, as can clearly be seen in this report. And one thing is certain, a sustainable future is what we are working towards.

**GOOD RESULTS AND CLEAR STRATEGIES**

Good results and clear strategies mean we can now focus our work on profitable growth and a sustainable future.

**COMMITMENTS FOR SUSTAINABILITY**

During the year we carved out even more precisely what sustainability means for BillerudKorsnäs in the three areas of economic, environmental and social aspects. We have made clear commitments concerning our work for a sustainable future and the areas on which we need to focus. This also gives us a better opportunity to more distinctly describe how we have succeeded in attaining our ambitions, which I think is very important.

**WE WANT TO BE VALUED**

We attained very good rankings from external organisations that analyse companies on behalf of investors or global clients. We take that as evidence that our work on sustainability is appreciated and that we have also proved capable of reporting our performance well. This time too we have therefore had our sustainability report externally audited before publication. During the year we also commissioned independent experts to carry out comparative analyses of the environmental impact of paper and plastic packaging. The results were very good for paper and show that companies can make sound choices of materials by replacing conventional packaging with paper-based products.

**WE SHOULDERS OUR RESPONSIBILITY**

As a responsible company we support the ten principles of the UN Global Compact. These form the basis of our new Code of Conduct, which is to guide all employees in their day-to-day work and create the BillerudKorsnäs we want to see. A company to be proud of.

Solna, March 2015

Per Lindberg, President and CEO
BillerudKorsnäs’ impact stretches from extraction of natural resources, via transport, production processes and development cooperation to end-use and recycling.

With Europe as a base, the company is growing in global growth markets, primarily in Asia. BillerudKorsnäs thus has an impact spanning the entire sustainability horizon – economic, environmental and social in many locations. In reality the value chain is extremely complex as it includes thousands of companies in the supply chain and among its customers. This scope and the company’s expansion make growing demands in terms of smoothly functioning processes and procedures, both internally and in interaction with other companies.
**FORESTRY**

BillerudKorsnäs has a stake in Bergvik Skog AB, a wholly-owned timber purchasing subsidiary in the Baltic countries, carries out services for forest owners and buys in pulpwood for manufacturing.

Impact primarily concerns the management of forest land and the way in which conservation value is taken into account, but greenhouse gas emissions also arise in conjunction with harvesting and forestry. Social aspects for employees in companies and for local communities must also be addressed.

**PURCHASED CHEMICALS**

BillerudKorsnäs buys chemicals for the production of pulp, paper and board. The chemical production process often involves high fossil fuel consumption. This is shown in life cycle analyses in which the chemicals can account for a large proportion of total emissions of greenhouse gases in a product chain.

**PURCHASED WOOD RAW MATERIAL**

The dominant proportion of wood raw material is purchased in the form of pulpwood for the Swedish plants, with the impact that forestry has. However, woodchips as a by-product from sawmills also account for an important proportion of raw material supply. Besides the impact from forestry, the by-product wood chips cause energy consumption and emissions in sawmill production.

**PURCHASED PULP**

For the Swedish plants a very small amount of external pulp is used in manufacturing. In Finland and the UK, however, production is based on external pulp, which gives rise to emissions to air and water and the consumption of various inputs.

**PURCHASED ENERGY**

The energy mix varies between the plants, but self-generated bio-energy from black liquor accounts for a very large proportion. With energy savings and an increase in self-generated electricity, the impact of purchased energy is falling. The environmental impact of purchased energy depends on how the electricity has been produced and the purchasing agreements drawn up.

**RAW MATERIAL TRANSPORT**

BillerudKorsnäs works with suppliers and transport companies to ensure that raw materials are transported short distances and with minimal environmental impact. Development work is in progress but transport chains still involve major emissions of greenhouse gases and other substances.

**PRODUCT DEVELOPMENT**

Resources for development and innovation have been increased considerably and this work is often run in partnership with customers and brand owners. Supported by our own laboratories, BillerudKorsnäs helps to develop the right packaging solution that ticks all the boxes for material, design, functionality and logistics. This has positive effects on the use of materials, distribution and end use.

**MANUFACTURE**

Manufacture is the step in the chain in which impact is largest in many respects, with the largest number of employees and the highest consumption of materials. This partly involves environmental impact through emissions to water and air, and partly economic and social impact for employees, local communities and other stakeholders.

**PRODUCT DISTRIBUTION**

Distributing the products demands smooth cooperation in the logistics chain, in which a joint stake in a rail system with terminals in Europe provides a sound base for safe and effective transport solutions. Long distances and the fuels available today mean that distribution causes relatively significant emissions to air. According to BillerudKorsnäs’ Environmental Product Declarations (www.environdec.com), distribution accounts for 8–14% of emissions of greenhouse gases in the chain from the raw material extraction to the customer.

**CUSTOMERS**

Products and services are evaluated by customers on an ongoing basis. Many of them require specific information on sustainability performance in order to strengthen the value chain and the end product. The company therefore keeps these customers updated with transparent information either directly or via external analysts and reporting systems.

**END-USERS**

Consumers around the globe encounter BillerudKorsnäs’ products at every turn – in stores and shopping centres, at home and at work, at breakfast, lunch, when making dinner or collecting a take-away from the local pizzeria. The aim is for interaction in the value chain to lead to the consumer choosing functional paper-based products with good sustainability performance and for these to have a positive impact that makes people’s lives easier, protect and preserve the goods transported and have a low environmental impact compared with other materials.

**WASTE AND RECYCLING**

According to statistics from the Confederation of European Paper Industries, CEPI, 71.7% of paper products was collected for recycling in the EU, Norway and Switzerland during 2013. There is potential for more, but problems of contamination and collection costs need to be tackled. Paper-based waste that goes to landfill or is dumped reduces resource efficiency and impacts on the environment. In the view of BillerudKorsnäs, recovered fibre must be seen as an important resource. Based on its product responsibility the company contributes towards the opportunities for production using recycled raw materials. These systems require a constant inflow of primary fibre material if they are not to grind to a halt, as recovered fibre degrades over time and is no longer suitable for demanding, high-quality paper products.
In 2014 the company developed the strategic platform and the structure for work on sustainability. Sustainability is now clearly one of the four strategies for profitable growth and the mission to “Challenge conventional packaging for a sustainable future”. 

PROFITABLE GROWTH

WE CHALLENGE CONVENTIONAL PACKAGING FOR A SUSTAINABLE FUTURE

PEOPLE DRIVE CHANGE
Think new – Feel responsibility – Cooperate – Create value
BillerudKorsnäs’ sustainability strategy

The sustainability strategy sets out precisely how BillerudKorsnäs is to work for a sustainable future, in its own operations and in the value chain. It also sets out what a sustainable future means to the company and the commitments made to achieve it.

SUSTAINABILITY STRATEGY

- BillerudKorsnäs works for a sustainable future and contributes towards increased sustainability – economic, environmental and social – in the value chain of which the company is part.
- BillerudKorsnäs has clear commitments for a sustainable future and measurable targets in both the short and long term, so that all stakeholders are clear about what the company wants to accomplish.
- BillerudKorsnäs’ performance and target fulfilment for sustainability are reported and reviewed transparently in line with recognised and credible systems.
- Through its presence in key external arenas, BillerudKorsnäs shall be known for its responsibility and excellent performance in the field of sustainability.

SUSTAINABLE FUTURE

In the view of BillerudKorsnäs, a sustainable future will have been attained once businesses and value chains are entirely built on responsible business for products that create value for many people, a good environment with robust ecosystems for sustainable production and safe, attractive workplaces and social wellbeing. Attaining these desired states is a major challenge and a long-term job. The commitments made by the company must support work towards this future.

ECONOMIC: Responsible business for products that add value in many ways

ENVIRONMENTAL: Renewable and sustainably produced materials in a sound environment

SOCIAL: Safe, attractive workplaces and social wellbeing
BillerudKorsnäs’ commitments **for a sustainable future**

<table>
<thead>
<tr>
<th>ECONOMIC</th>
<th>ENVIRONMENTAL</th>
<th>SOCIAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible business for products that add value in many ways</td>
<td>Renewable and sustainably produced materials in a sound environment</td>
<td>Safe, attractive workplaces and social wellbeing</td>
</tr>
</tbody>
</table>

1. Drive development for responsible value chains
2. Develop innovative and safe packaging solutions
3. Deliver profitability that creates added value

1. Manage forestry and wood supply sustainably
2. Environmentally adapt and develop resource-efficient production
3. Environmentally adapt transport

1. Promote commitment, safety and social standards for attractive workplaces
2. Support development initiatives for young people and society
3. Work for ethical responsibility and human rights

BillerudKorsnäs makes three concrete commitments for each of the three areas – economic, environmental and social aspects – to show the actions being taken in working for sustainability and how these lead to development. This is the company’s account of the journey towards a sustainable future and our overriding ambition to challenge conventional packaging.
Drive development for responsible value chains

ECONOMIC 1

BillerudKorsnäs develops its supplier assessment and management processes to drive development and further strengthen long-term supplier relations. Work is in progress to introduce a consistent method for all procurement functions in the company.

AMBITIONS

- Work with others in the value chain for improvement and profitability
- Evaluate all major suppliers
- Initiate improvement work to create value in the supply chain
- Work as a world-leading company on purchasing in the forest industry

Sustainability target: Supplier assessments carried out, page 49

ACTION UNDER WAY

- Clearly set out the company's Code of Conduct as a basis for the assessment
- Implement a consistent method for supplier assessments company-wide

ACCOMPLISHED 2014

New purchasing policy

In early 2014 the purchasing policy was updated and then communicated via the intranet and meetings across the company. The policy also incorporates guidelines and allocation of responsibilities.

New supplier assessment process

A new consistent process was introduced for evaluating suppliers on the basis of eight perspectives: finance, strategy, quality, production, hygiene, health and safety, environment and sustainability.

A sample was selected from existing suppliers based on purchase value and complexity prior to continued risk assessment and evaluation. For new suppliers a risk assessment is carried out when a single invoice exceeds SEK 100 000. Based on the assessed risk for the different perspectives, taking the type and location of the business into account, the supplier may carry out a self-audit or a face-to-face improvement meeting may be held.

Self-audit and improvement meetings use a checklist of relevant questions within the eight perspectives. Two recurring questions for all the perspectives are whether the supplier is working proactively on constant improvements and whether all the criteria are passed on to the next stage of the supply chain. Furthermore, detailed questions are asked, e.g. about bribery, labour practices, freedom of association, child labour and the environment.

The self-audit are analysed and assessed by internally trained employees. The improvement meetings are headed by a team of trained purchasers and experts. All suppliers who carry out assessments receive personal feedback and usually also suggestions for improvements. The self-audit and the visits were received positively by suppliers and were felt to increase value. In total 118 self-audit were carried out, 23 of which were supplemented by improvement meetings. This means that approximately 40% of the value of purchasing was covered where the model was introduced. All new suppliers of the company, apart from two temporary forestry contractors, underwent an assessment process. (HR10, LA14, SO9, EN32).

Implementation company-wide

Procurement of goods and services is handled within the following functions: Purchasing, Supply Chain, Pulp and Forestry, and to a certain extent within the subsidiary Paccess. During the year resources were invested to train employees and implement the new process in several functions in the company. Responsibility for development lies overwhelmingly with Purchasing, while the respective functions are responsible for
implementation. Forestry decided to adapt purchasing to the new model in 2015 where relevant. Paccess uses a process of its own adapted to its business model to help customers find the right packaging solution, but this involves the same fundamental type of requirements as for other purchasing.

**Follow-up on human rights**

Human rights issues were given a greater focus among suppliers during the year. Backed by the supplier assessments and other assessments, BillerudKorsnäs has not found evidence of any use of child labour, lack of freedom of association, or forced labour among suppliers in 2014 (HR4, HR5, HR6).

**LOOKING AHEAD**

**Expanding supplier assessments**

The sample of suppliers will be increased as the new process is implemented further. Forestry will implement an adapted model in 2015. More people will also be trained in carrying out assessments.

**Code of Conduct for suppliers**

The supplier assessment process continues to be evaluated and is constantly being improved. In 2015 it is planned that a Code of Conduct and guidelines specifically for suppliers will both be drawn up. These will incorporate sustainability requirements, commercial requirements and practical instructions.

**Consistent purchasing system**

The focus for 2017 is to pilot a single purchasing system to improve coordination and further improve purchasing processes.

**Greater requirements for internationalisation**

Increased internationalisation means more stringent supplier assessment requirements as greater scope is given to issues such as labour conditions and human rights.

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**PROPORTION OF PURCHASE VALUE IN DIFFERENT REGIONS**

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nordic countries</td>
<td>92.8%</td>
</tr>
<tr>
<td>Other Europe</td>
<td>7.0%</td>
</tr>
<tr>
<td>Other</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

1 Other relate to Asia, America and Africa.

Suppliers in Europe account for almost the entire purchasing value of BillerudKorsnäs, which makes assessment and checks easier.

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**Conclusions on the company’s approach**

The supplier assessments address many aspects, primarily seven within the GRI system. The new assessment model means that the company has obtained good control over the four aspects the Environment, Labour conditions, Human rights and Society in evaluating new suppliers over the year. Work remains to be done on spreading the model further throughout the company as a whole. The three human rights aspects regarding Freedom of association, Child labour and Forced labour can also be tackled in that they are included in the assessment model the company is developing.
BillerudKorsnäs produces recyclable packaging materials from renewable raw material. The company invests in innovation and product development to meet future needs and challenge conventional packaging. The largest market segment is Food & Beverages, with particular requirements for food safety.

**AMBITIONS**
- High rate of innovation
- Resource-efficient, thin and strong materials
- Safe materials that protect the goods and reduce losses
- Material that supports the customer’s marketing
- Packaging solutions that challenge conventional packaging

**Sustainability target:**
- Level of innovation, proportion of sales accounted for by new products, page 49

**ACTION UNDER WAY**
- Organisation for innovation and product development
- Launch of Innovation Agenda
- Developing new production techniques
- Launching new products
- Coordinating product safety work
- Product liability follow-up

**ACCOMPLISHED 2014**

**Greater resources for innovation**
Coordination and resources for work on innovation were enhanced and developed in 2014. Innovation was defined as one of four strategies for sustainable growth. The platform was broadened by involving employees directly from marketing, production, Supply Chain and Strategic Development.

**Expanded work on innovation**
Work on innovation takes place at several levels, managed by Strategic Development, whose head is part of the company’s Senior Management Team. During the year the business team gathered signals from the market and developed “Product Road Maps” to underlie the company’s product development, which is primarily the responsibility of the development function R&D. At the same time the New Business Lab function is working to identify needs, develop solutions for the future and coordinate work on innovation.

**Innovation Agenda shows the way**
During the year BillerudKorsnäs identified strategic areas for growth. Innovation Agenda prioritises three areas of innovation work:
- Green material technologies
- New business models
- Service and logistics

The green material technologies are deeply rooted in BillerudKorsnäs’ fundamental offer of renewable, thin, strong and recyclable packaging material. The product portfolio is growing, with an increasing number of alternatives to plastic packaging. Lab work is one of the methods used to optimise the material to cope with the entire logistics chain from the shelf in store to the customer’s home. Work at our subsidiary Paccess is an example of a business model integrated further down the value chain, with BillerudKorsnäs now able to offer tailor-made packaging solutions for brand owners with production in Asia and customers worldwide. When it comes to services and logistics, the company will be surveying customers’ needs and developing its offers.

**Level of innovation exceeded the target**
The proportion of sales accounted for by new products was 14% in 2014, in other words well over the sustainability target of 10%.

A new liquid packaging board was launched with improved printability. The new surface also resulted in less risk of dust and impact on flavour.

A new generation of packaging board was launched with the products BillerudKorsnäs White, Artisan, Light and Carry. The material offers such improved printability that a whole new level of quality has been attained.

Improved printability increases the packaging’s finish and thus also its attractiveness and ability to stand out on the shelf. This clearly helps to communicate and strengthen the brand – something that is becoming increasingly important for all consumer packaging.

**Organising work on safety**
The product safety group continued to work on coordination to ensure compliance with
legislation, rules and other requirements in the sector. The company’s increasing internationalisation then has to be taken into account with respect to legislation and regulations in new markets. The group also continued to be involved in handling customer enquiries and product development and in external dialogue with agencies, industry organisations and other actors.

To maintain product safety, collaboration and input from several parts of the organisation are required. The business areas ensure that the right product is sold for the intended area of use. The plants are responsible for production within the product safety requirements laid down. Product safety is safeguarded throughout the entire chain from development to manufacture, marketing, distribution and use of the finished product and the waste or recycling phase. This is ensured through continuous management, control and verification. Process parameters and finished products are both subjected to regular checks. BillerudKorsnäs also hires external auditors and laboratories for analysis and document verifications.

**Raising the bar on food safety**

During the year the plants at Skärsätra and Pietarsaari introduced the FSSC 22000 certified management system for food safety, which sees the plants upping their game on work with material intended for packaging in contact with food.

**Product liability follow-up**

During the year a new model for following up product liability under the GRI system began to be introduced. The technical sales support functions are involved, from 2015 onwards supported by a new customer case management system. Well developed product liability is a way of strengthening the value chain in the market. This year’s reporting showed no breaches of legislation or voluntary health and safety codes (PR2). No non-compliance with regulations or voluntary codes on product information and labelling was reported (PR4). No non-compliance with regulations or voluntary codes on marketing communications was reported (PR7). Nor were any complaints regarding breaches of customer privacy and confidentiality reported (PR8).

During the year BillerudKorsnäs carried out the first company-wide customer survey. In the future this will be carried out every 12 months or every 18 months for ongoing follow-up of the company’s development and need to work on improvement. The customer survey was run online and the results were processed, with continued activities from the business team.

**Conclusions on the company’s approach**

The overall conclusion is that the four aspects Health and safety, Product information, Marketing communications and Customer confidentiality demand well structured processes for monitoring changes in the regulations, implementing these and monitoring compliance. The company has launched a review of the internal organisation and work on developing a new model for overall control and follow-up, which is estimated to be completed in 2015.

**EXAMPLES OF LEGISLATION AND REGULATIONS THAT STEER BILLERUDKORSNÄS’ WORK ON PRODUCT SAFETY**

<table>
<thead>
<tr>
<th>EU Directives and Regulations</th>
<th>Applicable articles of</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001/95/EC (general product safety)</td>
<td>FDA (Food and Drug Administration – US law)</td>
</tr>
<tr>
<td>(framework for materials in contact with food)</td>
<td>GB9685-2008 (Chinese standard for additives in materials in contact with food)</td>
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</table>
BillerudKorsnäs launches the next generation of cartonboard

Cartonboard is the most important material on the market for consumer packaging. It is strong, versatile, climate-smart and cost-effective. The cartonboard gives the packaging a more high-profile role in terms of brand building and attractiveness.

Our four very specialised grades comply with stringent requirements in the premium segment such as packaging for luxury drinks, gourmet food, perfume, cosmetics, chocolates, pharmaceuticals and healthcare products: BillerudKorsnäs White, Artisan, Light and Carry.

Higher customer attraction

“Our next generation of cartonboard helps our customers in the battle for customer attention out there in the stores,” says Magnus Levinsson, who is in charge of the Cartonboard business segment.

“The role of packaging is becoming increasingly important as a communication channel, brand builder and sales channel. In the new cartonboard we offer a packaging material with a considerably greater capacity to market a brand in store, display logos, convey information and stand out on the shelf.”

Full-scale testing of new material

Microfibrillated cellulose, which is extracted from wood fibre, is an exciting material with fantastic potential in many different areas. Added to paper and board, it produces stronger and lighter products. Microfibrillated cellulose can also be used as an effective and sustainable barrier instead of plastic or aluminium in packaging for drinks, food, hygiene and healthcare products.

In summer 2014, BillerudKorsnäs decided to join forces with Swedish research bodies Innventia and Vinnova to build a portable demonstration factory in order to test the material in full-scale paper production.

“We have great expectations of this new material,” says Mikael Ankerfors, project manager at BillerudKorsnäs. “Microfibrillated cellulose gives paper new and improved properties. In the future we’re counting on being able to offer our customers this new material in products other than paper too.”

Microfibrillated cellulose has potential in many areas.
The right sack solution saves both time and money, simplifies work processes and improves the working environment.

In a collaborative project with Lafarge, a top ranking player in the cement industry, BillerudKorsnäs has developed a brand new sack for packing cement. The purpose of the project was to design packaging that disappears or blends into the concrete mix – the dream being that empty sacks would no longer need to be taken care of, saving money and reducing environmental impact. After more than two years of development, the sack was launched in spring 2015. The new premium sack solution D-Sack™ comprises two layers of a new grade of white QuickFill® paper, and includes a patented moisture barrier which enables the sack to disintegrate fully when subjected to mechanical action and water in the concrete mixer.

The target audience is primarily the construction industry, where the demands for efficiency and sustainability are high.

BillerudKorsnäs won this year’s product development award for its new sack solution at the Lafarge Global Supplier Awards 2014.
A smooth functioning Billerud-Korsnäs makes a positive contribution in many ways. Throughout the value chain economic development and other values are created for stakeholders such as shareholders, clients, suppliers, employees, consumers and society as a whole.

**AMBITIONS**
- Profitable growth
- Meet customers’ and brand owners’ needs for packaging solutions
- Be a reliable, stable and learning-oriented supplier and customer
- Be an attractive employer
- Contribute towards positive social development

**Target:** Financial results, page 8, Annual Report 2014

**ACTION UNDER WAY**
- Implement a strategic framework for profitable growth
- Improve production efficiency
- Drive innovation and collaboration with customers and brand owners
- Employee development
- Develop long-term supplier relations
- Contribute towards social development as a major local employer
- Support important social initiatives on the global stage
- Develop sustainable production even further to benefit many stakeholders

**ACCOMPLISHED 2014**

**Major value growth**
The share price showed a very positive trend over the full year 2014. The financial targets were also attained. A dividend to shareholders of SEK 465 million was proposed. No new acquisitions were made during the year.

BillerudKorsnäs’ overall objective is profitable growth, which in the short term means that sales are to increase organically to MSEK 2,400 by 2018. Investments continue to be made in facilities to increase capacity and resource efficiency and for environmental improvements. The investments will help to equip the company for the long term and safeguard stability and profitability. During the year total investments amounted to SEK 1,382 million.

**Development closer to customers**
The acquisition of Paccess is one example of the company creating new opportunities to integrate the business looking ahead by offering services and close cooperation with international customers. Work on innovation was stepped up to even better meet the need for development in the packaging industry. One starting point for BillerudKorsnäs is that packaging provides benefits at every stage of the chain as far as end-use and a dialogue was therefore launched with researchers to see if it was possible to quantify this benefit.

**Lessons learned from dialogue with suppliers**
A sample of suppliers was examined on eight different perspectives, including strategy, finance and quality, and spanning the entire supply chain. In 2014 supplier costs amounted to SEK 14,715 million, making this the largest expenditure item for Billerud-Korsnäs, equivalent to 70% of turnover. This shows the importance of a continued focus on cooperation and development in the supply chain.

**Core values for employees**
During the year the core values – think new, cooperate, feel responsibility and create value – were embedded in the organisation. The company provides market salaries, pensions and other benefits. In addition to this the company offers an innovative workplace with performance management opportunities in many areas and many parts of the world.

The employee survey showed that a considerable number of employees would be prepared to recommend BillerudKorsnäs as an employer. Activities to market the company as an attractive employer were carried out at universities and other educational institutions. External surveys (page 35) and recruitment showed that there is great interest in the company among students, largely thanks to the sustainability ambitions.

**Contributions to social development**
BillerudKorsnäs continued to make a positive contribution towards the development of local communities through providing jobs, working with the business community, sponsorship of youth initiatives in particular, work placements, liaison with schools and local clubs and societies and other local activities. BillerudKorsnäs also contributed to society by paying taxes, salaries and employee benefits.

**Deliver profitability that creates added value**

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BillerudKorsnäs continued to make a positive contribution to the development of local communities by providing jobs, working with the business community and particularly sponsoring youth initiatives.
**LOOKING AHEAD**

*Strategic platform steers*

The strategies for profitable growth and the ambition of challenging conventional packaging steer our work. Overall analyses will be carried out to clarify the added value created by the company’s operations.

*Position*

The strategy regarding the company’s position entails continued internationalisation. This means adaptation through much of the business, e.g. for customer collaboration, product development, compliance with the law, recruitment and global initiatives.

*Innovation*

To meet the needs of a fast-developing market, resources are being steered into innovation work, in line with the strategy, and run through Innovation Agenda.

*Sustainability*

Supplier assessment is used strategically to develop sustainability in the value chain. The new model is being spread through the company. Cooperation with customers identifies needs and drives sustainable development for the company.

*Efficiency*

The strategy for efficiency continues to build on key investments in production facilities and on structured working methods for employee skills development and work on improvements.

---

**Financial report**

**ECONOMIC VALUE DISTRIBUTED, PER STAKEHOLDER, SEKm (EC1)**

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<tr>
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<tr>
<td>Investments</td>
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<tr>
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* DISTRIBUTION BY COUNTRY, TAX SEKm

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<td>China</td>
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<td>Latvia</td>
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<tr>
<td>USA</td>
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<td>France</td>
<td>0</td>
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<td>Netherlands</td>
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<tr>
<td>Germany</td>
<td>-1</td>
</tr>
<tr>
<td>UK</td>
<td>-1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>-37</strong></td>
</tr>
</tbody>
</table>

At the company’s disposal: 1 112
Sustainable forestry combines economic benefit with consideration for biodiversity, respect for indigenous peoples and other social values. All the wood raw materials that BillerudKorsnäs uses in its manufacturing come either from certified forestry or from a controlled origin that is not controversial, such as illegal harvesting or forests of high biological value.

**AMBITIONS**
- Forest production that provides high economic value today and into the future
- New forest is securely established after harvesting
- Biodiversity is protected and developed
- Concern for social aspects in planning
- Respect for the needs of indigenous peoples
- Harvesting and extracting timber with good financial results
- Biofuel that contributes towards the company’s energy supply and work to combat climate change

**Sustainability target:** Certification of private forest owners, page 49

**ACTION UNDER WAY**
- Require certification under FSC® and PEFC™ Chain of Custody
- Group certify private forest owners
- Use geographical information systems (GIS) and planning aids
- Provide training on nature conservation and methods to avoid damage caused by vehicles in the forest
- Propose setting aside land for nature conservation
- Hire PEFC-certified contractors
- Increase extraction of biofuel
- Back the development of European legislation against illegal forest products
- Carry out supplier assessments
- Consult stakeholders on social and environmental aspects

**ACCOMPLISHED 2014**

**Wood raw material from the Nordic and Baltic countries**
In 2014 74% of wood raw material for the production of board, paper and pulp came from Sweden. Other raw materials came close to entirely from the Baltic and Nordic countries. Total wood consumption amounted to just over 9.6 million m³ solid under bark (m³sub), which was up on the previous year due to increased demand at the production plants.

**Timber supplies remain secure**
BillerudKorsnäs owns almost no forest of its own but manages forest land and forestry on behalf of Bergvik Skog AB under long-term contracts. Management covered everything from planning harvesting and agreements with forestry contractors to consultation on and suggestions for setting aside forest land. BillerudKorsnäs has similar management arrangements with a number of small, private forest owners. During the year purchasing from this group in Sweden amounted to approximately the same amount as purchasing from Bergvik Skog AB. Harvesting was carried out in Sweden and Latvia, where raw materials are purchased by a subsidiary.

**FSC®** is an independent membership-based organisation that promotes environmentally appropriate, socially beneficial and economically viable use of the world’s forests. FSC is an acronym for the Forest Stewardship Council® (https://ic.fsc.org) - The Programme for the Endorsement of Forest Certification schemes, PEFC™, is an international system for sustainable forestry. PEFC Sweden covers standards for forestry, contractors and timber traceability. (www.pefc.org)

**Imports with certification requirements**
All purchasing of wood raw materials follows the same strict guidelines. Purchasing is based on risk analyses to ensure that the wood raw material complies with the requirements of the EU Timber Regulation and the standard FSC Controlled Wood, e.g. that harvesting must be legal and no harvesting takes place where there is high conservation value. For the subsidiaries in the Baltic countries, this meant that regular supplier assessments were carried out during the year. All suppliers outside Sweden must be certified under FSC Chain of Custody/Controlled Wood, such that independent audits are carried out. Should any supplier fail to meet the requirements, deliveries can be halted with immediate effect.

**TIMBER PURCHASING 2014**

- Sweden, 74.0%
- Baltic countries, 11.0%
- Norway, 7.9%
- Finland, 5.4%
- Other, 1.7%

**FSC®**

- [www.fsc.org](http://www.fsc.org)
- [FSC® C023846](https://ic.fsc.org)
- [The mark of responsible forestry](https://ic.fsc.org)

**PEFC**

- [www.pefc.co.uk](http://www.pefc.co.uk)
- [Promoting Sustainable Forest Management](https://ic.fsc.org)
All business was carried out on the basis of a criterion of zero tolerance of corruption, for example. The forestry unit BillerudKorsnäs Skog has decided to adapt relevant parts of the supplier assessment system to the broad model implemented by Purchasing in 2015.

**Training planning specialists**

In 2014 the planners responsible for drawing up detailed harvesting plans underwent updated training. The training involved identifying high conservation value and safeguarding the boundaries of areas already set aside when neighbouring areas are to be harvested. During the planning process conservation value assessments are carried out and where values are high, it is proposed that areas are set aside, which also demands knowledge of historic sites and ancient monuments. Where planning contractors are used, it was required that these underwent training equivalent to that of in-house staff. The company is also aiming towards regular contractors becoming PEFC certified, which sets specific requirements regarding the right expertise. Planning is controlled through internal follow-up and external audits.

**Set-aside for nature conservation**

Forest owners who are FSC or PEFC certified set aside at least five percent of productive forest land with high conservation value. In its management assignments BillerudKorsnäs constantly recommends areas to be set aside for nature conservation, areas that in 2014 accounted for 7–10% of the total amount of productive forest land (page 24). Certain areas are also left untouched on a routine basis as a general rule during harvesting, such as areas adjoining streams and watercourses. Biodiversity is thus maintained both through general nature conservation and setting aside areas of particular conservation value. Preserving biodiversity is essential to long-term, sustainable forestry. Numerous species are essential if ecosystems are to develop in a natural way.

**Training to avoid damage to land**

Forest contractors who carried out harvesting for BillerudKorsnäs were trained in regenerative felling techniques, known as the “Risa Rätt” method. This involves firstly carefully selecting the routes to drive in the forest and then covering them correctly with branches from the felled trees. This avoids wheel marks, cuts the fuel consumption of forest machinery and extracts more biofuel. The contractors who are continuing to comply with the requirements after subsequent follow-up receive a diploma.

**Forest owners suffered major forest fire**

A major forest fire in the province of Västmanland hit many properties and forest owners in summer 2014, including land managed by BillerudKorsnäs. The fire affected approximately 17,000 hectares of forest. BillerudKorsnäs joined many others in assisting with the fire-fighting work. The area that burned on Bergvik Skog AB’s land was subsequently formally set aside as a nature reserve to allow the species whose survival depends on fire-damaged land a chance to develop.

**Consultation with reindeer herders**

During the year BillerudKorsnäs held seven consultations with representatives of the reindeer husbandry community. At all these meetings an understanding was reached on action plans, ensuring that no conflicts or other incidents occurred (HR8). The company sees it as important that sustainable forestry leaves room for the activities of indigenous populations which have been carried out in these places since time immemorial. The company carried out consultation when this proved necessary with other stakeholders too, e.g. with local residents and property owners and when harvesting forest close to densely populated areas.

**External opinions**

One of the three external opinions related to environment concerned harvesting close to a national park, where an expanded protective zone was proposed. This means that the ecological landscape plan must be reviewed. In another case bushes on a ground plot had been cleared by mistake, and here financial compensation was discussed. The third opinion which is now straightened out was about damages on an old road to a hill farm. Minor incidents also occurred and were resolved directly through information initiatives. No older grievances remained to resolve (EN34).

The grievance mechanism is based on a procedure in line with forest certification, in which information is provided on the website stating that opinions are invited. In a ready-made template the issue and what has been agreed, through dialogue, are first described and then registered by the responsible environmental manager. Once action has been taken and has led to results and the grievance is considered to be resolved, the report is closed.

**Conclusions on the company’s approach**

This commitment on forest management and timber supply covers the aspects of Biodiversity, Environmental grievance mechanism and Respect for indigenous peoples. One important conclusion is that forest management and timber supply is precisely governed by legislation and certification, such that there are no grounds to change the strategy. Governance is based on instructions for actions in the forest, advanced planning aids, follow-up and training. In the same way timber supply is governed by guidelines, risk analyses and requirements for and assessment of suppliers. A model for considerate handling of external opinions is in place. Respect for indigenous peoples is demonstrated by the fact that annual consultations are carried out.

**LOOKING AHEAD**

**Focus on training continues**

To further improve forest conservation work, training initiatives will continue in 2015, also involving timber purchasers. For planners who complete nature conservation training in 2015, and for those who complete training in the “Risa Rätt” regeneration-friendly felling method, follow-ups are planned for the following year.

**Supplier assessment expanded**

BillerudKorsnäs’ forest organisation will be trained in the company’s new supplier assessment processes in 2015. This extends the criteria for primarily the major timber and transport suppliers beyond that of the current certification.

**Standards updated**

The standards of FSC and PEFC will be updated in 2015 through work coordinated by the respective organisations of the two certification systems. BillerudKorsnäs plays an active role in working groups on this.

**Chain of Custody certification**

Evaluation is started on coordinating the company’s different certifications under FSC and PEFC Chain of Custody, which are currently spread over both BillerudKorsnäs Skog and the production plants. It is taken into consideration whether a change would make work more efficient and increase opportunities to meet customers’ needs for certified products.
Nature conservation

The purpose of active burning of forests is to increase biodiversity. The forest is adapted to fires at regular intervals. Today, however, fires are uncommon because fire-fighting is usually extremely efficient. Although, of course, this is something that we humans want, it means that it is hard for species that depend on burned environments to survive. We now give nature a helping hand by starting controlled fires. This encourages the plant Geranium lanuginosum, for example, whose seeds need heat in order to start germinating. Fire also sets insects buzzing. Even before the fire is completely out, fire-dependent insects can be seen on charred wood.

Voluntary set-aside
Voluntary set-aside is forest areas which the land owner exempts from ordinary forest management without financial compensation. These are areas of high conservation value or which are important for outdoor recreation. The areas are surrounded by the managed forest land. Their size depends on the conservation value involved and vary from individual trees to hundreds of hectares. Most of these areas are left to develop freely but some are managed to retain or increase their natural value.

General consideration
General consideration also applies when managing productive forest land. The forest stands are delimited by natural conditions and smaller areas are left untouched without being registered as set aside, e.g. mountainsides, wetlands and zones bordering lakes and watercourses. General consideration aims to increase elements that are lacking in today's forest, e.g. dead trees, tall stumps, trees of conservation value and deciduous trees. In final harvesting, general consideration means that 5–10% of the timber volume is left.

Formally protected areas
The Swedish state sometimes formally protects areas of particularly high conservation value, charging government agencies to monitor these. In such cases, apart from Natura 2000, some type of compensation is given to the landowner. The state may buy the land and create a national park or a nature reserve. Alternatively the state may pay compensation under the rules on biotope protection or nature conservation agreements, where the landowner undertakes to protect the areas for a long period (often 50 years). The Natura 2000 areas may be managed as long as the protected status of plants or animals is not threatened.

Other timber-exporting countries have similar systems to those in Sweden for protecting and monitoring high conservation value. In Latvia, where BillerudKorsnäs organises harvesting, 24% of forest land is formally protected as nature reserve, national parks and special types of landscape. In addition, 12% of forest land is protected by law, such as different types of zones bordering watercourses, wetlands, coastal areas and other more concentrated areas of conservation value.

| MANAGED FOREST LAND WITH AREAS SET ASIDE TO PRESERVE AND DEVELOP BIODIVERSITY |
|-----------------------------|-----------------|-----------------|----------------------|
| Forest owners and timber suppliers | Managed area, ha | Area voluntarily set aside, ha | Proportion voluntarily set aside out of total productive area, % |
| Bergvik Skog AB Private, certified forest owners | 386 000 | 25 800 | 6.7 |
| | 33 940 | 3 304 | 9.7 |

1 Our own harvesting activities took place within purchased harvesting rights in Sweden and Latvia, where, however, no forest land was held by BillerudKorsnäs. All harvesting activities concerned land use and land-based ecosystems for extracting wood raw materials above ground. Current protected status of certain neighbouring areas where the company runs operations were National Park and Nature reserve (598 000 ha), Nature conservation agreement (12 972 ha) and Biotope protection area (10 457 ha), (EN11).
Forestry takes place in a landscape where a forest generation may last 60–120 years. The variation is huge in Sweden, as between the northern county of Norrbotten and Mid Sweden where Billerud-Korsnäs conducts logging. The landscape features a number of different sub-areas that border each other in line with different natural conditions, such as soil moisture levels, type of soil, stoniness, slopes, etc. In this mosaic of forest stands Billerud-Korsnäs identifies which parts are to be seen as productive forest with general consideration for conservation value and which are to be exempt from harvesting. Detailed planning work ahead of each harvesting session determines how consideration is to be ensured in all areas bordering the different stands. Important boundaries are marked in the terrain with tape and on digital maps, which are then included in the instructions for harvesting teams. The harvesters have GPS equipment and computer screens with maps and other information so that drivers know exactly where they are and where the boundaries with areas of high conservation or cultural value are located.
Environmnetally adapt and develop resource-efficient production

**ENVIROMENTAL 2**

**ACCOMPLISHED 2014**

*Investments*
In 2014 several investments in BillerudKorsnäs' plants were decided on, initiated and carried out. Investments were focused on developing production capacity and environmentally adapted production (pages 28–29). Environmental impacts mainly concern:

- Increased energy efficiency
- Cuts in emissions, e.g. of dust and sulphur
- Lower water consumption
- Biopurification to cut emissions to water
- Reduced use of fossil fuels

In total, environment-related investments amounting to approximately SEK 570 million were carried out at the plants.

*Lower emissions of greenhouse gases*
During the year the fuel requirement for manufacturing was on average 97.4% met by bio-energy. During disruptions and start-up/shutdown at production facilities, however, fuel oil was used as a back-up fuel. A certain proportion of fossil fuel was also needed in the form of LPG for drying the coating in the paper machines.

Investment in equipment and work on energy efficiency has seen a reduction in emissions of greenhouse gases. The investment at Skärblacka (page 29) produced the greatest impact during the year, halving the plant’s emissions while increasing production. For the company as a whole, emissions amounted to 31 kg carbon dioxide per tonne of product, down 18% compared with the previous year (EN19). The company is increasingly approaching the vision of phasing out fossil fuels entirely.

*Energy efficiency*
After 10 years, the final reports on the Swedish Energy Agency’s Programme for Improving Energy Efficiency in Energy Intensive Industries (PFE) were completed during the year. The programme resulted in cutting the annual electricity requirement at BillerudKorsnäs’ Swedish plant by 247 GWh per year over the most recent five-year period. Work on improving efficiency was carried out with the support of the plants’ certified energy management systems, and resulted in the target for the year being attained. The result in 2014 was energy use of 5.3 MWh per tonne of product (EN5).

*Supplying district heating*
BillerudKorsnäs supplied surplus heat from its facilities to the district heating network of local municipalities. In several locations the company’s inputs accounted for a significant proportion of the municipality’s district heating. For example, the Frövi plant delivered 89% of the total heating requirement for Lindesberg municipality. In total 977 GWh were delivered during the year, a major increase compared with the previous year, equivalent to heating for approximately 49 000 houses.

*The EU’s emission rights system*
BillerudKorsnäs is covered by the European Union Emission Trading Scheme (EU-ETS). The actors covered by this system undertake to carry out extremely precise checks on emissions in order to ensure that the correct amount of emission rights is deducted from the system. The aim is to gradually reduce emissions. The reports are audited by external auditors. The emissions reported in this report are the actual emissions from operations and are not affected by this system.

**EU Emissions Directive**
In 2014, a sector-specific reference document (BREF) was adopted under the Industrial Emissions Directive (IED). The reference document contains pan-European values for emission limits (BAT-AELs), which will be legally binding from October 2018. BillerudKorsnäs takes these requirements into account in production and in future investments.

*Lower emissions of lean gas*
The lean gas system installed at Karlsborg in 2013 to reduce emissions of sulphur and malodorous lean gases in the air demonstrated good results during the year and led to an approximately 50% cut in emissions.

*Training on use of water*
During the year employees at the plant in Gävle were trained in sustainable development with an emphasis on water issues. This resulted in a clear increase in commitment to and understanding of environmental issues. The purpose is partly to reduce total water consumption and partly to separate dirty and clean flows to improve the efficiency of the purification processes.
The fuel that was needed in 2014 for production at BillerudKorsnäs’ plants was 87% biofuel arising from the company’s own operations, primarily black liquor but also solid biofuel and tall oil. Solid biofuel and tar oil, which are biological in origin, were bought in to fulfill 10% of the fuel requirement. Only 2.6% fossil fuel was bought in.

**Biological preliminary water treatment stage**

At Frövi the existing water purification system was supplemented by a preliminary biological stage. The aim is to biologically reduce “complex formers” and oxygen-consuming substances in filtrate surplus from the bleaching plant. Previously the filtrate was mainly sent to the evaporation plants for drying, followed by incineration and energy extraction in the recovery boiler. The result so far has been very positive, with an over 90% reduction in complex formers and an over 80% reduction in oxygen-consuming substances. At the same time, it is estimated that energy consumption for drying residues will fall sharply.

**Producing biogas from emissions**

BillerudKorsnäs was involved in a project to investigate opportunities for biogas production, to replace fossil-based energy, in the paper and pulp industry. The project was a joint venture by forest industry companies, Linköping University and the Swedish Energy Agency.

At Skärblacka and Frövi trials were carried out on a pilot scale to optimise the quality of the waste substrate from water purification, which is to be used for biogas production. At Rockhammar trials of biogas production were also carried out. The results of the trials will be compiled and evaluated during the second quarter of 2015.

**Evaluating chemical impact**

Life cycle analyses (page 30) were carried out during the year of the environmental impact of greenhouse gases and other substances. The results showed that the production of chemicals, compared with paper, board and pulp, accounted for the largest proportion of emissions of greenhouse gases in the entire chain to the end-customer, approximately 30%. Greater focus was therefore placed on this in the company’s checks on its chemicals suppliers. BillerudKorsnäs will carry out more in-depth discussions with its suppliers on how this impact can be reduced.

**Coordination on use of chemicals**

All chemicals used must be risk assessed in terms of health and safety, the environment and product safety. Work began to coordinate the company’s system for keeping records and risk assessing chemicals. The system will be taken into operation in 2015, thereby improving product choice and facilitating communication with chemicals suppliers.

**External views**

Almost all comments received concerned odours and noise from production. These are entered in the internal systems for environmental issues but can also be seen as social (page 38) as they affect the local community. In total, 57 comments were received on operations at the plants during the year.

Three of these concerned more purely environmental aspects such as emissions and spreading of dust, foam discharged into watercourses and wood fibre being blown into the neighbouring area. All the problems were able to be resolved in dialogue with those who contacted the company and no complaints remained to be resolved from the previous year. For many years Skärblacka has had an active environmental panel comprising about 20 representatives of the local community, tasked with reporting disturbances. Every year the panel is invited in to discuss operations and how grievances reported could have been handled (EN34).

**Conclusions on the company’s approach**

This commitments covers the aspects Energy consumption, Water withdrawal, Air emissions, Water discharge, Impacts of products and services, Materials, and Compliance. An initial conclusion is that the sustainability aspects that the production organisation has to address cover a very broad area. However, the organisation has a wealth of experience in working on these areas, and must also be seen as well adapted. Certain investments are being made to further improve performance on production and water consumption. Plans are in place for continued investment. An interesting project is in progress on recycling waste for the production of biogas. The company has increased its ambition, backed by external expertise, to evaluate the environmental impact of its products from a life cycle perspective in order to give customers and other stakeholders a greater opportunity to evaluate the company’s products.
Frövi to be the biggest of its kind in the world

In 2014, BillerudKorsnäs decided to invest SEK 900 million in Frövi to increase capacity for high-quality cartonboard and liquid packaging board to 550 000 tonnes per year. Rockhammar will increase its capacity to 150 000 tonnes of CTMP pulp per year for Frövi’s production. The application process has begun with a view to bringing the increased production on stream in 2017.

Water consumption - The Frövi example

The water withdrawn for Frövi’s production is almost exclusively surface water from nearby watercourses, but a little is also taken in as moisture content in the wood, plus some from chemicals. The water is used to wash pulp in several stages during manufacture. The paper pulp is moved in a water mixture over to the paperboard machine, where it is further diluted with circulating water to form a suspension, which then consists of almost entirely water. The water is then removed in a number of steps in the paperboard machine. In total, virtually all the process water is circulated and reused. This means approximately 152 million m³ water (page 50) corresponding to 70% of all water withdrawn is circulated (EN10). How many times the process water is used before purification vary between the sites. According to an analysis carried out at Frövi, process water is used an average of more than 30 times before being sent for biopurification. Some water is only used to cool pumps, etc. before being returned to the watercourse, where the heat in that water is also recovered en route. Approximately 95% of all the surface water withdrawn and the water in wood and chemicals is returned to the watercourse from which the surface water was taken. The remaining five percent of water is mainly emitted as steam and vapour to the surrounding air, but some remains as moisture content in the products.

Regular water samples are taken to ensure low emissions.
**Gävle** cuts emissions to water

The new investment of SEK 450 million in Gävle aims to cut emissions to water and reduce energy use. The quality of the end-product will also be improved. The investment covers a new sedimentation pond, refitting of the pulp mill and various measures to reduce water use and spillage. The new measures will begin taking effect in 2015.

**Skärblacka** cuts its environmental impact

Over a two-year period, SEK 900 million has been invested in environmental and energy improvement measures in Skärblacka. The consumption of external biofuel is down by 80% and fuel oil by 5 000 tonnes, which makes emissions of fossil carbon dioxide 50% lower than before the investment. Emissions of dust from the recovery boiler are also 75% lower. In addition, the working environment has improved and production capacity increased. Sights have now been set even higher, with an investment of SEK 260 million in improving quality and increasing production of sack paper.
Paper has a lower environmental impact than plastic

IVL Swedish Environmental Research Institute performed a life cycle analysis on BillerudKorsnäs’ products – a cement sack, pasta bag and bottle¹. The environmental impact of the paper products was compared, for four parameters, with the impact of corresponding plastic products. Overall, the results showed considerably less of an environmental impact for the paper products, including 55–72% lower emissions of greenhouse gases.

For a life cycle analysis to be carried out in a credible manner in line with ISO 14044, it must include parameters other than greenhouse gases so that there is no risk of missing other, serious, emission values. Although it was primarily greenhouse gases on which the paper products proved to show clearly the best results, the broad analysis showed that the paper products, with one exception, also had lower emissions for acidification and ground-level ozone. Emissions of ground-level ozone were higher for cement sacks due to the longer transport distances to Indonesia that the paper had to cover. Emissions of nutrients to water were higher for paper pasta bags. However, this type of environmental impact was also greatest for plastic cement sacks and bottles too. In total the environmental impact of the paper products was considerably lower than for equivalent plastic products (EN27).

The paper products were chosen by BillerudKorsnäs as representative of interesting current or future markets in the Packaging Paper business area. The company also defined which plastic products should be used in the comparison. Data for the plastic products was gathered by IVL during the analysis work.

### ENVIRONMENTAL IMPACT OF PAPER PACKAGING COMPARED WITH PLASTIC ¹

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<th>Greenhouse gases (CO₂eq.)</th>
<th>Acidifying substances</th>
<th>Nutrients</th>
<th>Ground-level ozone</th>
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<td>Cement sack (Jakarta)</td>
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<td>12% lower</td>
<td>12% lower</td>
<td>59% higher</td>
</tr>
<tr>
<td>Pasta bag (Munich)</td>
<td>65% lower</td>
<td>69% lower</td>
<td>31% higher</td>
<td>37% lower</td>
</tr>
<tr>
<td>FibreForm® Packaging bottle (Düsseldorf)</td>
<td>72% lower</td>
<td>62% lower</td>
<td>44% lower</td>
<td>65% lower</td>
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</table>

¹ Life cycle assessment, Comparative study of virgin fibre based packaging products with competing plastic materials. IVL, 2015.

### PRODUCTS IN THE LIFE CYCLE ANALYSIS

<table>
<thead>
<tr>
<th>Function</th>
<th>Paper packaging, material and product weight per m²</th>
<th>Plastic packaging, material and product weight per m²</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 kg cement sack</td>
<td>Unbleached kraft paper, 130 g</td>
<td>Polypropylene (PP), 65 g</td>
</tr>
<tr>
<td>0.5 kg pasta bag</td>
<td>Bleached kraft paper, 7.2 g</td>
<td>Polypropylene (PP), 5.3 g</td>
</tr>
<tr>
<td>330 ml bottle</td>
<td>Bleached kraft paper, 14.6 g²</td>
<td>Polyethylene terephthalate (PET), 21.3 g³</td>
</tr>
</tbody>
</table>

² Weight includes lid, plastic laminate and ring.
³ Weight includes lid.

The paper products were chosen by BillerudKorsnäs as representative of interesting current or future markets in the Packaging Paper business area. The company also defined which plastic products should be used in the comparison. Data for the plastic products was gathered by IVL during the analysis work.
The impact of plastic sacks on greenhouse gas emissions mainly arises in material production, but the production of the finished packaging also has a major impact. For paper sacks, packaging production in Indonesia accounts for the greatest impact in the chain, due to a high proportion of fossil fuel.

With plastic pasta bags (polypropylene), material production produces considerably higher emissions of greenhouse gases than it does for paper bags. The production of the paper packaging, in turn, demands more energy than the plastic version and gives off greater emissions of greenhouse gases with the current energy mix in Germany.

By far the greatest difference between the types of materials is seen in the bottle, where the paper bottle produces 72% lower greenhouse gas emissions than the PET bottle. The material PET demands a great deal of energy in the production of the packaging, which produces high emissions with the current energy mix.
BillerudKorsnäs transports wood raw materials to its production plants mainly from Sweden, but also from the other Nordic countries and the Baltic countries. Products are transported from the plants mainly to countries in Europe, but also to Asia, Africa, the Middle East and South and North America. Logistics is based on efficient transport combining road, rail and sea.

**AMBITIONS**
- Efficient and eco-friendly transport
- Transport that meets customers’ needs

**Sustainability targets:**
- Emissions of fossil carbon dioxide from transporting raw materials and products.

**ACTION UNDER WAY**
- Optimising the transport of wood raw materials through management and collaboration
- Prioritising rail through co-ownership of rail systems
- New agreement for more efficient wood transport by ship
- Development activities for lorries with a higher payload
- Dialogue with transport companies to achieve a lower environmental impact
- Greater use of return routes for more efficient transport of products

**ACCOMPLISHED 2014**

**Transport optimisation**
During the year, as always, optimising wood flows took centre stage in work on logistics. This largely involves filling ships, trains and lorries efficiently with the support of local suppliers. Wood transport is organised such that the shipment always goes to the nearest plant. Within Sweden the company makes timber deals and works with other forest companies to attain the shortest possible distances by road. This approach is completely central as, given the long distances between forests and plants, the forest industry would otherwise suffer from high costs, high fuel consumption and emissions that damage the environment. All transport is procured centrally and the number of suppliers is limited for the best possible efficiency.

**Increase in ship and rail transport**
In 2014 transport of the wood raw materials to the plants was conducted 32% by road, 28% by rail and 40% by ship. This means an increase of seven percentage points for ship and rail transport compared with the previous year. The increase for rail was possible due to BillerudKorsnäs in Sweden’s co-ownership of the rail and terminal system Trätåg AB. At the terminals pulpwood can be redirected from lorry to cost-efficient and eco-friendly rail transport. During the year an additional production plant, Skärblacka, was incorporated in the Trätåg system to further increase the company’s opportunities for efficient rail transport.

**Dialogue affects means of transport**
Rail offers cheaper transport over long distances, while road is cheaper on shorter routes and is more flexible. Locally, in communities close to the plants, rail offers particular advantages in the form of less disruption, noise and exhaust fumes. During the year BillerudKorsnäs conducted a dialogue with the authorities to drive moves towards long, electrified trains, which would be likely to have a very positive effect on emissions that impact on the environment.

In addition, the company launched a dialogue with some transport companies to increase the proportion of biofuel used and other measures to reduce emissions of fossil carbon dioxide from truck transport.

**Developments in truck transport**
During the year BillerudKorsnäs gained dispensation from the authorities in northern Sweden to run trials in increasing the gross weight of a woodchip truck to 68 tonnes, thus increasing the cargo weight.

The company was also involved in the “ETT project”, an industry-wide development project coordinated by the Forestry Research Institute of Sweden, Skogforsk, to load one more trailer on longer and heavier lorries without exceeding the maximum loading requirements on roads and bridges.

**New transport agreement for freight by sea**
A new agreement was set up for wood transport by sea. This covers increased efficiency with larger load volumes and adapted fuel consumption clauses which provides a number of positive environmental effects.

Through collaboration with the supplier BillerudKorsnäs can decrease the higher fuel costs with the entry into force of the new EU Sulphur Directive in January 2015.

**More efficient transport of raw materials**
Road transport of wood raw materials became more efficient in 2014, as average transport distances were cut by almost 5%. As BillerudKorsnäs is now a larger company with more, and more widely dispersed, production plants, the opportunities for shorter transport distances and optimising timber flows have increased.

An extended truck carrying roundwood in trial operation, an ETT vehicle. (ETT stands for One More Trailer).
Because the total volume transported increased compared with the previous year, however, emissions were slightly higher, as shown in the table below. It was not possible to incorporate the proportion of biofuel used in the calculations, however, and consequently the reported emissions are likely to be too high on key parameters.

**Increased return transport to customers**
Delivery of products to customers is part of the total solution and must always be cost-efficient and punctual. The majority of finished products, 56%, were transported from the plants by rail during the year. This was possible thanks to the rail system Rail 11, which runs to key terminals in Europe and is owned by Scandfibre Logistics AB (www.scandfibre.se) with BillerudKorsnäs as a part-owner. The second most used means of transport was road, 25%, while sea transport accounted for 19%.

The aim is always to ensure that return journeys carry cargo. The lorries that transport goods to the company in principle always carry the company’s products when they drive back to Continental Europe. In 2014 the company succeeded well with this approach by rail too, such that 50% of incoming trains were able to use the return journey for carrying the company’s products.

**Conclusions on the company’s approach**
The aspect Transport and logistics is addressed by a number of different initiatives to both improve the efficiency of transport and reduce environmental impact. Working methods and aids are well developed and constantly drive change. Participation in technical development and a higher proportion of biofuel can further improve performance.

**LOOKING AHEAD**

**Less sulphur in ship fuel**
The EU’s new Sulphur Directive brings with it a requirement of a maximum 0.1% sulphur in fuel, leading to lowered sulphur dioxide emissions and reduced load on the vulnerable Baltic Sea environment. The directive will also involve higher fuel costs, which means that BillerudKorsnäs may need to adapt its transport mix in the years to come. The new agreement on more efficient sea freight must be followed up.

**New fuel for transport by sea**
BillerudKorsnäs is monitoring the opportunities to use sea freight run on natural gas (LNG). Discussions are being held with potential shipping lines. The technology is under development and involves lower carbon emissions.

**Longer contracts for efficient carriers**
There is a lack of efficient ships for transporting wood. Longer contracts may become an incentive in influencing the development of more ships that meet BillerudKorsnäs’ needs, both for efficient loading of wood and new, more eco-friendly fuels.

**Lorries with larger loads**
BillerudKorsnäs will continue its work to use vehicles with higher load weights, which helps to reduce costs and environmental impact alike.

**More bio-diesel for lorries**
BillerudKorsnäs will drive work to increase the proportion of biofuels used in transport by road in various ways.

<table>
<thead>
<tr>
<th>TRANSPORT IMPACTS, (EN30)</th>
<th>CO&lt;sub&gt;2&lt;/sub&gt;</th>
<th>nitrogen oxides (NO&lt;sub&gt;x&lt;/sub&gt;)</th>
<th>CO</th>
<th>HC</th>
<th>SO&lt;sub&gt;2&lt;/sub&gt;</th>
<th>CH&lt;sub&gt;4&lt;/sub&gt;</th>
<th>PM particulates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff</td>
<td>1 464</td>
<td>1 328</td>
<td>1 464</td>
<td>1 328</td>
<td>1 464</td>
<td>1 328</td>
<td>1 464</td>
</tr>
<tr>
<td>Wood raw materials</td>
<td>56 911</td>
<td>57 646</td>
<td>682</td>
<td>745</td>
<td>23.9</td>
<td>28.3</td>
<td>14.2</td>
</tr>
<tr>
<td>Finished products</td>
<td>97 575</td>
<td>104 172</td>
<td>1 055</td>
<td>1 155</td>
<td>88.2</td>
<td>93.2</td>
<td>15.1</td>
</tr>
</tbody>
</table>

1. There were no opportunities to report all the emission parameters from the travel agencies that BillerudKorsnäs hired. 2. The proportion of biodiesel is not taken into account due to a lack of access to emission factors for different blends. For finished goods, figures concern transport within the EU as this was the focus of the national sustainability target (page 49).
It is the employees who drive improvements and create results. BillerudKorsnäs offers an attractive workplace in which innovation, development and responsibility come first, with zero tolerance of work-related accidents.

**AMBITIONS**
- Clear strategy for BillerudKorsnäs internally and externally
- Embedded values
- Safe working conditions
- Gender equality and diversity
- High skills level
- Attractive employer

**Sustainability targets**, page 49:
- Reduce work-related accidents
- Increase performance reviews
- Increase proportion of women in the company and in management

**ACTION UNDER WAY**
- Pass on the content of the company’s strategic platform
- Disseminate and discuss the core values in the company
- Investigate stakeholders’ view of the company
- Improve the safety culture
- Improve diversity
- Drive gender equality in work and pay
- Drive talent management

**ACCOMPLISHED 2014**

**Organisation**
During the year the new strategic platform was communicated through the company, starting with management. The aim of the platform is to make the company’s focus clear to employees and external stakeholders.

Shared processes for talent management and performance management were introduced. The latter included performance reviews by managers for 88% of employees (LA11).

A diversity group worked on coordination and control as well as cooperation with local forums for improving diversity. Despite information campaigns and training, the positive trend on safety took a downturn during the year and the management consequently decided to set up a new network for improving safety, in which experiences can be better exploited in work to improve.

**Core values lead to improvement**
The core values were communicated to develop the ability to work together effectively and with a focus on results, and to work innovatively to create value. What the core values mean to employees was discussed and each team worked further on improvements in prioritised areas. Good examples were published on the intranet for others to learn from.

**Customer and employee survey**
The customer and employee survey indicates a strong perception that BillerudKorsnäs has a good working climate and shows that employees identify with the company’s core values. Compared with an internal benchmark, it is also clear that customers and employees find BillerudKorsnäs to be an attractive employer and are ambassadors for the company.

**Trainee programme launched**
A trainee programme was launched, employing 15 people. The programme seeks to develop leaders and specialists of the future. Participants gain a holistic view of the value chain through training interspersed with work experience in the company’s various operations. The training phases also include 12 existing members of staff as part of a performance management initiative. The training programme will run for a year and is expected to create important networks for the future.

**Long-term talent management**
Many different activities were carried out through the year to spread the name of BillerudKorsnäs as an attractive employer. This included everything from secondary school visits, guidance on work experience placements and degree projects to attending careers fairs at universities. Sustainable development is high on the agenda, as are innovation and internationalisation. In 2014 the focus increased on spreading knowledge of BillerudKorsnäs more internationally via social media to support further talent management efforts.

**Leadership Academy expanded**
Leadership at a distance was launched as a training course for managers with geographically widespread employees and with a need for special skills to handle the challenges this poses. A course programme to provide a deeper understanding of the company’s strategic focus was offered to experienced managers, so creating an internal network for experienced managers.

**OUR CORE VALUES**

Think new
Feel responsibility
Cooperate
Create value
Attractive employer

In the Engineer Barometer 2014, a survey run jointly by the Swedish Association of Graduate Engineers and technology publication “Ny teknik” of Sweden’s most attractive employers, BillerudKorsnäs came first in the Forest and Wood category (www.ingenjorskarriar.se). The survey was addressed overall to professional engineers under the age of 50 and students and had almost 14,000 respondents (18% of professionals and 9% of students). The engineers had to say what they wanted from a potential employer and describe their views of those they thought were most attractive.

In employer branding consultancy Universum’s survey of Sweden’s best employer 2014, BillerudKorsnäs came in 44th place among 120 major employers (http://universumglobal.com). The survey was sent to more than 33,000 employees and asked how satisfied, loyal and willing to recommend their employer the employees were.

After extensive examination of many nominated companies Jobtip Services AB (www.jobtip.se) annually announces Sweden’s 100 most exciting companies to forge a career with. BillerudKorsnäs was nominated as a Career Company 2014 on grounds that included brand platform, recruitment processes in which employees play a crucial role, innovative investment, social responsibility and a strong commitment from the company’s employees. The company was also considered to create opportunities and preconditions for young talent to forge a successful international career.

New guidelines for work on diversity

New guidelines for work on diversity were drawn up in 2014. These set out the fact that diversity enriches the company, that everyone should feel safe at work, that discrimination and bullying are not permitted, and that women and men must have the same opportunities and equal pay. The guidelines serve as support for the company-wide diversity group and local forums on diversity issues.

Supportive processes for positive development in gender equality within the company are also found in the sustainability targets for the proportion of women and the regular pay surveys. At the end of the year women accounted for 18.3% of employees and 21.7% of managers (LA12).

Pay surveys

During the year surveys of gender equality in setting pay were carried out at the plants in Gävle, Frövi and Rockhammar and at HQ. The work involved representatives of management, unions and committees on diversity and gender equality. The results showed that there were no unfair pay differentials among the occupational groups compared carrying out similar work. At individual level, however, certain discrepancies were uncovered, which were analysed further and rectified where relevant (LA13).
New network for a safe workplace
In 2014 a network was launched for exchanging experiences, identifying good working practices and for cooperation between production plants on safety issues. A proposed new health and safety policy will also be discussed. Work began to create new safety procedures and procedures for order and tidiness in the workplace. A number of measures for improvement were identified, including regarding handling chemicals. Follow-up was also expanded, backed by the PIA health and safety reporting system. The number of work-related accidents and near misses was reported monthly on the intranet.

Health and safety culture
During the year great focus was placed on communicating safety and acting correctly. One example is the campaign for respecting cordons. Spreading information and setting good examples resulted in breaches of cordons vanishing completely during the course of the year. Unfortunately, the number of work-related accidents with sick leave increased during the year from 1.5 to 2.1 per 100 employees (LA6), which requires further focus on work on safety and cooperation. Follow-up of near misses and accidents is communicated every month on the intranet to create awareness.

In 2014 89% of all employees were covered by cooperation in some form of formal grouping, such as collaboration councils, safety committees or safety groups (LA5). Meetings on collaboration are held with representatives of managers and employees. In 2014 a group-wide health and safety seminar was held with the aim of giving employees and employers an opportunity to discuss relevant health and safety issues in depth. If accidents or other major work-related problems arise, an active rehabilitation programme is run to combat long-term sick leave. Following an inquiry involving everyone concerned, measures can include, e.g. adapting duties, aids, training or re-assignment (LA6).

Conclusions on the company’s approach
The GRI aspects reported for this commitment on attractive workplaces are Occupational health and safety, Training and education, Diversity and equal opportunities, and Equal remuneration for women and men.

One general conclusion to be drawn from 2014 is that great progress has been made on the work to create a new company with committed employees in attractive workplaces. Pay surveys will continue in the same structured form as today to eliminate any unjustified discrepancies. Much remains to be done to attain a better balance regarding the proportion of women and employee diversity. With regard to future skills needs and global challenges, this will be taken into account in information work and recruitment. One important conclusion is also that work to eliminate work-related accidents must be afforded high priority in the new internal safety network.

LOOKING AHEAD
Working harder to combat accidents
Being able to eliminate work-related accidents is a major challenge that demands a strong and sustained focus. Billerud-Korsnäs will therefore be prioritising the development of company-wide safety work.

New recruitment needs
As BillerudKorsnäs becomes more international, the focus on spreading knowledge of the company internationally will grow. This is important for future talent management and diversity in recruiting for operations in a number of countries. In 2015 a programme for professional trainees will start at one production plant to meet the need for technical expertise.

Structured work on improvement
For employees to be able to run successful work on improvements on into the future, a continued focus on supportive expertise and perseverance on methodology will be required. Under the umbrella of Operational Excellence, the company will continue to lead work on constantly becoming better and better.

Attractive workplace
BillerudKorsnäs will continue to work to be an attractive employer with a strong culture built on core values. Supported by the results of the customer and employee survey, action plans for this work will be drawn up in early 2015.

Launch of a benefits portal
To make it easier for employees to gain an overview and easier access to the benefits they have as employees, a benefits portal will be launched on the intranet in 2015.
The BillerudKorsnäs Environmental Network comprises employees responsible for work on the environment in different parts of the company. The group handles and develops the company’s summary of environmental performance and exchanges experiences on important environmental issues for further work on improvements.

Many groups working to improve

Work to improve is in progress throughout the company. This largely involves the Operational Excellence methodology, which is based on those who are closest to the practical development issues solving important problems in an efficient and structured way in teams. Support for these processes is provided by specialists in the methodology and other people in the company. Other cross-functional networks also work on development.

Operator maintenance on the gluing and folding machine in Rockhammar created standards for cleaning and inspection. In Rockhammar a team created procedures for keeping tools neat and orderly, which was appreciated by users.

Two teams in Frövi used filming to identify causes of disruptions in packaging and improved efficiency and health and safety.
BillerudKorsnäs is a significant employer in small communities where it contributes towards social development in interaction with the municipality, local organisations, schools and local people. Young people are a selected group supported through sponsorship, work with schools and work placements. The company contributes towards global social development through Action Aid.

**AMBITIONS**
- Participate actively in developing businesses and other functions in society
- Conduct an open dialogue with members of society
- Support the wellbeing of employees, their families and society
- Contribute towards the development, education and work experience of young people

**Sustainability target, page 49**
- Model support in young people’s experience of the world of work

**ACTION UNDER WAY**
- Offer young people work placements
- Offer informative study visits
- Participate in partnerships to increase interest in education in technology and forestry
- Sponsor local social needs and initiatives and voluntary organisations
- Hold open days for dialogue with local people
- Work with the local community to develop businesses and energy systems
- Support global aid organisations

**ACCOMPLISHED 2014**

**Experience of the world of work for young people**

In 2014 BillerudKorsnäs signed up to Tekniksprånget, an initiative in which the private and public sector, the government and employer organisations work together to improve the underlying conditions for talent management in Sweden. The project is run by the Royal Swedish Academy of Engineering Sciences (IVA) on behalf of the Swedish National Agency for Education. The project gives young people four months of work experience and a chance to find out what working as an engineer is like with some of Sweden’s most interesting employers. To begin with the plants in Skärblacka and Gävle took on four young people within the project in 2014. BillerudKorsnäs intends to expand and spread the model within the company. In addition to this project, many young people carry out shorter work experience placements at the production plants or in forestry. In total approximately 200 young people carried out work experience within the company for a total of 1 100 weeks during the year.

**Local dialogue**
BillerudKorsnäs held public information meetings with local residents and other local stakeholders to encourage successful dialogue in the event of problems. People to contact about the company’s operations are listed on the website. Local communities are familiar with the company and find it easy to get in touch. The opinions received regarding social issues during 2014 concerned odours in 26 cases and noise from the plants in eight cases (page 27). Views received also concerned forestry, in two cases the position of stacks of forest fuel, plus on the flooding of a road beside residential buildings and concern about falling trees (SO11).

**Local energy systems**
During the year local communities continued to use surplus heat from production at BillerudKorsnäs. Through jointly-owned companies or supply agreements local district heating networks for heating homes were supplied with energy systems based on renewable energy and with a lower climate impact.

**Local businesses**
BillerudKorsnäs is involved in developing local business communities by purchasing goods and services from suppliers, commercial partnerships on energy, for example, project work, membership of chambers of commerce and acting in an advisory capacity in development groups. At the plant in Beetham space is regularly given to the local fire brigade to carry out training in firefighting and rescue, as a way of supporting local community functions.

One example of work to develop regional industry is the forest industry company cluster Paper Province, based in the region around the BillerudKorsnäs plant in Gruvön.
In 2014 Paper Province decided to expand its ambitions for competitiveness in the forest-based bio-economy. The cluster consists of about a hundred large and medium-sized companies that work on performance management and interaction between industry, higher education and society.

In eastern Sweden, in the region surrounding the Skärblacka plant there is the Vision East Sweden initiative, publicly run with a number of cities but in partnership with the business community. This is focussed on regional development partly through more efficient transport and international relations for future collaboration.

Close contact with schools
There is a great deal of interaction with schools and students at all ages. During the year this involved everything from work experience to visiting school classes, careers fairs, degree projects and studies carried out at university level. The company was also actively involved with schools in awarding grants, providing information and advice and giving lectures. Special efforts were made on summer courses and school open evenings for girls and with the “Teetotal school end of term” project. In forestry the company provided support to contractors allowing young people to try out the profession. As part of the national Forest in Schools initiative the company contributed support for outdoor learning events for younger pupils.

Social initiatives and sponsorship
BillerudKorsnäs supports many different kinds of voluntary organisations and activities:
- Sports clubs
- The “Working life against drugs” project
- Culture and music sponsorship
- Local history societies
- Outdoor recreation and fishing organisations

BillerudKorsnäs is one of 20 “Rapatac Star Partners”. The aim of the Rapatac organisation is for all children to finish school and enjoy good, safe leisure hours. In 2014, as in previous years, BillerudKorsnäs sponsored an activity centre in Gävle which provides a space for homework and other activities. Rapatac works on the basis of the UN Convention on the Rights of the Child, with humanist values.

BillerudKorsnäs is also an official partner of the Brynäs ice hockey club and UNICEF in the project “A good start” for children and young people in the Gävle region. The project supports leading lights, leaders and teachers and creates constructive, fun and playful activities for the children in their home area. The aim is for children to gain good role models, be sound friends and complete their compulsory education. The aim is also to get young people into work.
A cycling challenge at Beetham where the plant’s team contributed towards a 26 tonne cut in emissions of fossil carbon dioxide.

Heron Corn Mill in Beetham was renovated and now provides many benefits to society and extra energy.

A children’s home was renovated in Kraslava in Latvia. The children also gained the chance to see interesting fish, birds and other animals. In Latvia the company also sponsored the construction of a skateboard ramp and family days, annual “Olympic games” for the staff and sport and motoring activities.

At the Beetham plant in the UK one employee took the initiative to raise money for a hospital for seriously ill children. The plant has also set up a charity fund for the needs of local residents and local organisations. During the year the charity supported a sports day, Christmas celebrations, study grants and the scouts. At one event employees participated in a cycling challenge for sustainable transport, with the aim of persuading locals to cycle rather than drive.

The plant put together a team which added just over 4,300 miles to the total 79,000 miles completed in the space of five weeks. In addition Beetham has renovated a historically interesting mill near to the plant. The building has been saved and energy can now be generated from water power in a way that takes migratory fish into account. Employees and others from the local community can use it for meetings and other events.

**Conclusions on the company’s approach**

The GRI aspect reported for this commitment on development initiatives for young people and society concerns Grievance mechanisms for impact on society.

One conclusion from 2014 is that a grievance mechanism is used and needed because it gives the residents in local communities an opportunity to air their views on the company’s operations. This is in line with the company’s ambitions to conduct an open dialogue with local communities. An open dialogue means that the company can see where improvements are needed more quickly. No extended training seems to be needed for enhancement, but Billerud-Korsnäs is considering whether the grievance function can be expanded further.

**LOOKING AHEAD**

**Work experience for young people**

BillerudKorsnäs strives to continue to offer young people both shorter and longer work experience placements following a new consistent model. Implementing the Teknikspränget model, which will also contribute towards future talent management is to continue, in parallel with other work experience.

**Continued support for local communities**

Stakeholders are keen to know more about the social initiatives Billerud-Korsnäs is taking to support local communities, particularly outside Sweden. This year’s report shows that there are already a wide range of initiatives and these will continue as a natural part of operations in terms of social needs as well as with the education and business communities.

**More international initiatives**

Hand in hand with increasing internationalisation BillerudKorsnäs will seek new initiatives for influencing and contributing towards positive development.
Action Aid works on the global stage

BillerudKorsnäs supports ActionAid, a global organisation working to combat poverty. Employees are offered an opportunity to donate “one lunch” a month, SEK 60, and the company donates SEK 100 for every participating employee. Participants are then entered in an annual raffle to win an aid trip.

In October 2014 four people went on this year’s trip which was to Vinh Long, Vietnam. In a small village 26 people from different companies helped to build an extension to a village school that had become too small.

The work included reinforcing and supporting the 12 pillars which will bear the weight of the new classroom and laying the foundations for cement. It took a great deal of physical labour to move the construction materials and rocks because the road was too narrow for motor vehicles.
Work for **ethical responsibility and human rights**

**SOCIAL 3**

BillerudKorsnäs is to be a leader on ethical issues and a step ahead of the legislation. The company applies a zero tolerance policy towards discrimination, corruption, anti-competitive activities and abuse of human rights.

**AMBITIONS**
- To be ahead of the legislation on business-critical issues.
- An ethical approach in all operations.
- Contribute positively to sustainable development wherever the company is active.

**TARGET:**
- All employees trained in the Code of Conduct.

**ACTION UNDER WAY**
- Drive sustainability as one of the strategies for profitable growth.
- Support the 10 principles of the UN Global Compact.
- Provide training in ethical responsibility and human rights.
- Ensure that employees are familiar with the Code of Conduct and that it steers operations.
- Implement a company-wide compliance model.

**ACCOMPLISHED 2014**

**Updated Code of Conduct**
BillerudKorsnäs’ Code of Conduct, which was updated during the year, is based on the UN Global Compact, the OECD’s guidelines and the International Labour Organization’s Fundamental Conventions on decent work. The Code covers all employees and must serve as a guide in day-to-day work. The Board is responsible for the Code while compliance rests with all of those responsible for operations throughout the organisation. The Code is available in Swedish, English and Finnish.

**Web-based training on the Code of Conduct**
Web-based training on the Code of Conduct was produced for all employees during the year. To ensure that the Code reaches everyone and that everyone understands it, the training must be undergone by all employees, which thus also applies to new employees. The Code is also presented as a printed version as well as on the intranet and the website.

The Code of Conduct clearly sets out what must be characterised by the company’s core values and that the company must be an actor to rely on. The company must contribute towards sustainable development in many ways. It must be clear to all employees that discrimination and corruption are not permitted. Employees have freedom of association, in other words the right to freely choose a union and become a member of other organisations, as part of their human rights. It also sets out what to do if a conflict of interest arises concerning the Code of Conduct.

**Anti-corruption and competition**
BillerudKorsnäs has a zero tolerance approach to corruption and anti-competitive behaviour and runs active work to combat this occurring in any element of the company’s business. During the year the company continued to embed policies in this field through workshops and lectures. Particular focus was given to the sales and purchasing functions, which are those that run the greatest risk of being exposed to corruption and anti-competitive behaviour in day-to-day operations. Anti-corruption is also addressed via web training.

**Boosting the whistleblower function**
A whistleblower function enables BillerudKorsnäs employees to report irregularities observed at work. During the year the function gained strengthened regulations to safeguard procedures when handling cases and to make the system clearer and safer for employees.

Employees have an opportunity through this function to make an anonymous report to the company’s legal and internal control staff. They can also choose to report directly to the chair of the audit committee.

No complaints regarding labour practices (LA16) or breaches of human rights (HR12) were reported or needed to be resolved during the year. Nor were any incidents reported regarding discrimination (HR3) or corruption (SO5) in the internal systems.

**Company-wide compliance model**
In 2014 an inventory began of how applicable legislation and regulations are implemented and monitored in the business. Ongoing reporting of compliance must also be ensured. An opportunity for certain registrations on product responsibility was therefore introduced in a customer case system. In addition during the year a model was drawn up for self-declarations of compliance by the company’s unit managers. Workshops were carried out for the company’s Senior Management Team, and others, in order to introduce the company-wide compliance model.

Based on the company’s monitoring, it can be said that no significant fines or other sanctions due to breach of the law were imposed on the company in 2014 (SO8). Nor was any legal action taken against BillerudKorsnäs regarding anti-competitive behaviour, cartels or monopolies (SO7).

**Conclusions on the company’s approach**
The GRI aspects which are important for this commitment on ethical responsibility and human rights are Grievance mechanisms for labour practices, Non-discrimination, Grievance function for human rights, Anti-corruption and transparency, Anti-competitive measures and Compliance.

One important result from 2014 is that the company’s internal Whistleblower function was reinforced by improved regulations with specific confidentiality protection. There are also opportunities via traditional channels for external parties to state opinions on the company’s operations.
External views are welcomed by the company by invitations on the website and local information in conjunction with forestry. The compliance project supports reporting on GRI aspects well. In total this means that there are conditions in place for the company to identify irregularities and deviations.

Risk management on human rights is described, among other things, regarding supplier assessments (pages 14–15) and in the global challenges (page 46). The risk of breach of these rights is judged to be minimal in the company’s own operations where control mechanisms are in place. Because the company’s suppliers are almost exclusively found nearby, the risks are also judged to be small in this chain. The control opportunities are good in these cases, particularly in that the new supplier assessment system addresses these issues. However, as the company expands globally, continued internal training and development of procedures for compliance and purchasing will be required.

**LOOKING AHEAD**

**Internationalisation**
The company’s internationalisation broadens the sustainability perspective as operations grow to new countries and markets. This increases the need to handle global sustainability issues. Human rights, labour practices and anti-corruption will come higher up the business agenda.

**Training initiatives**
More resources are being allocated to talent development measures. Training is carried out in important areas such as Code of Conduct, anti-corruption and combatting anti-competitive behaviour.

**Whistleblower**
Grievance functions are important improvement tools for the company. When the new policy and the new internal procedures have been properly established, there may be reason to also review external functions.

**Compliance model**
The compliance project will continue to develop a model that safeguards follow-up and reporting on compliance with all applicable legislation and regulations company-wide.

The Code of Conduct provides guidance for all staff at BillerudKorsnäs in their day-to-day work. Awareness of its content makes it clear how employees can contribute towards the company developing in a positive direction. BillerudKorsnäs is to be a company to be proud of, a company that creates values for many different stakeholders.
The 10 principles of the **UN Global Compact**

“We have been participants in the work of UN Global Compact since 2009. Through our participation we show the world around us that we have taken a stand on and support the 10 principles for global business drawn up by the Global Compact”

**Per Lindberg, President and CEO**

---

**HUMAN RIGHTS**

**Principle 1**
Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and 

**Principle 2**
make sure that they are not complicit in human rights abuses.

---

**LABOUR**

**Principle 3**
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 

**Principle 4**
the elimination of all forms of forced and compulsory labour; 

**Principle 5**
the effective abolition of child labour; and 

**Principle 6**
the elimination of discrimination in respect of employment and occupation.

---

**ENVIRONMENTAL**

**Principle 7**
Businesses should support a precautionary approach to environmental challenges 

**Principle 8**
undertake initiatives to promote greater environmental responsibility; and 

**Principle 9**
encourage the development and diffusion of environmentally friendly technologies.

---

**ANTI-CORRUPTION**

**Principle 10**
Businesses should work against corruption in all its forms, including extortion and bribery.

---

The principles are founded on the Universal Declaration of Human Rights, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, the Rio Declaration and the United Nations Convention against Corruption.

Companies that choose to sign up to the 10 principles of the UN Global Compact are expected to integrate the principles in their operations, and in decisions made by the Board and the management.

The business should contribute towards positive development towards fulfilling the goals stated by the UN. The company is also expected to report on progress towards implementing the principles and on what it is doing towards meeting the goals. The commitment should also include an ambition to spread the message of the UN Global Compact to the surrounding business community.

At BillerudKorsnäs the UN Global Compact serves as a framework for the business. The Code of Conduct is founded on the ten principles, which in turn steer policies and the way employees act. This Sustainability Report in line with GRI G4 serves as part of the annual reporting Communication on Progress to the UN Global Compact.
DEVELOPING MANAGEMENT SYSTEMS

BillerudKorsnä’s improvement work is based on the overall objective of challenging conventional packaging for a sustainable future. To make this work concrete, governance processes are developed with strategies, policies, budget and business planning and target formulation broken down at different levels. Work is strengthened and structured with the support of management systems.

Currently the majority of the plants have different certificates for quality, the environment, energy, food safety and health and safety. However, the company has found that there are synergies and knowledge transfer to be won from creating company-wide management systems. The aim is initially to obtain one common certificate, a “multisite” for the quality and environment management systems throughout the company. For the energy management system the ambition is to obtain company-wide certificates for the Swedish operations. Further common certification will be considered but other certificates will be specific to the respective plant for the time being.

The work is coordinated via the development groups for management systems, where there are representatives for the respective plant and key managers in the Business Support unit. This group also carries out follow-up of the work on the environment and quality management systems. For other management systems and for the forest certification follow-up takes place in more skills-specific groupings.

In 2014 the work was characterised by creating shared management systems, which will continue in 2015. The ambition is also to improve communication of monitoring targets through a shared process. Otherwise the company participated in different work groups within SIS for developing standards.

CERTIFICATES AT BILLERUDKORSNÄS 2014

<table>
<thead>
<tr>
<th>Certificate</th>
<th>Beetham</th>
<th>Frövi</th>
<th>Gruvön</th>
<th>Gävle</th>
<th>Karlsborg</th>
<th>Skärblacka</th>
<th>Pietarsaari</th>
<th>Tervasaari</th>
<th>Latgran</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISO 9001</td>
<td>x</td>
<td></td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>ISO 14001</td>
<td></td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ISO 50001</td>
<td></td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSSC 22000/ISO22000</td>
<td></td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OHSAS 18001</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>FSC CoC and PEFC CoC</td>
<td>x</td>
<td></td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x(FSC CoC)</td>
</tr>
</tbody>
</table>

Explanations of standards:
ISO 9001, international quality management standard.
ISO 14001, international environmental management standard.
ISO 50001, international energy management standard
ISO 22000, international food safety standard
FSSC 22000

CERTIFICATION

As shown by the table, the company’s plants are well covered by certificates. Structural work is ongoing to create the best possible support for management, coordination and knowledge transfer within the company. Today there are two differences in the company’s certification. All the Swedish plants have energy management systems but the others do not. These others instead carry health and safety certification, which the Swedish plants not currently hold.

For the Swedish plants the motivation for introducing energy management systems was both financial and environmental, while the Swedish Work Environment Agency’s regulations for systematic work environment work have so far been seen as sufficiently rigorous to attain ambitious work environment targets. Not all plants need food safety certification, but during 2014 Skärblacka and Pietarsaari gained their food safety certificates.

POLICIES AND GUIDELINES

- Credit Guidelines
- Pay policy
- Timber supply guidelines
- Code of Conduct
- Finance Policy
- Operational policy
- Anti-corruption policy
- Policy for compliance with competition law
- Handbook on compliance with competition law
- Alcohol and drug policy
- Alcohol and drug guidelines
- Purchasing policy and guidelines
- Communication policy
- Guidelines for work on diversity
- Guidelines on health work
- Whistleblower policy
Challenges – global

BillerudKorsnäs tackles impacts, opportunities and challenges all the way down the value chain. There is a direct opportunity to influence circumstances that arise in our own operations. As far as the global challenges are concerned, the company can primarily make a difference by contributing towards work to combat climate change, offering renewable packaging material and influencing working methods in the supply chain. The company works with suppliers and partners and is actively involved in research and development to reduce environmental impact and consumption of resources.

MEGATRENDS
The major global trends can in some respects constitute risks and opportunities and are addressed through the company’s strategies. Megatrends such as population growth, urbanisation, economic development, living conditions, social stability and consumption patterns influence the entire business environment. The challenge the company faces lies in being able to adapt operations to these changes in a sustainable way, as set out in the strategic platform and the vision of a sustainable future (pages 10–12). The company considers that one key to the future lies in the renewable materials for packaging purposes.

By offering a renewable and recyclable packaging material, the company becomes part of the solution for a sustainable future. There is much to indicate that the right type of packaging will be crucial in future supply chains for a growing, ageing and increasingly urban population.

GLOBAL OPERATIONS
BillerudKorsnäs has many suppliers and because these are clearly dominantly located nearby, where control opportunities are good, the risk of deviations from expected standards is normally very small. On the other hand the company is growing globally with a greater presence in Asia, which may involve risks if procurement and control processes do not work well. The challenge is thus to implement procedures in all procured operations that ensure that the company’s requirements and guidelines are complied with in the supply chain. In 2014 a new purchasing process was implemented which involves risk assessments and evaluating suppliers on the basis of eight perspectives: financial, strategic, quality, production, hygiene, health and safety, the environment and sustainability. The new process was used during the year by the group purchasing, logistics and pulp purchasing units. In 2014 these units examined a total of 118 companies, equivalent to 40% of their total purchasing value.

CLIMATE CHANGE
The fact that climate change is taking place today is clearly established, above all by the work of the UN’s Intergovernmental Panel on Climate Change (IPCC). What is harder to determine is how the changes will affect the environment and society, regionally and locally. Should major floods, extreme weather and drought occur, they will affect many people, giving rise to major social problems and tensions. All operations may be affected by this. The company’s products will, however, still be needed, possibly even more than in the past.

In a narrower perspective, it is predicted that the climate at northern latitudes will shift towards milder winters. As far as the supply of wood raw materials is concerned, this will mean tougher ground conditions for transporting timber on and off-road, demanding the development of modified transport technology. According to researchers, northern areas will also have to contend with extreme forms of weather such as storms, torrential rain and drought. In the wake of weather conditions like these comes an increased risk of damage to forest with the accompanying insect infestation. To counter this, planning work and aids are being developed in forestry, supported by modern technology. The geographical information systems are currently fully accessible also for planning work in the field, containing information on land and water conditions as well as pure forestry data. One relatively new feature is that today information can be accessed on the existence of water that is not visible on the surface of the ground, so reducing the risk of damage to land. Good awareness of all the underlying conditions in the forest increases opportunities to act when weather-related problems arise. Considering that the problem is global but also has an impact locally, BillerusKorsnäs must act in several different ways.

The company is a member of industry research bodies and works with other companies and organisations to tackle climate-related challenges. The company also contributes towards reducing climate change by seeking to entirely phase out fossil fuels from industrial production, which currently amount to less than three percent.

SHORTAGE OF RESOURCES
Resource-efficiency is important for financial and environmental reasons. Access to the world’s resources is already under strain. In sustainable forestry, natural resources must be managed such that ecosystem services work and biodiversity is maintained. The world’s population is growing and there is a great need for better living conditions in many parts of the world. In the view of BillerudKorsnäs renewable raw materials and sustainably produced material must be the starting point for the company and the future. The company’s industrial operations are primarily concentrated in countries in the north, with currently high supplies of wood, excellent access to water and good opportunities for renewable energy. On the other hand, the company is also dependent on other raw materials for production and on living conditions being good in other parts of the world. All this means that the company is constantly seeking to cut its consumption of resources, particularly energy, through extensive investment. Other inputs, such as wood and chemicals are constantly reduced through new packaging solutions in which lower materials consumption goes hand-in-hand with maintained or improved packaging functions.
Challenges – in operations close at hand

ENVIRONMENTAL IMPACT IN FORESTRY
The challenges in forestry mainly involve identifying and paying particular consideration to biodiversity and high conservation value in every action carried out. There are risks that difficult considerations will not always be entirely correct. Besides complying with current legislation and guidelines from landowners, BillerudKorsnäs therefore operates in line with guidelines designed by the certification systems FSC and PEFC whether or not the action is being taken on certified forest land. Planning specialists prepare forest action with nature conservation assessments and provide detailed instructions to forest contractors. BillerudKorsnäs requires that all forest contractors are certified under PEFC, which has regulations specific for certifying contractors and in which nature conservation expertise on the part of the company’s employees plays a prominent role. Internal and external audits of contractors are used to ensure that all measures are performed correctly, so as to minimise the risk of negative impact on high nature conservation values.

PURCHASING INPUTS
Life cycle analyses (page 30) show the amounts of emissions that impact on the environment caused by different types of chemicals. Emissions of greenhouse gases mainly occur from production using fossil fuels, but changes in materials which release carbon dioxide as part of the process also have an impact. The company is therefore discussing with selected chemical suppliers how work to improve this can be carried out.

When it comes to purchasing energy, there is also a risk of BillerudKorsnäs’ products, from a life cycle perspective, being burdened with a certain amount of emissions from electricity produced using fossil fuels. To eliminate negative impact on the indirect greenhouse gas emissions for the company it has for 2014 purchased certificates of origin for renewable electricity from the market, and will do so further on. In addition to this, the company is working to increase the proportion of bioenergy and self-generated electricity, and conducting energy efficiency improvements to reduce dependence on purchased electricity and other energy.

EMISSIONS FROM TRANSPORT
Emissions to air from transport are increasing in a relative sense as improvements are made in other aspects of the value chain and there are strong environmental and economic reasons for BillerudKorsnäs to act to reduce these emissions. In transporting raw materials, major efficiency improvements have been made by collaborating with other companies on transport solutions, through part ownership and use of rail systems and through developing and setting requirements when procuring transport by sea. The company is now also taking the initiative to increase the use of biofuels for truck transport and is involved in developing larger road vehicles which will offer significant environmental benefits. When transporting finished products, emissions have also been lowered considerably and here too part-ownership of a rail system is one of the fundamental elements in attaining deliveries that are cost effective and low on emissions.

ENVIRONMENTAL IMPACT IN PRODUCTION
Producing pulp, paper and board involves complicated processes with advanced equipment and many input stages. Production involves risks of work-related accidents and high emissions. The company is working in a target oriented manner to transfer expertise between the production plants to reduce work-related accidents and to improve preventive work. Environmental impact is strictly regulated by the authorities and subject to extensive monitoring. In recent decades the forest industry has considerably improved its emission values and thus significantly reduced actual risks. However, risks still remain and there are grounds to develop even better performance when it comes to the environment as well as quality and productivity. BillerudKorsnäs is therefore continuing to invest considerable sums in its production plants (pages 28–29). In 2014 a new Industrial Emissions Directive (IED) was also adopted in Europe, which means that within four years the European forest industry must come down to the emission levels produced by the best available technique (BAT) today. BillerudKorsnäs has taken this into account in planning its investments.

WASTE AND RECYCLING
it is an important challenge for the paper industry and BillerudKorsnäs to help to ensure that the proportion of paper and board which is recycled increases. For this reason, recycling is also one of the aspects involved when it comes to developing green material technologies. Recycled paper is an important resource, but in that the company’s products are focused on primary fibre, a direct impact on recycling streams is not possible in practical operations. The company handles its producer responsibility by membership of and part financing of organisations that run collection work operations, such as the collection organisation FTI in Sweden. Membership of industry organisations also sees the company involved in issues concerning recycling and ensuring that collection systems and recycling processes are efficient enough to attain the best possible positive impact. In addition to paper, the company handles waste from production, where work is under way to find returns on increased reuse.
Sustainability targets

The new base year for BillerudKorsnäs’ target figures in sustainability work is 2013, the company’s first full year of operation. Follow-up for 2014 shows that the majority of the targets demonstrated a positive trend, even though more focus must be given to some of them. There was particular success in all three areas – economic, environmental and social aspects.

OUTCOMES 2014

ECONOMIC TARGETS
Trends were good for all the economic targets. It was particularly gratifying to see that the implementation of the new supplier assessment model for purchasing led to both a higher number of physical supplier assessments and a higher number of self-declarations. The assessments strengthen checks and face-to-face improvement meetings improve opportunities to exert influence in the supply chain. The target will now be changed such that it shows how high a proportion of the purchase value is covered by supplier assessments. The level of innovation also rose considerably, which is important for the company’s product development and position on the market. Energy efficiency work continued and thanks to measures at several of the plants, showed a substantial improvement on the previous year, 2.3%, bearing in mind the company’s long-standing energy efficiency drive.

ENVIRONMENTAL TARGETS
The reduction in fossil fuels per produced tonne was high, despite the cautious target for the year to stabilise emissions at the level of 2013. One reason for the success was a very successful investment project which included energy efficiency measures at Skärblecka. But great improvements were also achieved at several other plants, e.g. by calibrating the biofuelled CHP plant at the site in Gävle. Emissions of greenhouse gases from the transport of finished goods continue to be better than the industry-wide targets for 2020, although there was a marginal increase during the year. These targets will be redefined and the intention is to have new targets by next year, also including wood raw materials. For the first time the company has now been able to report emissions for transport work for the whole year on the raw materials and finished materials side, page 33. Forest certification of private forest owners could not be carried out as planned but remains as a target.

SOCIAL TARGETS
The increase in the proportion of female managers continued and exceeded the target for the year. The total proportion of women also increased but only marginally. The positive trend in reducing work-related injuries unfortunately did not remain unbroken, and the company is now concentrating efforts on creating more interaction between the plants to pass on knowledge and experiences. The project to give more young people experience of the world of work was launched at the plants in Gävle and Skärblecka in that the company is now part of the Swedish national Tekniksprånget project to encourage education in technology nationwide. BillerudKorsnäs is putting a great deal of effort into helping young people to gain experience of the world of work as part of their education. In 2014 about 200 young people from comprehensive school, upper secondary school and university gained internships for a total of 1,123 weeks in the company, equivalent to 28 school years.
<table>
<thead>
<tr>
<th>KPI/KEY PERFORMANCE INDICATORS</th>
<th>OUTCOME 2013</th>
<th>TARGET 2014</th>
<th>OUTCOME 2014</th>
<th>TARGET 2015</th>
<th>TARGET 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Sustainability in the value chain</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proportion and number of audited suppliers Purchasing/Pulp/Supply Chain, n</td>
<td>10 face-to-face meetings</td>
<td>15 face-to-face meetings</td>
<td>23 improvement meetings 95 self-declarations 40% of purchase value</td>
<td>50% of purchase value in two years</td>
<td>75% of purchase value in three years</td>
</tr>
<tr>
<td>2. High level of innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proportion of sales accounted for by new products¹, %</td>
<td>-</td>
<td>10</td>
<td>14</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>3. Energy-efficient production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy consumption in production, MWh/tonne product</td>
<td>5.422</td>
<td>5.322</td>
<td>5.299</td>
<td>5.25</td>
<td>5.00</td>
</tr>
<tr>
<td>Environmental</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Fossil-free production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emissions of fossil CO₂ in industry, kg/tonne product</td>
<td>38</td>
<td>38</td>
<td>31.2</td>
<td>30</td>
<td>25</td>
</tr>
<tr>
<td>5. Environmentally adapted transports</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport of products, kg CO₂/tonne product base 2007</td>
<td>38.4 (-27%)</td>
<td>-</td>
<td>37.6 (-25%)</td>
<td>-</td>
<td>-20% ²</td>
</tr>
<tr>
<td>6. Certified wood raw materials</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proportion of group-certified forest owners of BillerudKorsnäs under FSC or PEFC, n</td>
<td>71</td>
<td>100</td>
<td>77</td>
<td>100</td>
<td>200</td>
</tr>
<tr>
<td>Social</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Skills and equality²</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a 1. Proportion of female employees, %</td>
<td>18.0</td>
<td>19</td>
<td>18.3</td>
<td>19.5</td>
<td>23</td>
</tr>
<tr>
<td>a 2. Proportion of female managers, %</td>
<td>20.4</td>
<td>21</td>
<td>21.7</td>
<td>24</td>
<td>23</td>
</tr>
<tr>
<td>b. Proportion of performance reviews, %</td>
<td>80.5</td>
<td>100</td>
<td>88</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>8. Safe workplaces³</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. work-related accidents leading to sick leave, n/year</td>
<td>1.5/100 employees (9.6/million hours worked ⁴)</td>
<td>&lt;1/100 employees. (6.2/million hours worked ⁵)</td>
<td>2.1/100 employees. (12.7/million hours worked)</td>
<td>&lt;1/100 employees. (6.2/million hours worked)</td>
<td>&lt;1/100 employees. (6.2/million hours worked)</td>
</tr>
<tr>
<td>9. Experience of the world of work for young people</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introduce a model for work experience placements that supports more young people joining the labour market</td>
<td>-</td>
<td>Draw up a work experience placement model</td>
<td>Tekniksprånget technology project at two plants + 1 123 weeks of internships</td>
<td>One more plant involved in the Tekniksprånget project</td>
<td>Work experience model introduced at all plants for paper/board</td>
</tr>
</tbody>
</table>

1 The key ratio for new products refers to sales of paper and board, excluding pulp, energy and pellets. Definition (Innovation factor * Novelty value * Sales)/Total sales. Novelty value is zero after five years.
2 Industry target, permanent until further notice.
3 This social target refers to the whole company. Sub-target on work experience refers to plants for paper, board and pulp.
4 The previous calculation is corrected.
## Environmental statistics

### Production (G4-9)

<table>
<thead>
<tr>
<th>Unit</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paperboard, paper and pulp</td>
<td>tonnes 2,881</td>
<td>2,799</td>
</tr>
<tr>
<td>Wood pellets</td>
<td>tonnes 498</td>
<td>433</td>
</tr>
<tr>
<td>Total production</td>
<td>tonnes 3,379</td>
<td>3,232</td>
</tr>
</tbody>
</table>

### Materials used (EN1)

<table>
<thead>
<tr>
<th>Unit</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wood (including pellet production)</td>
<td>km³/sub 11,038</td>
<td>10,611</td>
</tr>
<tr>
<td>Pulp, purchased externally</td>
<td>tonnes 340</td>
<td>327</td>
</tr>
<tr>
<td>Pulp, purchased internally</td>
<td>tonnes 115</td>
<td>128</td>
</tr>
<tr>
<td>Chemicals</td>
<td>tonnes 71</td>
<td>79</td>
</tr>
<tr>
<td>Total renewable materials</td>
<td>tonnes 11,564</td>
<td>11,143</td>
</tr>
</tbody>
</table>

### Non-renewable

<table>
<thead>
<tr>
<th>Unit</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemicals</td>
<td>tonnes 428</td>
<td>387</td>
</tr>
<tr>
<td>Total materials used</td>
<td>tonnes 11,992</td>
<td>11,530</td>
</tr>
</tbody>
</table>

### Air emissions

<table>
<thead>
<tr>
<th>Unit</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sulphur (S)</td>
<td>tonnes 404</td>
<td>464</td>
</tr>
<tr>
<td>of which various sources</td>
<td>tonnes 232</td>
<td>272</td>
</tr>
<tr>
<td>Nitrogen oxides (NOx)</td>
<td>tonnes 3,231</td>
<td>3,151</td>
</tr>
<tr>
<td>Dust</td>
<td>tonnes 1,168</td>
<td>1,024</td>
</tr>
</tbody>
</table>

### Water withdrawal (EN8)

<table>
<thead>
<tr>
<th>Unit</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surface water</td>
<td>billion m³ 216</td>
<td>217</td>
</tr>
<tr>
<td>Total water withdrawal</td>
<td>billion m³ 216</td>
<td>217</td>
</tr>
</tbody>
</table>

### Water discharge (EN22)

<table>
<thead>
<tr>
<th>Unit</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process water</td>
<td>billion m³ 152</td>
<td>145</td>
</tr>
<tr>
<td>COD (oxygen-consuming organic compounds)</td>
<td>tonnes 31,891</td>
<td>29,681</td>
</tr>
<tr>
<td>TSS (suspended solids)</td>
<td>tonnes 3,674</td>
<td>3,953</td>
</tr>
<tr>
<td>Organically bound chlorine (AOX)</td>
<td>tonnes 160</td>
<td>158</td>
</tr>
<tr>
<td>Nitrogen</td>
<td>tonnes 447</td>
<td>472</td>
</tr>
<tr>
<td>Phosphorus</td>
<td>tonnes 47</td>
<td>47</td>
</tr>
</tbody>
</table>

### COMMENTS

The company’s use of fuel in manufacturing of paper, board and pulp was 97.4% bio-energy in 2014, a continued increase compared with 2013. Direct emissions of fossil CO₂ per tonne of product fell drastically, by 18%, from 38.0 to 31.2 kg per tonne of products. Also indirect emissions decreased as purchased energy fell slightly with the increase in self-generated electricity.

Furthermore the indirect emissions of greenhouse gases were decreased as the company purchased certificates of origin for renewable electricity from the electricity market. During the year there were no significant economic sanctions or legal examinations due to breach of environmental legislation (EN29).
Employee statistics

<table>
<thead>
<tr>
<th>EMPLOYEE STATISTICS 2014 (2013)</th>
<th>TOTAL</th>
<th>SWEDEN</th>
<th>FINLAND</th>
<th>UNITED KINGDOM</th>
<th>BALTIC COUNTRIES</th>
<th>SALES OFFICE¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average number of employees² (G4-10)</td>
<td>4 195 (4 270)</td>
<td>3 448 (3 621)</td>
<td>178 (190)</td>
<td>140 (142)</td>
<td>237 (235)</td>
<td>192 (87)</td>
</tr>
<tr>
<td>No. of employees at year-end</td>
<td>Number</td>
<td>4 246 (4 254)</td>
<td>3 486 (3 607)</td>
<td>178 (176)</td>
<td>140 (143)</td>
<td>240 (242)</td>
</tr>
<tr>
<td>³ of whom women</td>
<td>%</td>
<td>18.3 (18.0)</td>
<td>17.0 (17.5)</td>
<td>13.5 (14.2)</td>
<td>7.9 (8.4)</td>
<td>20.2 (20.2)</td>
</tr>
<tr>
<td>³ of whom blue collar/workers</td>
<td>%</td>
<td>62 (65)</td>
<td>64 (64)</td>
<td>67 (68)</td>
<td>68 (67)</td>
<td>76 (84)</td>
</tr>
<tr>
<td>³ of whom white collar</td>
<td>%</td>
<td>38 (35)</td>
<td>38 (36)</td>
<td>33 (32)</td>
<td>32 (33)</td>
<td>24 (16)</td>
</tr>
<tr>
<td>Proportion of female managers²</td>
<td>%</td>
<td>21.7 (20.4)</td>
<td>20.1 (19.2)</td>
<td>22.2 (22.2)</td>
<td>20.0 (20.0)</td>
<td>26.3 (29.4)</td>
</tr>
<tr>
<td>Average age (LA12)</td>
<td>Age</td>
<td>46.5 (46.7)</td>
<td>47.1 (47.9)</td>
<td>46.2 (46.3)</td>
<td>48.0 (48.7)</td>
<td>42.9 (43.9)</td>
</tr>
<tr>
<td>Sick leave (LA6)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total sick leave as % of hours worked</td>
<td>%</td>
<td>3.4 (3.3)</td>
<td>3.4 (3.2)</td>
<td>6.2 (5.4)</td>
<td>2.9 (3.2)</td>
<td>4.1 (4.1)</td>
</tr>
<tr>
<td>Sick leave as proportion of hours worked, men</td>
<td>%</td>
<td>3.9 (3.2)</td>
<td>3.3 (3.1)</td>
<td>7.0 (6.1)</td>
<td>2.8 (3.1)</td>
<td>4.2 (4.1)</td>
</tr>
<tr>
<td>Sick leave as proportion of hours worked, women</td>
<td>%</td>
<td>1.9 (3.6)</td>
<td>3.9 (3.7)</td>
<td>1.5 (1.8)</td>
<td>4.0 (4.6)</td>
<td>3.6 (4.0)</td>
</tr>
<tr>
<td>Work-related accidents (LA6)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work-related injuries³ with sick leave</td>
<td>Number</td>
<td>86 (64)</td>
<td>80 (59)</td>
<td>2 (3)</td>
<td>2 (2)</td>
<td>1 (0)</td>
</tr>
<tr>
<td>Work-related injuries with sick leave¹/100 employees</td>
<td>Number</td>
<td>2.1 (1.5)</td>
<td>2.3 (1.7)</td>
<td>1.1 (1.9)</td>
<td>1.4 (1.5)</td>
<td>0.4 (0)</td>
</tr>
<tr>
<td>Work-related injuries with sick leave/million hours³</td>
<td>Number</td>
<td>12.7 (8.2)</td>
<td>13.9 (9.1)</td>
<td>7.9 (10.3)</td>
<td>8.0 (8.0)</td>
<td>2.4 (0)</td>
</tr>
<tr>
<td>Work-related injuries without sick leave</td>
<td>Number</td>
<td>417 (426)</td>
<td>375 (400)</td>
<td>18 (11)</td>
<td>24 (15)</td>
<td>0 (0)</td>
</tr>
</tbody>
</table>

¹ 95% of employees in Sweden, Finland, UK and the Baltic countries are covered by collective agreements (G4-11).
² 24% of the Board and Senior Management Team are women. The age distribution is 29% aged 30–50 and 71% aged over 50.
³ The number of work-related injuries was reported monthly in 2014 for all operations and was roughly compared with the overall target.

COMMENTS

Compared with the previous year there were no major changes regarding employee statistics. More employees joined the sales offices, as shown in the table, but this is mainly due to employee redistribution. The total number of women in management positions increased relatively well, while the proportion of women increased marginally. Much work remains to be done but the trend is nevertheless positive in terms of the company’s long-term targets. Sick leave on average remained at the same level as the previous year. Unfortunately the number of work-related injuries with sick leave increased, often caused by crush injuries, cuts or muscular strain. As reported above, this has now led to a greater focus on cooperation and sharing expertise between the plants in order to identify the best working practices.

Pay surveys did not show any unjustified differences between women and men in comparable occupational groups. Some corrections had to be made at individual level in order to maintain equal pay.
### Stakeholder Groups

<table>
<thead>
<tr>
<th><strong>Stakeholder Groups</strong></th>
<th><strong>Definition</strong></th>
<th><strong>Type of Dialogue</strong></th>
<th><strong>Questions/Focus</strong></th>
<th><strong>Response/Outcome</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investors</strong></td>
<td>Shareholders, Analysts, Potential investors</td>
<td>Annual Report including Annual Review and Sustainability Report, Interm Reports, External reporting systems, Questionnaires from analysts, Website, Investor meetings, Meetings with analysts, Press conferences, Capital market day, Questionnaires from investors, Materiality analysis, Questionnaires from ethical and environmental investment funds.</td>
<td>Economic value development sustainable in the long term, Strategies, Challenges, Risks, Environmental impact, Labour practices, Human rights in the supply chain.</td>
<td>Sustainability report, Strategic framework, Corporate Responsibility rating Oekom Research, Report on climate work and forestry in CDP, Code of Conduct based on UN Global Compact, Save Food network.</td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td>Existing customers, Potential customers, Customers' customers, End-consumers</td>
<td>Personal meetings, Daily contact, Fairs, seminars &amp; customer meetings, Customer surveys, External reporting systems, Questionnaires from customers, Materiality analysis.</td>
<td>Sustainable business, Code of Conduct, Specific issues: finances, environmental issues such as carbon dioxide emissions, environmental impact of products, water supply and emissions, working conditions such as safety in the workplace, human rights in the supplier chain, EUTR.</td>
<td>Sustainability report, Strategic framework, Sales support, Product development, Product life cycle analyses (IVL), Environmental performance EU Ecolabel and Nordic Ecolabel, EcoVadis CSR ranking, Save Food network, EUTR report.</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td>Current employees</td>
<td>Workplace meetings, Management meetings, Internal training, Employee surveys, Incident follow-up, Performance reviews, Materiality analysis.</td>
<td>Code of Conduct, Business ethics questions, Performance management, Work environment and safety, Fitness measures, Diversity.</td>
<td>Sustainability report, Strategic framework, Performance management initiatives, Model for improvement work, Health and safety network, Action plan for victimisation at work, Extended trainee programme, Responses to questionnaires, Web-based training on the Code of Conduct.</td>
</tr>
<tr>
<td><strong>Local residents and local associations</strong></td>
<td>Existing suppliers, Lenders</td>
<td>Procurement, Supplier evaluations, Improvement meetings, Materiality analysis.</td>
<td>Code of Conduct, Requirements regarding internationalisation, Finance, Reduced environmental impact, Safety in the workplace.</td>
<td>Sustainability report, Strategic framework, New supplier assessment model.</td>
</tr>
<tr>
<td><strong>Society</strong></td>
<td>Local residents and local associations</td>
<td>External viewpoints, Information meetings, Environmental reports, Materiality analysis.</td>
<td>Emissions to air and water, Events and plans for the future at plants.</td>
<td>Sustainability Reporting, Dialogue for understanding, Measures to reduce disruptions.</td>
</tr>
<tr>
<td><strong>Schools and universities</strong></td>
<td>Ongoing contacts and collaboration, Networks, Study visits.</td>
<td>Talent requirements, Content of training, Work placements, Talent management activities, Industry issues.</td>
<td>Basis for future recruitment, Increased range of technical vocational courses, Designing upper secondary education.</td>
<td></td>
</tr>
<tr>
<td><strong>Authorities and ministries</strong></td>
<td>Contacts with county administrative boards/municipalities, Statutory environmental reports, Scrutiny for production permits, Harvesting reports, Representations.</td>
<td>Emissions to air and water, Noise, Energy, Land issues, Waste, Use of chemicals, Protecting the natural and cultural environment in forestry, Delimiting nature conservation initiatives.</td>
<td>Better understanding of each other's points of view on environmental issues, New production permit Rockhammar, Go-ahead on key biotopes from Swedish Forest Agency.</td>
<td></td>
</tr>
<tr>
<td><strong>External auditors, Certification bodies</strong></td>
<td>On-site visits and other kinds of dialogue in conjunction with audits, Working groups for standard audits.</td>
<td>Legislation and criteria of the standard in question.</td>
<td>Certification for operations, Designing new standards.</td>
<td></td>
</tr>
<tr>
<td><strong>Industry organisations</strong></td>
<td>Information meetings, Working groups, Board work, Inquiries, Development work, Consultation on legislation.</td>
<td>Legislation, Standardisation, Sustainability, Bio-economy, Industry targets, policies and strategies.</td>
<td>Industry information, Shared targets, Development activities, Designing new standards.</td>
<td></td>
</tr>
</tbody>
</table>
The materiality analysis 2013 showed what BillerudKorsnäs should prioritise in different categories in the GRI system, such as finance, environment, labour relations, human rights, society and product responsibility. In 2014 the company carried out a follow-up of this materiality analysis among the five most important stakeholder groups, investors, customers, suppliers, employees and society.

The response rate for follow-ups was not that high, with responses to the survey at about 60%. However, those who responded were strikingly positive about follow-up work being carried out and about the design, objectivity and accessibility of the report. On the basis of these responses the format has been retained in this report, while several improvement suggestions have been taken into account.

**IMPROVEMENTS**

Investors stated that they wanted to know more about the risks, trends and major challenges affecting the company and what the strategies are for meeting them. They also wanted to know what was not successful and why and how work on improvements is being run. This report therefore includes more precise descriptions of the company’s influence and challenges. Customers stated an interest in the social activities BillerudKorsnäs is also running outside Sweden. Following more in-depth follow-ups of this, the report now shows a number of interesting activities at both local and global level.

Several stakeholders asked for more information about dealing with human rights. Some wanted further details on the environmental performance of products, while particular suppliers and employees cited the importance of making reporting and the language as simple as possible.

**CONCLUSIONS**

Following up the materiality analysis produced insights on how sustainability work can be broadened and reporting developed to increase value for stakeholders. At the same time it was clear that an easily accessible report was appreciated. This means that the structure for GRI G4 in which the materiality analysis is used to identify what is most important, continues to be central to BillerudKorsnäs. This year’s follow-up showed that a continued focus is demanded for supplier assessments, environmental work on water and waste, and human rights.

To meet the desire for more detail, the report this year has been expanded by the addition of five GRI indicators, two on the environment and three on human rights. These concern the reuse of water and environmental grievances, plus freedom of association, forced labour and indigenous rights. This means that reporting is now provided on 34 (approximately 75%) of the total 45 aspects in the GRI system, which in turn means that about 44% of the more detailed indicators at the level below are included in the report (see appendix). Furthermore, the report provides a little more information on certain other aspects where a desire for this was expressed, e.g. on risks, strategies and social activities.

The focus the company now has on sustainability work is also supported by the ongoing stakeholder dialogue reported on page 52.
External networks for development

BillerudKorsnäs is a member of a number of networks to learn from, contribute towards and influence development in the forest industry and the packaging sector. This work may concern everything from industrial technology to political processes within the EU.

In 2014 the company took over the chairmanship of the Swedish Forest industries Federation, thus joining the board of the Confederation of European Paper Industries, CEPI. In the Alliance for Beverage Cartons and the Environment (ACE) a project was run with WWF to evaluate the EU’s timber legislation (EUTR) and develop the web-based analysis tool WWF Water Risk Filter, which will enable analysis of water use in the global industry.

**BILLERUDKORSNÄS SEeks TO CUT FOOD WASTE – IS INVOLVED IN SAVE FOOD**

Save Food, a worldwide UN-backed initiative to combat food losses and food waste was launched in 2011 with the aim of cutting the amount of food lost or thrown away. In total it is estimated that approximately 1.3 billion tonnes of food goes to waste every year, equivalent to 3.3 gigatonnes of CO₂ emissions. This can be compared with emissions from all road traffic in the US in 2010, which amounted to 1.5 gigatonnes.

Emissions from goods grown and then transported long distances but never consumed are very high. A large part of the waste during long journeys is caused by weak packaging. Smart packaging solutions see BillerudKorsnäs contributing to less waste.

**DEVELOPMENT OF THE FOREST INDUSTRY**

The main networks in which the company was most involved in developing the forest industry and its products were as follows, whereof the company joined ACCA during the year.

- Confederation of European Paper Industries (CEPI)
- European Federation of Corrugated Board Manufacturers (FEFCO)
- Miljöpack
- Normpack
- The Swedish Forest Industries Federation
- Alliance for Beverage Cartons and the Environment (ACE)
- Bio-based Industries Initiative
- SSG Standard Solutions Group
- Innventia
- Paper Province
- Asian Corrugated Carton Association (ACCA)

**Smarter Packaging in South Africa**

At the start of the year BillerudKorsnäs held a joint meeting with representatives of the packaging industry in South Africa.

Under the theme Smarter Packaging, about 100 current and potential customers from South Africa and neighbouring countries met up with the subsidiary Paccess, machinery suppliers, brand owners and representatives from academia.

The aim was to build new networks and forge relationships, as well as to inspire each other. On the agenda were business development, risks and opportunities in South Africa, as well as BillerudKorsnäs’ ideas on what the “right” packaging can achieve.

Today the battle for consumers is largely about brand building and in a purchasing situation the choice often comes down to the packaging.

The different roles of packaging were discussed, as was the way cooperation produces ideas for product development and innovation.
Awards and recognitions

LAFARGE GLOBAL SUPPLIER AWARDS
Lafarge, a world-leader in construction materials, rewarded the work carried out in close collaboration between the Lafarge Research Centre in Lyon and BillerudKorsnäs Sack Lab, Sweden, to develop a new packaging solution for sacks.

Carlos Espina, Senior Vice President at Lafarge Research & Development praised this year’s winner of the product development prize:

“The development project is an exciting and enriching collaboration between BillerudKorsnäs and Lafarge. The project shows that it is possible to achieve great things if the parties in the value chain work together and trust each other.”

PRO CARTON ECMA AWARD
Two entries using BillerudKorsnäs White were winners in this year’s Pro Carton ECMA Award.

Alexir Packaging Peppersmith Clipstrip – a user-friendly holder for small mint pastilles which is highly visible in stores thanks to its excellent colour reproduction.

Bayer Kartonagen VIVA Bottle-Hänger – a bottle holder that holds and displays bottles effectively thanks to the strong paperboard.

PIDA – BILLERUDKORSNÄS PACKAGING IMPACT DESIGN AWARD
PIDA is a packaging design competition that BillerudKorsnäs runs in partnership with universities in France, Germany and Sweden.

This year’s challenge was “Breaking the Code”, involving innovation and new ideas for packaging champagne. Entries had to show how the luxury, traditional drink can be brought to a younger target group and how BillerudKorsnäs cartonboard can be used to create sustainable and innovative packaging solutions and challenge conventional ideas.

SPICE:14 – SUSTAINABLE PACKAGING AND INNOVATION COMMUNICATION EVENT
A pop-up shop in BillerudKorsnäs’ material, custom-built for fuel stations, turned out to be a winning concept when students at Berghs School of Communication entered a competition on how the digital music service Spotify could physically meet people.

In total twelve groups presented 24 different solutions for Spotify. The competition was run by Berghs School of Communication, Spotify and BillerudKorsnäs.
It is part of the sustainability strategy and part of responsible business for BillerudKorsnäs to have the business externally audited in line with recognised and credible systems and to provide correct and transparent reporting, as in this sustainability report. This is shown by the fact that this report has been reviewed and verified by the external auditors EY.

In 2014 reporting to the UN Global Compact was expanded to the Advanced level. Reporting to CDP Investors was expanded with the addition of CDP’s Forests and Supply Chain modules. The results are available on CDP’s website, where they show that BillerudKorsnäs strongly increased its points for 2013 in the Investors module. It is hoped that the company will rise further in the next report, thanks to the work carried out in 2014 to reduce the emission of greenhouse gases. BillerudKorsnäs has previously reported nine environmental declarations in the international system EPD, available at www.environdec.com.

During the year the results from the analyst company Oekom Research came in and the report to the EcoVadis system, used by many global companies to evaluate suppliers, was updated. Oekom Research found that BillerudKorsnäs should be ranked as Prime, i.e. a company of interest to those who want to invest in businesses with good environmental and social performance. EcoVadis found that BillerudKorsnäs should be ranked at the level Gold, i.e. in the top group of total ranked companies, and by companies in the industry.

New for this year was also the fact that market pulp from Gruvön and Karlsborg was approved by the Nordic Ecolabel and the EU Ecolabel for use in paper with the same environmental labelling.

In addition to these, the company reports in the Sedex system (Supplier Ethical Data Exchange) and to the WWF Environmental Paper Company Index at company level and to Check Your Paper for certain products.

### EXAMPLES OF TRANSPARENT REPORTING FOR RESPONSIBLE BUSINESS

<table>
<thead>
<tr>
<th>External systems/initiatives</th>
<th>Focus/reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Reporting Initiative (GRI)</td>
<td>Sustainability Report</td>
</tr>
<tr>
<td>UN Global Compact</td>
<td>Sustainability Report</td>
</tr>
<tr>
<td>CDP – Driving Sustainable Economies</td>
<td>Greenhouse gases, Forestry and Supply Chain</td>
</tr>
<tr>
<td>Oekom Research</td>
<td>Environmental and social aspects</td>
</tr>
<tr>
<td>Environmental Product Declaration</td>
<td>Environmental Product Declarations for 9 products</td>
</tr>
<tr>
<td>WWF Environmental Paper Company Index</td>
<td>Environmental performance for the whole of BillerudKorsnäs</td>
</tr>
<tr>
<td>WWF Check Your Paper</td>
<td>Environmental data for three unbleached sack papers</td>
</tr>
<tr>
<td>EcoVadis</td>
<td>Working conditions, the environment, supply chain</td>
</tr>
<tr>
<td>Sedex (Supplier Ethical Data Exchange)</td>
<td>Working conditions, environment for individual plants</td>
</tr>
<tr>
<td>EU Ecolabel and Nordic Ecolabel</td>
<td>Pulp from Gruvön and Karlsborg</td>
</tr>
</tbody>
</table>
For the second consecutive year, this year’s report follows the GRI G4 standard and is externally reviewed. Billerud-Korsnäs has chosen the “Core” level to match the expectations of its stakeholders. The Sustainability Report is published independently of the financial reporting in print and on the company’s website.

**THE SECOND YEAR OF REPORTING**

2014 was the second year of consolidated reporting following the formation of Billerud-Korsnäs. This year’s report is based on data for two comparable years. The GRI G4 standard is met in line with the “in-accordance” criterion at “core” level. This level incorporates all material aspects and provides a holistic view of BillerudKorsnäs impacts in the relevant sustainability areas. The materiality analysis, which was carried out very extensively before the 2013 report, was followed up in 2014 and resulted in four new aspects to report on, Environmental grievance mechanisms, Freedom of association, Forced labour and Indigenous rights. Hereby stakeholders and the company have identified roughly 75% of the GRI system’s aspects as the material core to be reported on. Sustainability reporting is carried out annually and the most recent report was published in March 2014. The report also constitutes reporting to the UN Global Compact and the Communication on Progress.

**COMPANIES REVIEWED**

No significant changes have taken place compared with the previous year’s report in terms of delimitations, new acquisitions, supply chain, measurement methods or other issues that may affect comparability with the previous year. The new base year is now 2013, the first full year for the company BillerudKorsnäs. The external review was carried out by EY (page 60) and covers all GRI indicators selected in the materiality analysis. The report covers all the companies in which BillerudKorsnäs has operational control, i.e. majority-owned companies in line with BillerudKorsnäs’ Annual Report 2014. The primary target group comprises investors, who have also contributed views on balancing the content of the report from the previous year.

**WE WELCOME YOUR VIEWS**

BillerudKorsnäs welcomes opinions and comments on this year’s Sustainability Report. People to contact:

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  Sustainability Manager
  +46 26 15 10 00

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- Karin Hägfeldt
  SVP Human Resources
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“A major step forward

“I would claim that this year’s sustainability work has taken a major step forward. It has become clearer what sustainability is for the company and how this interlinks with our targets and vision. In this report we have clearly set out the commitments we are making for a sustainable future.

I am particularly pleased that our new supplier assessment processes are now in place, as these are important for the company in several ways. It is also very gratifying that investments and internal work have significantly cut emissions of greenhouse gases, from a level that was already low. However, more remains to be done, so I hope that you will follow our development in the report and pass on your views to us.”

Bengt Brunberg,
Sustainability Manager
Glossary

**PRODUCTS**

**Cartonboard** is used to manufacture packaging for different types of goods, e.g. confectionery, cosmetics and food.

**Corrugated board** is manufactured by gluing together two flat layers of paper (liner) with a rippled layer (fluting) in the middle.

**CTMP** is chemo thermo mechanical pulp which is used in paperboard and contributes towards its rigidity.

**Fibreform** is paper with high elasticity, which can be shaped to produce thermo-formed and deep-drawn food and consumer packaging such as trays, blisterpacks, etc.

**Liquid packaging board** is used to manufacture packaging for beverages and other liquid foods.

**NSSC** is a semi-chemical pulp used as the raw material for fluting.

**Market pulp** is pulp that is sold to paper mills.

**Sack paper** is paper with high strength properties for sack manufacture.

**Sulphate pulp** is chemical pulp produced by cooking wood chips with the chemicals sodium hydroxide and sodium sulphide. Sulphate pulp can be bleached with chlorine dioxide, oxygen or hydrogen peroxide.

**Turpentine** is extracted from the wood raw materials as a by-product of the sulphate process and is used to make perfumes and in the paint industry.

**THE FOREST**

**FSC** (Forest Stewardship Council) is an independent membership-based organisation that promotes environmentally appropriate, socially beneficial and economically viable use of the world’s forests.

**PEFC** (Program For the Endorsement of Forest Certification schemes) is an international certification of sustainable forestry and forest raw materials.

**Greenhouse gases** usually refer to carbon dioxide (CO₂) from combustion of fossil fuels.

**Tall oil** is a bio-oil originating from the resin in the wood. The resins form a soap in the sulphate process which is separated out using an acid to form tall oil. It is sold as a product for further processing into chemicals and fuel additives, etc. and can also be used directly as fuel.

**Energy and Climate**

**Biofuels** are renewable fuels originating from the plant kingdom.

**Carbon footprint** is the amount of greenhouse gases that a product causes in the whole chain “from cradle to grave”.

**Climate change** is caused by the growing greenhouse effect, resulting in global warming, new weather patterns and melting polar ice.

**Fossil fuels** are fuel oil, LPG and natural gas. Combustion of fossil fuels contributes towards the greenhouse effect.

**Sulphur dioxide** (SO₂) and **Nitrogen oxides NOx** are formed during combustion in steam boilers, and like sulphur dioxide, can lead to acidification. Cleaning equipment and optimising combustion result in lower air emissions.

**Nutrient salts (phosphorus and nitrogen)**. Emissions of nutrient salts can lead to eutrophication. Which it is most important to control varies depending on supply, and the nutrient salt in shortest supply is called growth-limiting.

**Reduced sulphur compounds** are formed when manufacturing sulphate pulp and consist of hydrogen sulphide and other malodorous sulphur compounds, mainly methanethiol, dimethyl sulphone and dimethyl disulphide. These do not impact on the surrounding environment, but may cause odour problems for local residents.

**Sulphur dioxide** is converted to sulphuric acid in contact with damp air and falls as acid precipitation. In our sulphate processes, sulphur is included as a cooking chemical and we therefore emit sulphur to air.

**Total suspended solids** are suspended particles in our process discharges.
**WASTE AND RESIDUES**

**Bark ash** can be used to fertilise forest land rather than being sent to landfill as waste, and can also be used as a covering material when landfill sites are closed. The ash can also be composted together with fibre sludge.

**Fibre sludge** is organic material and therefore may not be sent to landfill. It can be dewatered and incinerated in the bark boiler or composted. Trials are also in progress to produce biogas.

**Green liquor sludge** has to be removed from the process due to its content of metals, which can leave residues in pumps, heat exchangers and other equipment. Metals enter the process via the wood raw materials. Green liquor sludge also contains a large proportion of lime sludge (calcium carbonate), which has been added in order to be able to filter and wash the sludge, which is otherwise hard to dewater. This waste fraction is normally sent to landfill. Research is in progress and attempts have been made to use sludge to cover mines.

**Lime sludge** is used calcium, calcium carbonate, which is normally burned in a lime kiln to produce active lime, but which must be removed from the process in the event of disruption, etc. Lime sludge is normally not sent to landfill and can be recirculated or used for other purposes. It can be sent to be burned into lime in an external kiln, used as a filler when building roads and is spread on agricultural land to adjust the pH.
Independent practitioner’s assurance report on information included in BillerudKorsnäss AB’s sustainability report

To the readers of BillerudKorsnäss AB’s sustainability report

Introduction

We have been engaged by the management of BillerudKorsnäss AB to review and provide a statement with limited assurance on specific information contained in BillerudKorsnäss AB’s Sustainability Report for 2014. BillerudKorsnäss AB has defined the sustainability report to the locations referred to in the GRI Index for 2014, pages 62–70, in the Swedish version of this report. Our review has covered the GRI disclosures in the GRI index that are indicated as externally verified.

Management’s responsibility for the Sustainability Report

The board and management of BillerudKorsnäss are responsible for the ongoing work related to environmental, safety, quality and social responsibility as well as sustainable development, and for the presentation of the sustainability report in accordance with applicable criteria issued by the Global Reporting Initiative (GRI), and BillerudKorsnäss AB’s proprietary accounting and calculation principles applicable to sustainability reporting.

Our independence and quality control

We have compiled with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. EY applies 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.

Our responsibility

Our responsibility is to express a statement with limited assurance on specific parts of the sustainability report based on our review. We conducted our review in accordance with the international assurance standard ISAE 3000 (Other Assurance Engagements other than audit or review of historical financial information) issued by the International Auditing and Assurance Standards Board.

Our work consisted of

• update of our knowledge and understanding of BillerudKorsnäss AB organization and operations,
• assessment of the criteria’s suitability and application regarding the stakeholders’ information needs and results of the materiality analysis,
• interviews with management, at group level, subsidiary level and at selected business units in order to assess whether the qualitative and quantitative information in the GRI disclosures are complete, accurate and sufficient,
• examination of internal and external documents to assess whether the reported information is complete, correct and adequate,
• mapping of the design of systems, processes and internal controls used to collect, manage and validate sustainability information,
• evaluation of the model used to calculate the GHG emissions,
• analytical review of reported information,
• reconciliation of relevant financial information to the company’s annual report for the year 2014 and
• assessment of the company’s stated application of the GRI G4 guidelines.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether BillerudKorsnäss AB’s GRI disclosures have been prepared, in all material respects, in accordance with the applicable criteria applied as explained in the GRI index.

The criteria used in the review are based on the elements of the Sustainability Reporting Guidelines G4, published by the Global Reporting Initiative (GRI), which are relevant to sustainability reporting, and the accounting and calculation principles that the company has developed and identified. These are presented in the sustainability report under the GRI disclosures G4-17–G4-23 found in the GRI index. We believe that these criteria are suitable for the preparation of the Sustainability Report.

We believe that the evidence we collected during our review is sufficient and appropriate to provide us the basis for our conclusion.

Statement

Based on our work described in this report, nothing has come to our attention that causes us believe that the disclosures in the sustainability report that were subject to our review has not, in all material respects, been prepared in accordance with the criteria stated above.

Stockholm 6 March 2015
Ernst & Young AB

Martin Brenner
Certified Public Accountant
Håkan Ulrichs
Partner, Climate Change & Sustainability Services
Details for the GRI G4 review

62  G4 Content Index GRI Standard Disclosures
71  Index Disclosures on Management Approach
77  Aspect-Specific G4-DMA-b
Supplier Assessments
# G4 Content Index GRI Standard Disclosures – ‘In accordance’ Core

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## Strategy and Analysis

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**CATEGORY: ECONOMIC**

**MATERIAL ASPECT: ECONOMIC PERFORMANCE**

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**CATEGORY: ENVIRONMENTAL** Supports reporting to UN Global Compact, Principle no 7, 8 and 9.

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<td>G4-EN27</td>
<td>p.30-31 Impact from products and services</td>
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<td>G4-EN29</td>
<td>p.50 Compliance with environmental regulations</td>
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<td><strong>MATERIAL ASPECT: TRANSPORT</strong></td>
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<td></td>
<td></td>
<td>Data on Effluents, Waste, Noise and Spills is omitted. Partial personnel transport data is omitted.</td>
<td>Yes, p.60</td>
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<td>G4-EN30</td>
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<td>G4-EN32</td>
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<td><strong>MATERIAL ASPECT: ENVIRONMENTAL GRIEVANCE MECHANISM</strong></td>
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<td>p.23 Gaps, progress and changes in the approach</td>
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<td>G4-EN34</td>
<td>p.23, 27 Grievances resolved</td>
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### CATEGORY: SOCIAL

**SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK**  Supports reporting to UN Global Compact, Principle no 6.

### MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY

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<tr>
<th>DMA and Indicators</th>
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<th>&quot;External Assurance&quot;</th>
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<tr>
<td>G4-DMA-a</td>
<td>p.73 Impact and materiality.</td>
<td></td>
<td>No reporting for part of the Standard Disclosure regarding independent contractors' injury rate, occupational diseases, lost day rate etc.</td>
<td>The information is subject to specific confidentiality constraints.</td>
<td>Yes, p.60</td>
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<tr>
<td>G4-DMA-b</td>
<td>p.73 Components of the management approach</td>
<td></td>
<td>No reporting for part of the Standard Disclosure regarding statistics for occupational diseases rate, lost day rate and injury rate by region and gender.</td>
<td>The information is currently unavailable.</td>
<td>Yes, p.60</td>
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<tr>
<td>G4-DMA-c</td>
<td>p.49 Performance against targets</td>
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<tr>
<td>G4-DMA-c</td>
<td>p.36, 51 Performance</td>
<td></td>
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<td>G4-LA5</td>
<td>p.36 Workforce represented</td>
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<td>G4-LA6</td>
<td>p.36, 51 Injury rate</td>
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**MATERIAL ASPECT: TRAINING AND EDUCATION**

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<tbody>
<tr>
<td>G4-DMA-a</td>
<td>p.73 Impact and materiality.</td>
<td></td>
<td>No reporting for part of the Standard Disclosure regarding statistics for performance and career development review by gender and employer category.</td>
<td>The information is currently unavailable.</td>
<td>Yes, p.60</td>
</tr>
<tr>
<td>G4-DMA-b</td>
<td>p.73 Components of the management approach</td>
<td></td>
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<td>p.49 Performance against targets</td>
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<td>G4-DMA-c</td>
<td>p.34 Performance</td>
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<tr>
<td>G4-LA11</td>
<td>p.34, 51 Performance reviews</td>
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</table>

No reporting for part of the Standard Disclosure regarding statistics for performance and career development review by gender and employer category. The information is currently unavailable. There is not yet any common system in place to handle this specific statistic’s activity for the whole company. So far all managers are reporting their reviews to the HR department. During 2014 a new HR system was introduced, but it will probably not cover this issue.

We deem reporting for independent contractors is not applicable. Work environment is according to the legislation AFS 2001:01 the responsibility for each specific company (www.av.se/lagochratt/afs/afs2001_01.aspx). According to business codes we are not able to demand data. Diseases, lost days etc are dealt with within the contractor companies, in dialogue with the authorities when needed. We consider actions on the sites together with the contractors when accidents occur in order to avoid future problems.
<table>
<thead>
<tr>
<th>DMA and Indicators</th>
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<tr>
<td><strong>MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY</strong></td>
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<tr>
<td>G4-DMA-a</td>
<td>p.73 Impact and materiality</td>
<td>Minority statistics are not disclosed. Age groups are not disclosed for all employee categories, only for blue collar and white collar workers. Neither are statistics regarding employee category by gender available.</td>
<td>The existence of specific legal prohibitions; The information is currently unavailable</td>
<td></td>
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<td>G4-DMA-b</td>
<td>p.73 Components of the management approach</td>
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<td>G4-DMA-c</td>
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<td>G4-LA12</td>
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<td><strong>MATERIAL ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN</strong></td>
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<td>Only basic salary in remuneration assessments</td>
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<td>G4-LA13</td>
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<td>G4-LA16</td>
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</table>

The company will not arrange any statistics that could be questioned according to this legislation. Instead diversity and equality is promoted by policies, groups organized to coordinate these issues and by action plans. When it comes to age groups the new HR system introduced during 2014 will probably increase the opportunities for detailed statistics in the future.
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<td>Yes, p.60</td>
</tr>
</tbody>
</table>
Index Disclosures on Management Approach
(Specific Standard Disclosures)

GOVERNANCE – RESPONSIBILITY AND RESOURCES

The Board and the company’s Senior Management Team are responsible for formulating targets and strategies. Responsibility for operational implementation of the strategies is held by the managers of the units under the ongoing governance of the company’s Senior Management Team, which includes the CEO, the Executive Vice President responsible for all production facilities, the three business units and the units Finance, Strategic Development, Human Resources, Forestry and Communication & Sustainability. Support in governance is also provided by a general management group for the production plants, and management meetings expanded by the addition of central staff functions. A Sustainability Council addresses all aspects of sustainability work and acts in an advisory and supervisory capacity regarding strategic work on sustainability. Communication & Sustainability leads operational work on sustainability partly through a broader network of environmental officers company-wide. This unit and the Sustainability Council are headed by the Senior Vice President Communication and Sustainability, who reports to the Senior Management Team each month. Certification includes internal and external audits with accompanying action plans.

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<th>Aspect</th>
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<th>Purpose and targets</th>
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<tr>
<td>ECONOMIC – RESPONSIBILITY AND RESOURCES</td>
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<tr>
<td>Finance is responsible for all economic follow-up and reporting in general. Purchasing is responsible for the central purchasing system and for developing the supplier assessment model, while purchasing work is also carried out in a decentralised manner within Forestry, Supply Chain, Pulp and Paccess. Strategic Development is responsible for managing innovation work, with the functions R&amp;D and New Business Lab. Responsibility for product safety is divided operationally between the business areas and production facilities, supported by a company-wide product safety group.</td>
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</table>

ENVIRONMENTAL – RESPONSIBILITY AND RESOURCES

The managers of the plants and the units are responsible for work on improvements, supported by the business and management systems. Environmental managers ensure that legislation, the terms of permits and certification criteria are complied with, and run work on improvements. The Energy Council coordinates the plants’ work on energy, backed by the decisions of the Steering group on strategic energy issues. Identified environmental and energy aspects are summarised on an annual basis for decisions at the management review and decisions on action plans for improvement. A coordination group works on developing working methods in line with the management systems. At the plants there are specialist groups for specific areas, such as chemicals groups that examine the performance and impact of chemicals. The responsible units for transport of wood and finished products are Forestry and Supply Chain respectively. Forestry also has specialists on certification, planning, nature conservation, etc.

<p>| Materials | | | | |
| Energy | | | | |</p>
<table>
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<tbody>
<tr>
<td>Water</td>
<td>Risk of negative impacts on local water supply for other users and on water quality, affecting the environment and society.</td>
<td>Water is an essential production input. Water supply and quality for other stakeholders and the environment.</td>
<td>Operational policy ISO 9001 ISO 14001 Involvement in local water boards Production monitoring Measurement systems</td>
<td>Constant improvement. Satisfy production conditions and avoid negative impacts.</td>
<td></td>
</tr>
<tr>
<td>Biodiversity</td>
<td>Risk of negative impact on biodiversity in forestry.</td>
<td>The company’s forestry and purchasing of wood raw materials must meet requirements regarding consideration for high conservation value.</td>
<td>Operational policy Timber supply guidelines Forestry certification FSC and PEFC Supplier assessments</td>
<td>Avoid negative impacts and improve prerequisites for high conservation value. Sustainability targets.</td>
<td></td>
</tr>
<tr>
<td>Air emissions</td>
<td>Risk of negative impact on air quality with acidifying substances and particles in the areas surrounding the plants and emissions of greenhouse gases.</td>
<td>The company’s plants must meet conditions for production and contribute towards reduced climate impact.</td>
<td>Operational policy ISO 9001 ISO 14001 Production monitoring Measurement systems</td>
<td>Avoid negative impacts, satisfy production conditions and through the vision of fossil-free production reduce the negative impacts of climate gases. Sustainability targets.</td>
<td></td>
</tr>
<tr>
<td>Effluents and waste</td>
<td>Risk of negative impacts in water-courses through emissions of acidifying substances and nutrients and in waste management.</td>
<td>The company’s plants must satisfy production conditions and not place the ecological status of water at risk.</td>
<td>Operational policy ISO 9001 ISO 14001 Production monitoring Measurement systems and control programmes</td>
<td>Avoid negative impacts and satisfy production conditions.</td>
<td></td>
</tr>
<tr>
<td>Products and services</td>
<td>Opportunities to reduce negative impact in customers’ choices of more environmentally-friendly paper and board options than others.</td>
<td>Environmental performance of products is valued by customers and brand owners, which affects business. The environmental performance of products is important for many consumers and for customers’ business.</td>
<td>Operational policy ISO 9001 ISO 14001 ISO 50001 Production monitoring Measurement systems and control programmes External LCA and EPD External evaluation systems such as CDP and EcoVadis</td>
<td>Develop and report reduced environmental impact in a life cycle perspective compared with alternative packaging solutions.</td>
<td></td>
</tr>
<tr>
<td>Compliance</td>
<td>Risk of environmental impacts and negative impacts on production, costs and brand if legislation is not complied with and production conditions are not satisfied.</td>
<td>The company must comply with legislation and satisfy production conditions to be able to operate.</td>
<td>Operational policy ISO 14001 Measurement systems and control programmes Procedures/systems for compliance with the law</td>
<td>Avoid negative effects on production, costs and brands and create opportunities for positive effects in the future.</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>Negative impacts through emissions from vehicles that run on fossil fuels and disturbance for local communities. Opportunity to reduce negative impacts by developing and using better transport solutions and technologies.</td>
<td>The company must have transport solutions that meet internal and customer requirements on cost, function, punctuality and environmental performance. Suppliers of transport services must take into account and meet the requirements set by the company in order to continue as suppliers.</td>
<td>Code of Conduct Purchasing policy ISO 14001 Supplier assessment</td>
<td>Reduce negative impact of emissions and local traffic relating to transport. Sustainability targets.</td>
<td></td>
</tr>
<tr>
<td>Supplier assessment</td>
<td>Opportunity to reduce negative impacts through dialogue with potential suppliers and selecting those that best meet the company’s requirements and guidelines.</td>
<td>Suppliers often have a major impact on a product’s ultimate environmental performance so it is important for the company to both influence work towards improvements and to be selective. Suppliers of goods and services must take into account and meet the requirements set by the company in order to continue as suppliers.</td>
<td>Code of Conduct Purchasing policy ISO 14001 Supplier assessment</td>
<td>Reduce negative impacts in purchasing goods and services</td>
<td></td>
</tr>
</tbody>
</table>
### LABOUR PRACTICES – RESPONSIBILITY AND RESOURCES

Responsibility for and governance of health and safety rest with HR, but is run operationally by the unit managers. Work on health and safety is run operationally by the managers of the production facilities, supported by specialists. The general management group for all the plants follows up general reports and action plans are formulated. In terms of skills development, diversity work and setting pay, overall responsibility rests with HR, but operationally it lies with management in interaction with employees. Pay surveys are carried out locally at the plants and other units to investigate the need for corrections to pay for individuals or groups of employees. A company-wide diversity group supports work across the board.

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Grievance mechanisms</td>
<td>External and internal opinions on the business make a positive contribution towards improvements. Clear mechanisms for addressing grievances show that the company is positive towards openness and to receiving views.</td>
<td>To ensure that there is no deviation from the company’s Code of Conduct, it is important that grievances can easily be passed on to the company.</td>
<td>Code of Conduct&lt;br&gt;Operational policy&lt;br&gt;Timber supply guidelines&lt;br&gt;ISO 14001&lt;br&gt;FSC and PEFC Forestry&lt;br&gt;Template for managing non-compliance&lt;br&gt;Information on website</td>
<td>Ensure that there are functions in place such that important opinions on the business come in, can be used to avoid negative effects and contribute towards positive development.</td>
<td></td>
</tr>
<tr>
<td>Occupational health and safety</td>
<td>Risk of negative impacts if health and safety at work is not good or may lead to accidents. Opportunity for reduced or positive impact if preventive work or rehabilitation works well.</td>
<td>Employees who enjoy their work, feel good and do not suffer accidents are crucial to the company’s ability to fulfill its strategies and meet its targets.</td>
<td>Operational policy&lt;br&gt;Health policy&lt;br&gt;ISO 14001/OHSAS 18001&lt;br&gt;Collaboration council&lt;br&gt;Safety procedures&lt;br&gt;Risk analyses/Safety rounds&lt;br&gt;Injury and incident reporting&lt;br&gt;Performance reviews&lt;br&gt;Employee surveys&lt;br&gt;Health and safety action plans</td>
<td>Eliminate negative impacts such that all employees enjoy good health and safety at work. Improve health through special initiatives. Sustainability targets</td>
<td></td>
</tr>
<tr>
<td>Training and education</td>
<td>Positive impact on employees’ development opportunities, wellbeing and self-confidence through improved expertise.</td>
<td>Well trained staff who are able to foster wellbeing and create good results for the company.</td>
<td>Operational policy&lt;br&gt;Talent management strategy&lt;br&gt;Induction&lt;br&gt;Trainees&lt;br&gt;Method-based development work&lt;br&gt;Performance reviews&lt;br&gt;Leadership Academy&lt;br&gt;E-training on focus areas&lt;br&gt;Special training initiatives</td>
<td>Deliberate talent management and needs-based training have a positive impact on the level of expertise. Sustainability targets</td>
<td></td>
</tr>
<tr>
<td>Diversity and equal opportunity</td>
<td>Diversity and equal opportunity increase commitment and expertise, which positively affect the development of employees and the company.</td>
<td>The company needs to have broad-based expertise and make the most of the commitment and expertise of all employees.</td>
<td>Code of Conduct&lt;br&gt;Talent management strategy&lt;br&gt;Guidelines for work on diversity&lt;br&gt;Diversity group</td>
<td>Increase diversity to positively develop skills and commitment through internal measures and recruitment. Sustainability targets</td>
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</tr>
<tr>
<td>Equal remuneration</td>
<td>Equal pay for equal work is fundamental to equal treatment of all employees and justice in this regard is felt to be positive.</td>
<td>Fair pay motivates employees and is good for the company’s results.</td>
<td>Pay policy&lt;br&gt;Performance reviews&lt;br&gt;Pay reviews&lt;br&gt;Pay surveys and measures</td>
<td>Ensure that equal pay is set for equal work for positive development of employee motivation.</td>
<td></td>
</tr>
<tr>
<td>Supplier assessment</td>
<td>Working conditions at suppliers must fulfil fundamental requirements to be able to be seen as sustainable. The company can also avoid negative impact and positively influence such development.</td>
<td>It is important for the company to assess working conditions at suppliers to safeguard sustainability in the supplier chain.</td>
<td>Code of Conduct&lt;br&gt;Purchasing policy&lt;br&gt;ISO 14001&lt;br&gt;Supplier assessment</td>
<td>Avoid negative impacts from the purchase of goods and services and positively influence suppliers. Sustainability targets</td>
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</table>
Non-discrimination

Discrimination at the workplace would be extremely negative for employees affected and the company.

To ensure that there is no deviation from the company’s Code of Conduct, it is important that grievances can easily be passed on to the company.

Code of Conduct
Communication policy
ISO 14001
FSC and PEFC Forestry
Whistleblower policy
Whistleblower function
Sustainability Council

Ensure that there are functions in place such that important opinions on the business come in, can be used to avoid negative effects and contribute towards positive development.

HUMAN RIGHTS – RESPONSIBILITY AND RESOURCES

The company complies with the UN’s Universal Declaration of Human Rights and is a member of the UN Global Compact. The CEO bears ultimate responsibility for the Code of Conduct, which is based on the UN’s Global Compact and the company’s values, but it is the responsibility of every employee to be aware of and take responsibility for ensuring that the code is applied. The company’s Senior Management Team follows up work on the code on an annual basis. A policy on the company’s whistleblower function is signed by the CEO and breaches of the code can be reported via this function. Any deviations are addressed by the Sustainability Council. Collective agreements and consultation procedures form the basis of dialogue between the company and the unions. Through the Code of Conduct the company clearly sets out that employees are entitled to join a union of their choice and to join other organisations and unions (*aspect-specific G4-DMA-b). Forestry certification includes deciding on adapted measures in consultation with indigenous peoples. Backed by the supplier assessment procedures, it is investigated whether the suppliers meet the requirements and decisions are taken on how the company is to handle these.

Non-discrimination

Discrimination must not take place within the company.

Discrimination must not take place at the supplier stage and suppliers can be influenced by the company’s requirements.

To avoid negative effects, work for and ensure that discrimination does not take place within the company or among suppliers.

Freedom of association and collective bargaining

Freedom of association and the right to collective bargaining is a positive and obvious part of operations.

It is important for the company’s relationship with its employees that freedom of association and the right to collective bargaining are in place.

Freedom of association and the right to collective bargaining must be present such that suppliers can be influenced by the company’s requirements.

To avoid negative effects on relations between the company and its employees or suppliers, work for and safeguard freedom of association and the right to collective bargaining (*See above)

Child labour

Avoiding the negative effects of child labour is obviously fundamental to operations.

It is important for the company not to be involved in children being subjected to illegal labour and exploitation.

Child labour must not take place among suppliers, so suppliers are subject to the requirements set during assessments.

To avoid negative effects for people affected or for the company’s reputation, the risk of illegal child labour must be eliminated.

Forced labour

Avoiding the negative effects of forced labour is obviously fundamental for the company.

It is important for the company not to be involved in forced labour and exploitation of human beings.

Forced labour must not take place among suppliers, so suppliers are subject to the requirements set during assessment.

To avoid negative effects for people affected or for the company’s reputation, the risk of forced labour must be eliminated.

Indigenous rights

The rights of indigenous peoples are important to ensure that there is no negative impact on their opportunities to practice their traditional culture and livelihoods.

The company’s forestry may threaten indigenous rights if consultation does not take place.

Indigenous peoples can be affected by the company’s forestry and need consultation.

To avoid negative effects for indigenous peoples, consultation must be carried out before measures which may have an impact.

Supplier assessment

Human rights must be met at suppliers if business is to be able to be seen as sustainable. The company can also avoid negative impact and positively influence such development.

It is important for the company to evaluate human rights at suppliers to safeguard sustainability in the supply chain.

Suppliers that are assessed can be influenced to carry out improvements.

To avoid negative impacts from the purchase of goods and services and positively influence suppliers.

Sustainability targets
Anti-corruption
Corrupt businesses have a negative effect on individuals and serious companies like BillerudKorsnäs and mean that development stagnates, giving rise to many negative effects in society.

External materiality
To ensure that there is no deviation from the company’s Code of Conduct, it is important that views can easily be passed on to the company.

Internal materiality
Corrupt business is not accepted in the company and it is therefore important to combat the risk of this occurring.

Sustainability targets
Avoid negative effects on the business, costs and brands and create opportunities for positive effects in the future.

Management processes and procedures to identify and follow up impacts
Code of Conduct
Communication policy
ISO 14001
FSC and PEFC Forestry
Whistleblower policy
Whistleblower function
Sustainability Council

Purpose and targets
Ensure that there is knowledge of corruption and that functions are in place for reporting non-compliance.

Anti-competitive behaviour
Anti-competitive behaviour is damaging to serious business and would have a negative and damaging effect on the company’s brand, were it to occur.

External materiality
Anti-competitive behaviour is not accepted within the company and it is therefore important to combat the risk of it occurring.

Internal materiality
The company must comply with legislation in order to be able to run and develop the business and avoid costly court cases.

Sustainability targets
Avoid negative impacts from the purchase of goods and services and positively influence suppliers. Sustainability targets

Management processes and procedures to identify and follow up impacts
Code of Conduct
Policy for compliance with competition law
Training programme
Whistleblower policy
Whistleblower function
Sustainability Council

Purpose and targets
Ensure that there is knowledge of competition law and that functions are in place for reporting non-compliance.

Compliance
The risk of an extremely negative impact on every aspect of the company’s business and on trust if legislation is not complied with.

External materiality
The company must comply with legislation in order to be able to run and develop the business and avoid costly court cases.

Internal materiality
It is important for the company to evaluate whether legislation that affects business operations is complied with by suppliers such that the company’s own operations are not negatively affected.

Sustainability targets
Avoid negative impacts from the purchase of goods and services and positively influence suppliers. Sustainability targets

Management processes and procedures to identify and follow up impacts
Code of Conduct
Purchasing policy
ISO 14001
Supplier assessment

Purpose and targets
Ensure that there is knowledge of corruption and that functions are in place for reporting non-compliance.

Supplier assessment
Suppliers must comply with relevant legislation to ensure that business relations are seen as sustainable.
The company can also avoid negative impacts and positively influence development.

External materiality
Suppliers that are evaluated can be influenced to carry out improvements.

Internal materiality
It is important for the company to evaluate whether legislation that affects business operations is complied with by suppliers such that the company’s own operations are not negatively affected.

Sustainability targets
Avoid negative impacts from the purchase of goods and services and positively influence suppliers. Sustainability targets

Management processes and procedures to identify and follow up impacts
Code of Conduct
Purchasing policy
ISO 14001
Supplier assessment

Purpose and targets
Ensure that there is knowledge of corruption and that functions are in place for reporting non-compliance.

Grievance mechanisms
External and internal opinions on the business help to ensure that negative impacts are avoided and improvements achieved. Clear grievance mechanisms show that the company is positive towards openness and accessibility.

External materiality
To ensure that there is no deviation from the company’s Code of Conduct, it is important that grievances can easily be passed on to the company.

Internal materiality
Corrupt business is not accepted in the company and it is therefore important to combat the risk of this occurring.

Sustainability targets
Avoid negative effects on the business, costs and brands and create opportunities for positive effects in the future.

Management processes and procedures to identify and follow up impacts
Code of Conduct
Communication policy
ISO 14001
FSC and PEFC Forestry
Whistleblower policy
Whistleblower function
Sustainability Council

Purpose and targets
Ensure that there is knowledge of corruption and that functions are in place for reporting non-compliance.

Grievance mechanisms
External and internal opinions on the business help to ensure that negative impacts are avoided and improvements achieved. Clear grievance mechanisms show that the company is positive towards openness and accessibility.

Society – Responsibility and resources
Responsibility for steering the company’s work on compliance with the law lies with the Legal function, which formulates policies on anti-corruption and competition issues. These are signed by the CEO as the holder of ultimate responsibility. The Legal function is also responsible company-wide for the company’s compliance model, while operational work on implementing procedures for this rests with the unit managers and appointed experts. Responsibility for contact with local communities lies primarily with every production plant or the forestry unit. Responsibility for general contact with society is often run by central staff functions, but depending on the subject, such representation can also be made by other parts of the company. The model developed by Purchasing is mainly used to control corruption, anti-competitive behaviour and compliance in the supply chain, but in 2014 local versions were also used within the company.

Sustainability Council
Whistleblower function
Whistleblower policy
FSC and PEFC Forestry
ISO 14001
Communication policy
Sustainability targets
Avoid negative impacts from the purchase of goods and services and positively influence suppliers. Sustainability targets

Management processes and procedures to identify and follow up impacts
Code of Conduct
Purchasing policy
ISO 14001
Supplier assessment

Purpose and targets
Ensure that there is knowledge of corruption and that functions are in place for reporting non-compliance.

Sustainability Council
Whistleblower function
Whistleblower policy
FSC and PEFC Forestry
ISO 14001
Communication policy
Sustainability targets
Avoid negative impacts from the purchase of goods and services and positively influence suppliers. Sustainability targets

Management processes and procedures to identify and follow up impacts
Code of Conduct
Purchasing policy
ISO 14001
Supplier assessment

Purpose and targets
Ensure that there is knowledge of corruption and that functions are in place for reporting non-compliance.
# PRODUCT RESPONSIBILITY – RESPONSIBILITY AND RESOURCES

The business areas are responsible for ensuring that the right product is sold for the intended area of use. Responsibility for product safety rests with the plants in their part of the chain, including chemical controls. The product safety group, which comprises representatives of all the plants, works to ensure that regulations, legislation and other requirements are met world over.

The technical customer support functions of the three business areas are responsible for registering grievances and complaints about products and other product-related management, which may apply to the company’s product liability and which, depending on the issue, are passed on for action within the company.

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<tr>
<td>Customer health and safety</td>
<td>Deficiencies which place customers’ health and safety at risk can cause major negative effects on the company’s production, trust and business.</td>
<td>The risk of deficiencies in customer health and safety can and must be eliminated through internal measures.</td>
<td>It is essential that customers do not risk being negatively affected.</td>
<td>Code of Conduct, Chemicals groups, Product safety group, Internal and external checks, Sales procedures</td>
<td>Carry out chemicals checks at the plants and ensure that legislation is followed in production. Company-wide, ensure that all current regulations and legislation on the sale of products are complied with.</td>
</tr>
<tr>
<td>Labelling products and services</td>
<td>Incorrectly labelling product performance and inability to fulfil promises could lead to problems in handling and use of the end product.</td>
<td>It is important for the company that products are correctly labelled to ensure that there are no negative effects on customers or business operations.</td>
<td>It is essential that customers do not risk being negatively affected.</td>
<td>Code of Conduct, ISO 9001/ISO 14001, FSSC 22000, Chemicals groups, Product safety group, FSC and PEFC Chain of Custody, Sales procedures</td>
<td>When products leave the plants, product safety and transport documentation must be assured. When products are sold, legislation must be complied with and the right product must be sold for the relevant need.</td>
</tr>
<tr>
<td>Responsible marketing</td>
<td>Marketing that leads to customers being led to purchase on incorrect grounds must not take place within the company.</td>
<td>It is important for the company that marketing is correct, to ensure that business does not suffer.</td>
<td></td>
<td>Code of Conduct, Communication policy, FSSC 22000, FSC and PEFC Chain of Custody</td>
<td>The company’s communication must be correct.</td>
</tr>
<tr>
<td>Customer confidentiality</td>
<td>Deficiencies in processing customers’ confidential information and in customer confidentiality can have a major negative impact on the company’s trust and business.</td>
<td>The risk of deficiencies in handling customer information can and must be eliminated through internal measures.</td>
<td>It is important for customers not to suffer from confidential information ending up in the wrong hands.</td>
<td>Code of Conduct, Communication policy, Customer case management system</td>
<td>Customer confidentiality and information must be handled with the greatest care.</td>
</tr>
</tbody>
</table>
Aspect-specific G4-DMA-b Supplier Assessments - Environment, Labour Practices, Human Rights and Society

**SYSTEMS USED**

“Describe the systems used to screen new suppliers using environmental, labor practices, human rights and social criteria. List the environmental, labor practices and human rights criteria used to screen new suppliers.

- Human rights criteria or assessments of impacts for labour practices may cover:
  - Child labour
  - Discrimination
  - Forced or compulsory labour
  - Freedom of association and collective bargaining
  - Indigenous rights
  - Security practices”

**Purchasing**

A new process regarding screening by self-audits and physical meetings was introduced during 2014. All new suppliers with a spend above SEK 100 000 shall according to the model be screened regarding eight perspectives: strategy, finance, quality, production/services, hygiene, environment, the social criteria labour practices and sustainability/human rights, furthermore a number of society criteria are included in the perspectives.

- Environmental criteria
  - Policies and legislation
  - Risk analyses
  - Environmental aspects
  - Training and emergencies
  - Suppliers
  - Improvement activities

- Labour practices criteria
  - Management systems and legislation
  - Production routines and quality control
  - Ethics and grievances
  - Safety and injuries
  - Traceability and documentation
  - Improvement activities

- Human rights criteria
  - Sustainability policy
  - Equality, discrimination, whistleblower
  - Freedom of assoc. and collective bargaining
  - Forced labour and child labour
  - Suppliers
  - Improvement activities

- Society criteria
  - Emergency plans
  - Permits
  - Hygiene
  - Bribery
  - Compliance

**Supply Chain**

Supply Chain did during 2014 introduce the system above developed by Purchasing. No new suppliers were introduced during 2014.

- Pulp
  Pulp did during 2014 introduce the system above developed by Purchasing. No new suppliers were introduced during 2014.

- Forestry
  According to legislation, demand for PEFC certification among contractors, collective agreements for the employees and contractual agreements based on mutual responsibilities all relevant criteria are covered by the annual supplier assessment procedures for the forestry contractors. Child and forced labour is not a risk in the operations. Indigenous people are met annually to discuss plans and how to avoid or mitigate negative impact. For wood supply there are specific guidelines and routines to avoid unacceptable sources in accordance with its Chain of Custody certification and the EU Timber Regulation. Forestry will during 2015 adapt the Purchasing model to its operations.

**PROCESSES USED**

“Describe processes used, such as due diligence, to identify and assess significant actual and potential negative impacts in the supply chain. Negative impacts include those that are either caused or contributed to by the organization, or that are linked to its activities, products, or services by its relationship with a supplier.”

- Pulp
  Pulp did during 2014 introduce the system above developed by Purchasing. According to the extremely low risk in the supply chain for external pulp the assessments were conducted as self-audits according to a questionnaire developed by Purchasing.

- Forestry
  Mainly processes are ensured by the legislation, annual supplier assessments, contracts, certification and follow-up. On top of that there is a complaints mechanism in place giving stakeholders the possibility to give their view on performance in the operations. If there are any complaints related to specific contractors, they are contacted by BillerudKorsnäs in order to evaluate what has happened and to solve the issue in a proper way.

**IDENTIFICATION**

“Describe how the organization identifies and prioritises suppliers for assessment of assessment and risk analyses related to the six supplier perspectives quality, production, environment, sustainability, health & safety and hygiene. Two additional perspectives related to the actual suppliers of BillerudKorsnäs, strategy and finance, are also assessed.”

- Supplier Chain
  Supplier Chain did during 2014 introduce the system above developed by Purchasing. The target for Supplier Chain is to evaluate all suppliers representing more than one percent of the total volume of business by physical meetings during a three-year period.

- Purchasing
  In the new common process “Manage supplier” was introduced covering the assessment of significant actual and potential impact in the supply chain. The process includes impact
impacts. Assessments may be informed by audits, contractual reviews, two-way engagement, and grievance and complaint mechanisms.

**Purchasing**
In 2014 the new common process "Manage supplier" was introduced covering the assessment of significant actual and potential impact in the supply chain. The process includes impact assessment and risk analyses related to the six supplier perspectives quality, production, environment, sustainability, health & safety and hygiene. Two additional perspectives related to the actual suppliers of BillerudKorsnäs, strategy and finance, are also assessed.

**Supply Chain**
The target for Supply Chain is to evaluate all suppliers representing more than one percent of the total volume of business by physical meetings during a three-year period.

**Pulp**
According to the extremely low risk in the supply chain for external pulp the assessment were during 2014 conducted as self-audits according to a questionnaire developed by Purchasing.

**Forestry**
All forestry contractors are assessed annually by audits, grievances mechanisms and contractual reviews. Transport contractors have so far been assessed only by contractual reviews, but during 2015 transports as well as wood imports will be introduced for assessment according to an adapted version of the model introduced by Purchasing.

**ACTIONS TAKEN**
"Describe actions taken to address the significant actual and potential negative impacts identified in the supply chain. Explain if the actions are intended to prevent, mitigate, or remEDIATE the impacts. Actions taken may include the adjustment of the organisation procurement practices, the adjustment of performance expectations, capacity building, training, changes to processes and terminating the relationship with a supplier."

**Purchasing**
During the physical assessments 2014 there were two suppliers not directly approved as BillerudKorsnäs at that stage was not fully informed about the further supply chain in full. These cases did not lead to any adjustments as the information subsequently provided was fully satisfactory to the company.

**Supply Chain**
No specific actions needed to be taken during 2014 to address significant actual and potential negative impacts identified.

**Pulp**
No specific actions needed to be taken during 2014 to address significant actual and potential negative impacts identified.

**Forestry**
During 2014 there was a restriction set in the contracts for the maximum load of wood for truck transports as there was a risk of non-compliance with the actual legislation. For imports of wood by sea-vessels there were restrictions stipulated in the contract in order to avoid high costs and emissions.

**EXPECTATIONS DEFINED**
"Describe how expectations are established and defined in contracts with suppliers to promote the prevention, mitigation, and remediation of significant actual and potential negative impacts (including targets and objectives)."

**Purchasing**
In 2013 a common agreement template covering this area was introduced and has been used since then. The expectations in the agreement called “Purchaser standards for business partners” define what shall be achieved as well as what shall be mitigated and avoided. During 2015 there will be a Suppliers Code of Conduct introduced in order to further clarify the expectations.

**Supply Chain**
Expectations are defined in the Logistics Service Agreement and the BillerudKorsnäs Handling Manual. Environmental demands to develop sustainable transport solutions causing less negative impact from emissions as well as socially oriented demands, such as no child labor, are presented.

**Forestry**
When purchasing cutting rights from forest owners it is defined which responsibility is placed on BillerudKorsnäs and the forest owner respectively by means of an annex in the contract. Beside economic or practical matters this is mainly about environmental protection to prevent the area from negative impacts. During the process of signing an agreement with contractors for logging etc the system APSE (www.apse.se), is used, which stipulates what should be included in a fair agreement while being business oriented. This is used as a basis for promoting fair business practices and professional work. On top of this it is demanded the forestry contractors shall be certified in accordance with the contractor standard in the PEFC system (www.pefc.ce), which stipulates expectations on the contractor in a number of specific areas regarding environment and social aspects.

**INCENTIVES**
"Describe whether suppliers are incentivised and rewarded for the prevention, mitigation, and remediation of significant actual and potential negative impacts."

**Purchasing**
No processes identified related to incentives beside contractual demands.

**Supply Chain**
No specific incentives except what is written in the contracts.

**Pulp**
No specific incentives except demands defined by the contracts.
Forestry
Contractors and transport suppliers are usually not explicitly paid according to quality, even though there are quality parameters defined when agreements are set. Logging contractors are paid according to the volume produced and transporters are paid according to the volume delivered. But there are nevertheless incentives for all of them to perform well in order to improve operations and relations. When it comes to planting there is a quality related aspect to the payment, however. As part of the follow-up work there are meetings used for detailed professional feedback, which in many cases is a strong incentive to perform well. There are better possibilities for a contractor to negotiate if the performance is of high quality.

ASSESSMENT PRACTICES
“Describe practices for assessing and auditing suppliers and their products and services using environmental, labor practices, human rights and social criteria.”

Supply Chain
Supply Chain did during 2014 introduce the system above developed by Purchasing. The target for Supply Chain is to evaluate all suppliers representing more than one percent of the total volume of business by physical meetings during a three-years period.

Pulp
Pulp did during 2014 introduce the system above developed by Purchasing. Due to the extremely low risk in the supply chain for external pulp the assessments were conducted as self-audits according to a questionnaire developed by Purchase.

Forestry
There is a specific assessment document and procedure used annually for all contractual agreements with forestry contractors. It specifies a number of demands that shall be followed from day one to ensure the social aspects for employees in the companies are upheld, as collective agreements, assurances, and security arrangements. Also, competence, equipment and sub-contractors are checked according to social as well as environmental aspects.

SCOPE AND FREQUENCY
“List the type, system, scope, frequency, current implementation of assessment and audit, and which parts of the supply chain have been certified and audited. Assessments and audits of suppliers and their products and services may be undertaken by the organization, by a second party or by a third party.”

Purchase
In 2014 the new common process “Manage supplier” was introduced covering the assessment of significant actual and potential impact in the supply chain. The process includes impact assessment and risk analyses related to the six supplier perspectives quality, production, environment, sustainability, health & safety and hygiene. Two additional perspectives related to the actual suppliers of BillerudKorsnäs, strategy and finance, are also assessed. The assessments are conducted by BillerudKorsnäs personnel.

Pulp
Pulp did during 2014 introduce the system above developed by Purchasing. Due to the extremely low risk in the supply chain for external pulp the assessments were conducted as self-audits according to a questionnaire developed by Purchasing.

Forestry
All of the forestry contractors are audited annually according to the procedure described above. They are as well internally assessed when it comes to the biological results on the areas where they have operated. As they shall be PEFC certified they are audited by samples from an external certification body. Also according to the FSC and PEFC certification umbrellas run by BillerudKorsnäs for private forest owners and wood suppliers these are together with the Company annually sampled for external audits.

IMPACTS OF TERMINATION
“Describe the systems in place to assess the potential negative impacts of terminating a relationship with a supplier as a result of impact assessment, and the organisation strategy to mitigate these impacts.”

Purchase
When and how a relationship may be terminated is stipulated in contracts.

Supply Chain
When and how a relationship may be terminated is stipulated in contracts.

Pulp
When and how a relationship may be terminated is stipulated in contracts.

Forestry
According to the contracts there are paragraphs saying when and how termination may be conducted. If an assessment theoretically should show the quality is far from expected BillerudKorsnäs has the possibility to terminate the contract. Before doing that it is reasonable to discuss the matter with the contractor and decide how the contractor shall reach the expected level of performance.
We take a long-term perspective, and our current investments in sustainable business are investments in the future.
In many areas, refrigeration of food poses a major problem. BillerudKorsnäs and TetraPak have worked together to develop liquid packaging board for packaging that challenges traditional tins. The packaging Tetra Recart® makes major demands in terms of board functionality. The content is sterilised inside the packaging and unopened it has a shelf-life of up to 24 months without refrigeration. Use is rapidly growing, especially for vegetables, soups and sauces.
Consumers appreciate environmentally friendly paper carrier bags.

The material is vital to sustainable and attractive carrier bags. BillerudKorsnäs manufactures quality paper from primary fibre from forests in the north, which brings strength and purity, so attracting customers in many different industries.

All the grades in the range improve the functioning of the entire value chain – from the printer’s desire for good colour reproduction, via the packaging manufacturer’s production process requirements to the brand owner’s expectations of a strong, great-looking carrier bag that perfectly reinforces the brand.

A strong and sustainable carrier is profitable in many ways. It protects the products, reduces losses and saves money. BillerudKorsnäs’ kraft paper means material consumption and weight can be considerably kept down compared with bags made from paper with a low strength that is not adapted to this end use.

BillerudKorsnäs’ kraft papers, Xpression, are extremely strong, and carefully tested, evaluated and made to suit the most demanding applications, making them especially suitable for heavy grocery bags.

They are greatly appreciated by packaging manufacturers and end-users. In a recently conducted study of 8 000 European consumers¹, 93% stated that they preferred carrier bags made of paper. They are seen as being better for the environment than other materials.

¹ Consumer survey on packaging, Ipsos, Speciality Paper Manufacturers Association, 2007