



BILLERUDKORSNÄS

Annual and Sustainability Report 2021



We challenge conventional packaging for a sustainable future



We have clickable navigation.

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This year's Annual Report and Sustainability Report

BillerudKorsnäs reports the Group's financial and non-financial information in a joint report. The report reflects BillerudKorsnäs' mission and integrates financial, sustainability and corporate governance information to provide a full and cohesive description. All financial and non-financial information in the report, except for the information on page 3, is based on the financial year 2021 and BillerudKorsnäs as of December 31, 2021. Page 3 This is BillerudKorsnäs is a description of the company at the time of publication of the report, which takes into account the acquisition of Verso that was completed on 31 March 2022.

BillerudKorsnäs' statutory annual report, which includes the Directors' report and financial statements, can be found on pages 45–108.

The BillerudKorsnäs sustainability report is prepared in accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting, GRI Standards, and is externally assured. It comprises pages 25–43, 64–68 and 112–120, plus the GRI Appendix which is available at <http://billerudkorsnas.com/Sustainability>.

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

This is BillerudKorsnäs

BillerudKorsnäs provides paper and packaging materials that challenge conventional packaging for a sustainable future. We are a world leading company in superior paper and packaging materials made from primary fibre; passionately committed to sustainability, quality, and customer value.

After the acquisition of Verso, completed on 31 March 2022, BillerudKorsnäs has ten production units in Sweden, USA, and Finland with around 5 800 employees in over 13 countries and customers in over 100 countries. The company has a turnover of approximately SEK 37.2 billion and is listed on Nasdaq Stockholm.

The acquisition of Verso will be the cornerstone of BillerudKorsnäs' expansion in North America. Over time, BillerudKorsnäs will create one of the most cost-efficient and sustainable production platforms in the industry by converting several of Verso's manufacturing assets into paperboard machines, while maintaining its position as quality and cost leader in speciality and coated paper. This platform will be uniquely positioned geographically to serve the growing domestic market in the USA with high-quality, low carbon-footprint packaging materials.

The combined competences of Verso and BillerudKorsnäs will further enable sustained profitable growth through the provision of superior packaging and paper materials that are made from virgin fibre. Together we are building a company that is passionately committed to sustainability, quality and customer value. A strong safety culture sits at our core and providing a safe working place for all remains our highest priority.

Read more about the merger between BillerudKorsnäs and Verso at billerudkorsnas.com



Combined net sales¹, SEK bn

37.2

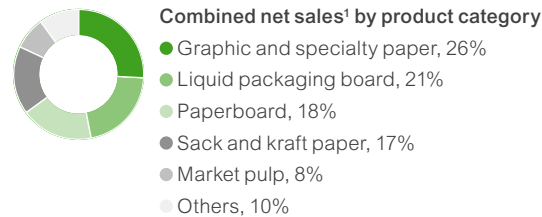
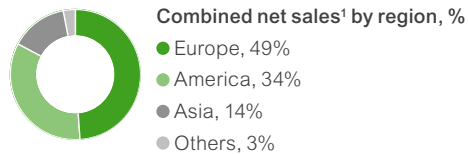
Combined sales volumes, million tonnes

4.1

Combined number of employees

5 800

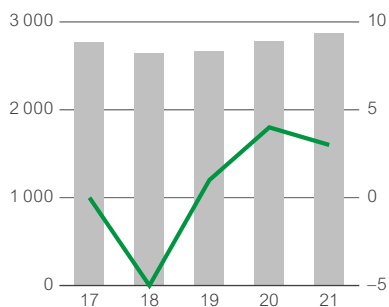
¹ Reported net sales for 2021. Calculation based on USD/SEK exchange rate 8.58 (average during 2021).



2021 in brief

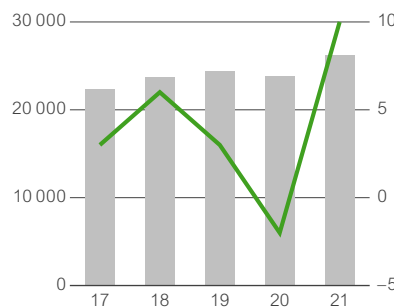
This year's sales increased, driven by strong demand, price increases, higher volumes and an improved product mix. Profitability improved, our climate footprint shrank and the accident rate moved in the right direction.

Sales volumes, ktonnes and growth, %



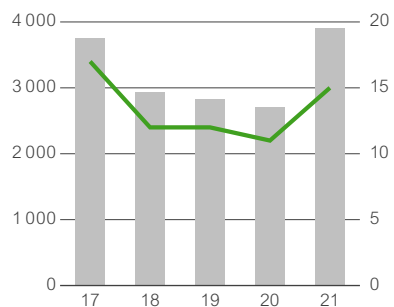
Sales volumes increased by 3% to approximately 2.9 million tonnes of high-quality packaging material.

Net sales, SEKm and growth, %



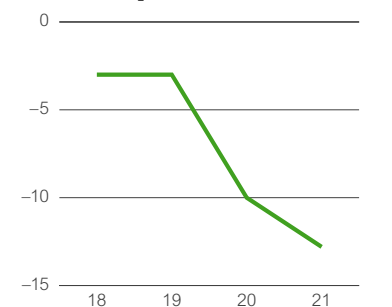
The year's net sales increased by 10%. Excluding currency effects growth reached 12%.

EBITDA, SEKm and EBITDA margin, %



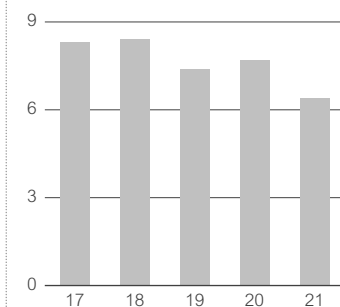
EBITDA increased mainly as a result of higher prices and an improved product mix. The EBITDA margin was 15%.

Reduced CO₂ emissions, scope 1 & 2, %



CO₂ emissions decreased by 3% points. Since 2016, the emissions have decreased by 13% points.

Accident rate own employees and contractors



The lost time injuries per million hours worked for own employees and contractors declined to 6.4.

Key figures

	2021	2020	2019	2018	2017
Net sales, SEKm	26 206	23 884	24 445	23 692	22 345
EBITDA, SEKm	3 901	2 712	2 830	2 943	3 760
EBITDA margin, %	15	11	12	12	17
Operating profit, SEKm	1 989	774	1 086	1 430	2 241
Operating margin, %	8	3	4	6	10
Capital employed, SEKm	24 008	24 667	24 938	23 687	19 548
Return on capital employed, %	8	3	4	7	12
Profit/loss before tax, SEKm	1 876	679	1 265	1 341	2 103
Profit for the year, SEKm	1 485	660	6 720 ²	1 037	1 638
Earnings per share, SEK	7.18	3.19	32.50 ²	5.01	7.91
Dividend per share, SEK	4.30 ¹	4.30	4.30	4.30	4.30
Cash flow from operating activities, SEKm	3 892	2 331	2 319	2 502	3 316
Investments in intangible assets, property, plant and equipment, SEKm	1 526	1 250	2 868	5 120	4 196
Interest-bearing net debt/EBITDA, multiple	1.0	2.0	1.9	3.2	1.5
Average number of employees	4 370	4 468	4 596	4 502	4 395

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

Net sales growth

10%

EBITDA margin

15%

Key events



Agreement to merge with Verso to significantly accelerate growth in North America

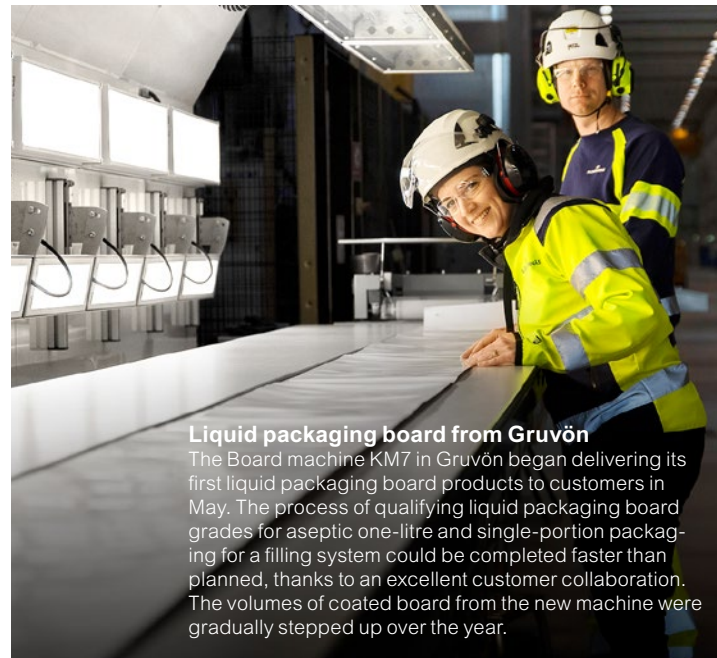
At the end of the year, BillerudKorsnäs entered into a merger agreement with the Verso Corporation (Verso), under which BillerudKorsnäs has agreed to acquire Verso, a leading producer of coated paper in North America, for a purchase price of approximately USD 825 million.

The merger with Verso is fully in line with BillerudKorsnäs' strategy to pursue profitable growth in paperboard, and its ambition to expand in North America. BillerudKorsnäs intends to create one of the most cost-effective and sustainable platforms for board manufacture in North America by converting several of Verso's assets into board machines, while at the same time maintaining its position as a quality and cost leader in speciality and coated paper. This conversion project will require an estimated investment of up to SEK 9 billion by 2029.

After approval of Verso's shareholders, as well as receipt of regulatory approvals and the satisfaction of other customary closing conditions, the acquisition of Verso was completed on 31 March 2022. Read more in the Directors' report on page 46 and in the note 32 Events after the end of the period on page 106.

New strategy unveiled

A long-term strategy for profitable and sustainable growth in packaging materials made from primary fibre was unveiled at a Capital Markets Day in November. The strategy focuses on attractive markets with good growth potential, where BillerudKorsnäs has a strong competitive edge. Read more on page 12.



Liquid packaging board from Gruvön

The Board machine KM7 in Gruvön began delivering its first liquid packaging board products to customers in May. The process of qualifying liquid packaging board grades for aseptic one-litre and single-portion packaging for a filling system could be completed faster than planned, thanks to an excellent customer collaboration. The volumes of coated board from the new machine were gradually stepped up over the year.

Divestment of Beetham

At the end of October, BillerudKorsnäs divested the mill in Beetham to the British investment firm Inspirit. The sale was made on the basis of Beetham's reduced strategic significance for the rest of the Group, since the investments in the production of machine glazed (MG) paper in Skärblacka a few years ago.

Investment in a new soda recovery boiler

At the beginning of the year, the decision was taken to invest in a new soda recovery boiler at the mill in Frövi. This will improve environmental performance, boost energy production and enable improved efficiency and pulp integration at Frövi. The new recovery boiler is planned to be in operation by the end of 2023. The investment is estimated to amount to SEK 2.6 billion.

CEO's statement

Dear Shareholders,

2021 was a good year for BillerudKorsnäs despite the coronavirus pandemic. We made good progress with the production ramp-up at Gruvön, operational improvements and a clearer focus on the core business. Our new strategy, which we presented in November, sets out how we will achieve long-term profitable growth. In line with this strategy, at the end of the year we signed a merger agreement with Verso, a leading producer of coated paper in North America. We intend to transform part of Verso's capacity to paper-board production over time for growth opportunities over the next ten years and beyond.

BillerudKorsnäs is in the sweet spots of current macro trends. The climate transition, demographic changes and new consumer behaviours are driving increased demand for renewable packaging materials that can replace plastic. Not only are our primary fibre materials biologically degradable, but they are also recyclable and therefore vital to the circular flows required to meet the environmental challenges. We have strong market positions in attractive segments, skilled and committed employees, and excellent capabilities in developing new packaging solutions. But we also face challenges that we need to address to reach higher production stability, stronger focus on the core business, and thereby improved financial performance. Our current initiatives tackle these concerns and will secure profitable growth for the next couple of years. As we expect to reach full capacity utilisation by then, we have also strategic initiatives that provide a clear path for profitable growth in the longer run.

2021 financial performance

Net sales for the year grew by 12% excluding currency effects to the highest ever sales figure in the company's history. This performance was supported by good market conditions and a result of higher prices for all our products as well as increased sales volumes. Also adjusted EBITDA was record-high, and the EBITDA margin improved. Cash flow generation was strong and interest-bearing net debt decreased, ending 2021 at a satisfactorily low level of 1.0 in relation to EBITDA.

Important progress during the year

Major progress was made in the ramp-up of production at Gruvön. In the early summer, liquid packaging board started being supplied to customers from our new board machine and PureDecorX™, a new coated three-layer white kraftliner produced at Gruvön, was launched on the market. The percentage of coated material, with higher customer value, increased gradually and accounted for most of the new machine's production by the end of the year.

Key progress was also made on operational improvements. The injury frequency rate declined, and production stability improved. However, there is still room for improvement on both safety and production efficiency. The cost and efficiency programme, introduced in 2019, continued to generate savings. The programme's target was raised to accumulated structural savings of SEK 750 million by the end of 2022.

The Gävle mill was unfortunately affected by two production disruptions during the year. In the spring, there was an incident that damaged equipment connected to the digester in the line producing bleached pulp, in which thankfully, no one was injured, but which resulted in lost production. There was also an unforeseen production shutdown in September because of exceptionally bad water quality caused by extreme rainfall and flooding in the Gävle area in August. I think we resolved these problems in the best way possible, but some customers were inevitably affected by these events, for which I apologize.

Our Frövi mill began the project to install a new recovery boiler and made good progress. This investment is estimated at SEK 2.6 billion, with the new recovery boiler expected to enter operation at the end of 2023. This will improve environmental performance, boost energy production and enable improved efficiency and pulp integration at Frövi.

We are continually raising our ambitions on sustainability and remain a supporter of the UN Global Compact. Since 2017 we have had goals in place for reduced carbon dioxide emissions, approved by Science Based Targets, and in 2021 we established a clear roadmap for making all our mills fossil free by 2030. This work is mainly aimed at phasing out fossil fuels from production, along with investments in energy efficiency



and reducing indirect emissions. We will in 2022 install an electrical back-up steam boiler at Gruvön as part of this work.

We have strengthened the commercial focus of our innovation efforts. Since August, our sales and innovation operations have been headed up by Matthew Hirst, who has the experience and skills to advance commercial excellence. We want customers to regard us as having the best products, being the easiest to do business with and being the most sustainable choice. As a testament to this latter point, it was gratifying to receive a climate award from Tetra Pak, which has long been a very important customer for BillerudKorsnäs.

We divested the Beetham mill at the end of October against the background of its reduced strategic importance for the rest of the Group, following investments at Skärblacka a couple of years ago. The new owner, investment company Inspirit, has the intention and resources to continue developing this operation further.

Strategy for sustainable, profitable growth

At our capital markets day in November we presented our long-term strategy with focus on BillerudKorsnäs' core business; primary fibre-based packaging materials. Safety is our top priority. We also aim to strengthen the company's position and grow more than the market while maintaining healthy profitability.

Whilst Europe will still be our home market, we see great opportunities for growth in North America, specifically with cartonboard and containerboard. We will accelerate growth in liquid packaging board with selected opportunities. For sack and kraft paper we will continue to improve mix by focusing on the most profitable applications. All areas are supported by innovation where we are enhancing the impact and relevance to our core business. To achieve our ambitions, production needs to be highly efficient, and therefore, we will increase investments in mill maintenance and development. To secure a competitive wood supply we aim to optimize fibre consumption, build long term sourcing partnerships, secure competitive fibre availability and build a lean, green and flexible supply chain.

Acquisition of Verso

In December we announced the most important event of the year; an agreement to acquire Verso. Verso is a leading American producer of coated paper, with production in the US Midwest and good access to cost-effective pulpwood. An acquisition of Verso provides a platform for expansion in North America and offers growth opportunities for the next ten years and beyond. We plan to sequentially convert two of Verso's paper machines into board machines and thereby create one of the most cost-effective, sustainable production facilities for board

manufacturing in North America. Together, BillerudKorsnäs' expertise in high-quality packaging products and Verso's assets form one of the largest companies in primary fibre-based packaging and paper, offering both quality and cost advantages.

The purchase price for Verso is approximately USD 825 million in cash, and the investment for the planned transformation of the business by 2029 is estimated to be around SEK 9 billion. As part of the financing, the Board will propose to the 2022 Annual General Meeting that it is authorized to resolve on a rights issue of up to SEK 3.5 billion. The Board has also proposed a dividend for 2021 of SEK 4.30 per share, corresponding to 60% of the net profit.

Future outlook

During the start of 2022 we continued to adapt our lives and business to the coronavirus pandemic. Russia's invasion of Ukraine made us reassess our business relations with Russia. We have no employees in Russia and Ukraine and these countries only accounted for around 1% of the group's net sales in 2021. The direct impact of the war on our business is thus marginal, especially since we expect the strong market conditions in other, larger markets to prevail. We do however anticipate significantly higher costs for energy, chemicals and transports. We will continue to gradually increase volumes and will focus on mix, efficiencies and price management to counteract the cost inflation.

The acquisition of Verso was completed on 31 March 2022. Our combined assets and expertise in high-quality virgin fibre paper and board packaging materials create an excellent platform for sustainable and profitable growth. Integration work starts immediately, and we are looking forward to working together, sharing knowledge, initiating preparations for the conversion project and realizing a successful development.

Our priorities for 2022 are to continue to deliver our strategy in commercial, operations and wood supply, as well as to deliver the integration work.

As we look back on 2021, I believe it was a year that everyone at BillerudKorsnäs can be proud of.

Looking forward, I am convinced that our clear strategic direction, commercial focus and disciplined approach will strengthen the company's position for the future.



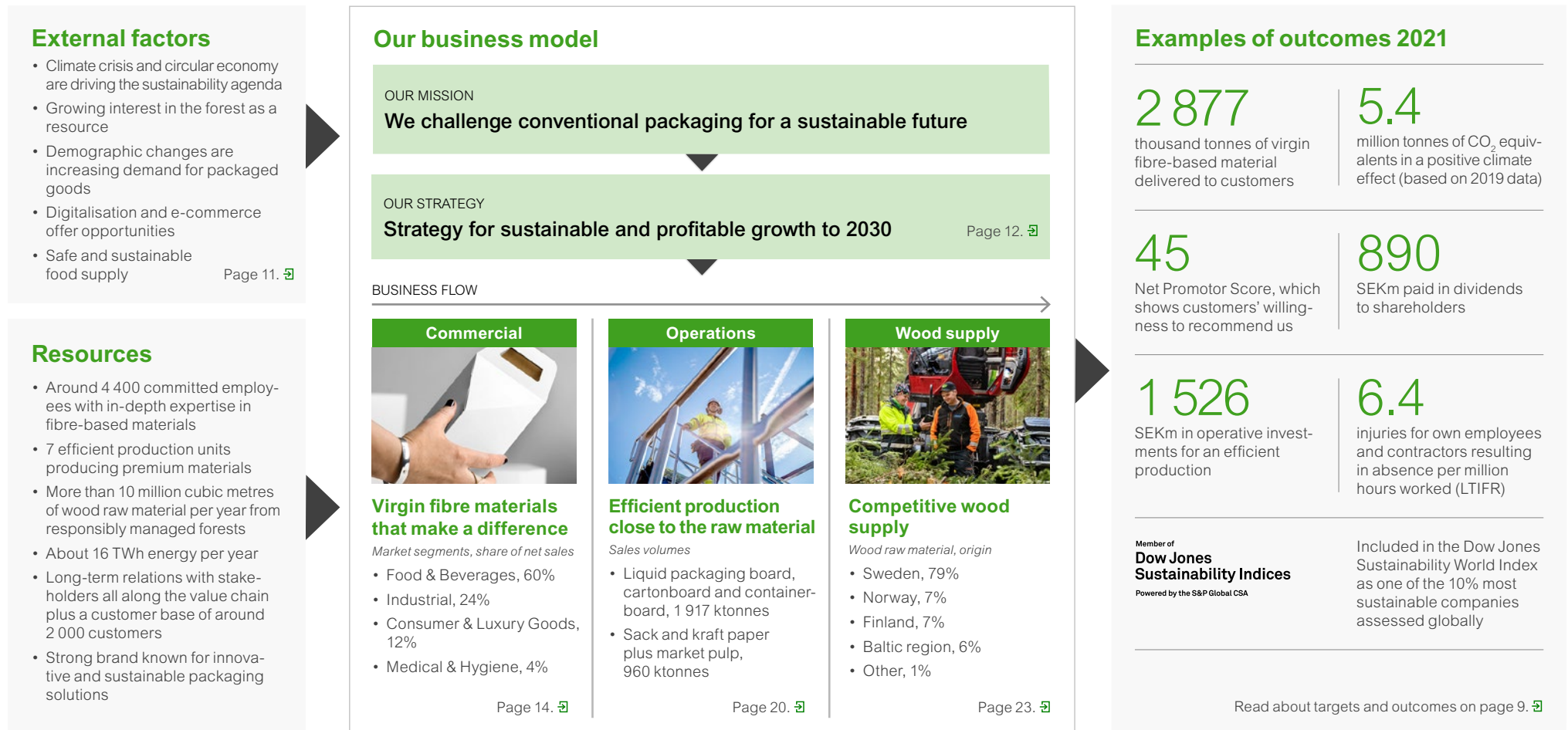
Christoph Michalski
President and CEO

“ Our priorities for 2022 are to continue to deliver our strategy in commercial, operations and wood supply, as well as to deliver the integration work”

Christoph Michalski,
President and CEO

Our business model and its impact

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

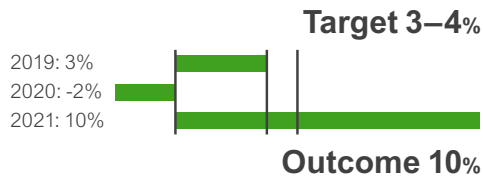


Targets and target fulfilment

BillerudKorsnäs has financial targets for growth and profitability, coupled with principles governing the company's indebtedness and dividends to shareholders. Three key targets, linked to the climate footprint, safety and customer experience, support our proactive sustainability work.

Financial targets

Net sales growth



The target is an annual net sales growth of 3–4%. The target was achieved in 2021. Net sales rose by 10% as a result of price increases and higher sales volumes. Excluding currency effects, net sales grew by 12%.

EBITDA margin



The target is for an EBITDA margin over 17%. During 2021 the EBITDA margin was 15%. Although the margin was lower than the target level, it was a substantial improvement compared to 2020.

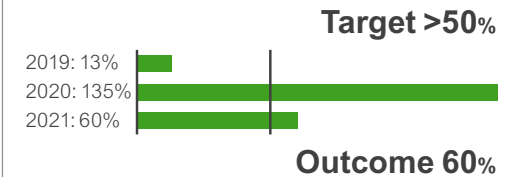
Financial principles

Interest-bearing net debt/EBITDA



The ratio of net interest-bearing debt to adjusted EBITDA should be less than 2.5. Net debt declined during 2021. At the end of the year, the ratio of interest-bearing net debt to EBITDA was 1.0.

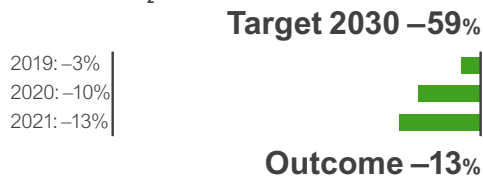
Dividend



The policy is to issue a dividend to shareholders amounting to more than 50% of the net profit. For 2021, the proposed dividend is SEK 4.30, which is the same amount as the dividends for 2020 and 2019. The proposed dividend corresponds to 60% of the net profit.

Key sustainability targets

Reduced CO₂ emissions



The target to 2030 is to achieve a 59% decrease in greenhouse gas emissions (scopes 1 and 2). Since the base year 2016, the greenhouse gas emissions have decreased by 13%.

Workplace safety



In 2021, the number of accidents per million hours worked (LTIFR) for own employees and contractors was 6.4. The target for 2022 was reached, but our vision is zero injuries.

Sustainability value for customers



The goal is for customers to consider that Billerud-Korsnäs' work on sustainability creates value. For 2021 the target was more than 78%. The target was reached as 84% of the customers considered that our sustainability work creates value.



Carbon footprint for Oatly cut by half

In partnership with BillerudKorsnäs, Oatly, the world's original and largest oat drink company, has implemented an innovative secondary packaging solution that ensures enhanced sustainability performance while maintaining the high quality standards of Oatly's - enabling a reduction in secondary packaging material by up to 35% and an estimated reduction of CO₂ emissions from secondary packaging by up to 50%¹, compared to conventional packaging solutions.

The packaging solution was specifically developed for products produced in Oatly's Singapore Factory, where Oatly opened its first production facility in Asia. The conventional packaging way to manage high demanding logistic chains is adding additional material for sturdier packaging. This solution is instead based on the following principles: minimizing damage and waste throughout the logistics chain, focus on resource efficiency – using as little material as possible and minimize water usage, use packaging material that is recyclable and comes from renewable sources.

¹ Based on BillerudKorsnäs' Environmental Assessment Tool comparing BillerudKorsnäs' packaging solution with conventional packaging solutions.

Global trends affecting our market

Strong global drivers are affecting our market – more goods need to be packaged, while every part of the packaging chain needs to be transformed so that we do not cross the line of what our planet can withstand. The ability to develop commercially viable, climate-smart and circular packaging solutions is a crucial competitive advantage in our industry over the long term.



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

The climate crisis is the most significant global issue of our time. According to the UN's latest climate report, published in August, there is a risk that the Paris Agreement's 1.5° target will be exceeded within 10–20 years. An increased awareness of the need for rapid and far-reaching measures is driving the transition towards a carbon neutral society, with a circular economy as a key component.

At the same time, the shortage of natural resources and the developing problem of plastic pollution is prompting legislation aimed at making sure that packaging can be reused or recycled and that it is based to a greater degree on renewable materials.



2 Growing interest in the forest as a resource

Forests are a vital natural resource, and more and more industries are seeing wood raw material as part of the climate transition, which is going to increase competition. The raw materials used in packaging materials are part of the same value chain as the raw materials used for long-lasting products, such as wood for construction, as different parts of a tree are used for the purpose to which they are best suited. A felled tree can become part of a house, a piece of furniture and paper packaging.

Forests are also a resource that can limit climate change and preserve biodiversity. As long as the forest is managed responsibly, it provides renewable raw material to replace less climate-smart products, while also serving as a carbon sink.



3 Demographic changes are increasing demand for packaged goods

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

The packaging transported to cities needs to be safe and effective so that it protects the contents, but also renewable, recyclable or reusable in order to minimise its environmental and climate impact. Rising consumption increases the need for circular flows, which rely on infrastructure and systems for recycling large material streams.

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



4 Digitalisation and e-commerce offer opportunities

Digital maps, laser scanning of forests and forest data in real time provide opportunities to manage the forest more sensitively and more efficiently. A high degree of digitalisation and access to data in real time can also have a positive effect within production and sales, enabling automated tasks and processes.

Having seen steady growth in recent years, e-commerce has expanded enormously as a consequence of the Covid-19 pandemic. This is driving demand for durable and climate-smart e-commerce packaging that protects the goods during transports, can be optimised in terms of capacity, and at the same time offers a positive unboxing and returns experience for the recipient – all of which requires high standards of material, function and design.



5 Safe and sustainable food supply

Food safety and product safety are crucial within food and beverages, with the packaging having to be adapted to the type of food, the distribution distances and the mode of transport being used. The Covid-19 pandemic has further increased the focus on food products with a long shelf life and hygienic handling, with packaging as a key link in the chain. Food packaging needs to be durable to prevent food waste, and is a vital element in meeting the demand for product traceability and information on climate impacts along the whole value chain.

Overall, world-wide trends show that our mission to challenge conventional packaging for a sustainable future is more relevant than ever. Read about our strategy on pages 12–13. [↗](#)

Strategy for sustainable, profitable growth

BillerudKorsnäs has great opportunities as trends support a growing demand for our renewable, high-quality products made from primary fibre. Our strategy provides a clear direction to profitable and sustainable revenue growth to 2030 and beyond.

Our mission – to challenge conventional packaging for a sustainable future – describes the purpose of BillerudKorsnäs’ business and governs how we think and what we do. Sustainable packaging materials are a competitive advantage and a business opportunity, for today and tomorrow.

Worldwide, there is growing awareness about the necessary transition to a climate-neutral society as well as actions and activities needed to support a circular economy. BillerudKorsnäs is optimally positioned in relation to these trends through our products. The increased demand for fibre packaging materials in combination

with our strong competitive edge, provide opportunities and a solid platform from which we can grow.

The health and safety of individuals is our foremost priority. Safety is our way of working and a matter of culture and attitude.

We focus on high-quality materials made of virgin fibre, that meet stringent requirements on strength, hygiene and durability. Our product segments include board materials, mainly used for packaging of liquid food, consumer products and fragile industrial products, as well as premium sack and kraft paper materials, primarily used for packaging of medical applications, dry food and construction industry goods.

Our strategy focuses on attractive markets with good growth opportunities as well as product segments where we have strong abilities to compete. Since market growth and other conditions are most favourable to our board segments, we have chosen to prioritize board over paper in terms of growth. Within our paper segments we will strive to improve the mix through profitable applications.

In Europe, we have a well-established position from which we can continue to grow in all segments. The Americas will however be our main growth region for the next ten years. More specifically, we aim to grow substantially within paperboard in North America, where we have identified a market need for the products and qualities that we can provide and where domestic supply balance is decreasing. In Asia and other regions, we aim to grow with the market in selected applications.

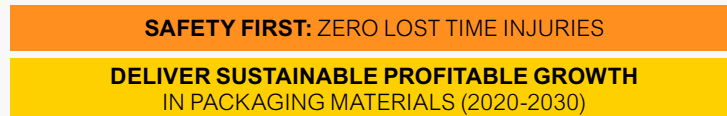
Through our innovation work we introduce new applications for our materials, and thereby we meet the rising demand for sustainable alternatives to fossil-based plastics, aluminum and glass packaging. In the right applications, the properties of our materials create great values, not only for our customers, but also for the climate. Going forward, we intend to further enhance the impact of the new products that we bring to market.

We continue to drive the efficiency agenda as operational efficiency is key to maximize our growth opportunities. All our board

Our mission



Our main goals



Strategic priorities in the business flow



Our foundation



and paper machines should ideally run at optimum speed and produce high quality output for as many of the hours of the day as possible. We will continue to improve the availability and efficiency in our production. We also see opportunities to realize the full potential of the investments made at Gruvön in recent years.

The continued ramp-up of our board machine at Gruvön in combination with initiatives to optimize production across our board mills will continue during the next couple of years and is expected to provide higher volumes and an improved product mix. With KM7, that started in 2019, we have capacity for organic growth until the mid-2020s.

The acquisition of Verso will give excellent growth opportunities for the next ten years and beyond. We plan to maintain Verso's position as a quality and cost leader in specialty and graphical paper, which provides opportunities. At the same time, we plan to convert two of Verso's paper machines into paperboard machines, and thereby build the most cost-efficient and sustainable paperboard platform in the North America. This business transformation will result in additional capacity and a more profitable production mix. This will form the basis for profitable growth from the second half of the 2020s and beyond.

There is good availability of wood in Sweden, but competition for the raw material is increasing, partly due to new regulatory changes for forestry, partly to competitive expansions. To secure competitive wood supply, we need to create long-term partnerships, not only with suppliers in Sweden but also in neighboring countries. We are also changing our approach to become a professional sourcing organization, and we strive to optimize fibre consumption and build a lean, green and flexible supply chain.

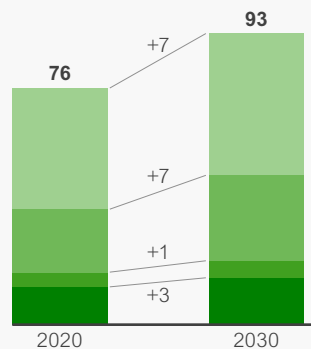
Foundations and success factors

All our activities are underpinned by our ambitions for sustainability. Of our customers, 84% think that our sustainability work creates value. In operations, we use 97% biofuels and we have set out a roadmap to reduce our CO₂ emissions according to our science-based targets. In our wood supply, 100% of our wood raw material is responsibly sourced. Sustainability is at the heart of everything we do, and we will drive the sustainability agenda further.

Focus on growth in board

BillerudKorsnäs will prioritise growth in board in view of market position, growth opportunities and competitive dynamics.

Demand development, million tonnes

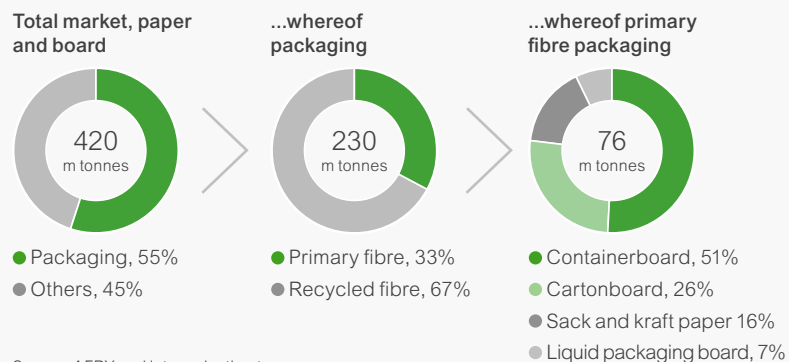


Product category	Market growth rate	BillerudKorsnäs' market position 2021
Containerboard	2% primary fibre	#2 Semi-chemical fluting, Europe #5 White kraftliner, Europe
Cartonboard	3%	#5 Cartonboard, Europe
Liquid packaging board	1-2%	#1 Liquid packaging board, long-life ambient packaging, globally #2 Liquid packaging board, all types of packaging, globally
Sack and kraft paper	1% sack 3% kraft	#6 Kraft paper, globally #2 MG paper, globally #4 Sackpaper, globally

Source: AFRY and internal estimates

Large market for primary fibre packaging material

The addressable market for the niches that BillerudKorsnäs competes in amounts to around 76 million tonnes a year.



Our people are the critical foundation for what we do. Ensuring that we have the right skills in place and a strong succession planning, as well as the development of talents, will be crucial in our ability to execute our strategy.

Our corporate culture is founded on our corporate values, which have been updated and aligned with what we want to achieve. The values in BillerudKorsnäs are: Place the Customer in the Centre, Dare to Innovate, Lead the Change and Care for Each Other.

Because our facilities have historically been operated relatively independently from each other, there are opportunities to enhance efficiency by implementing common processes and group-wide systems, across the organization and based on effective and secure IT systems. It is when we work as one team that the best results can be achieved. As "one BillerudKorsnäs", we will drive efficiency improvements, exchange knowledge, and learn from best practices within the group.

Commercial

Materials that make a difference

A commercial strategy with good profitable growth opportunities and which is underpinned by impactful macro trends, creates the potential for long-term value creation.

Our strategic choices



Paperboard

With Europe as powerhouse ignite growth in North America



Liquid packaging board

Accelerate growth with select opportunities



Sack and kraft paper

Improve the mix through profitable applications



Innovation

Step up impact led innovation



BillerudKorsnäs' commercial strategy focuses on markets with good growth opportunities and high-quality product segments, in which we are highly competitive. We have a competitive position within our serviceable available market and hence a solid platform from which we can grow, with current market share of 5%¹ globally, based on capacity within selected primary-fibre products. We have strong market positions within our specific product categories. We focus on volume growth in board, whilst in paper we strive to improve the mix through profitable applications, given our market position and the competitive dynamics.

BillerudKorsnäs offers high-quality materials that meet stringent requirements on strength, hygiene and durability. We meet the demand for renewable, high-performance materials and are bolstering our market position through in-depth knowledge of customer needs and how the properties of our materials meet those needs. Used in the right applications, our packaging materials' properties provide significant benefit for the climate when they replace packaging materials with a larger carbon footprint. The unique strength and durability of primary fibre also allows the amount of materials used to be reduced, making for lighter packaging, which further reduces the environmental and carbon footprint.

Customer-centric value proposition

Understanding how our high-performance materials can be used is a major competitive advantage. In addition to offering superior products and services, BillerudKorsnäs is also uniquely positioned to be the most sustainable choice. With materials made of renewable wood raw materials, whose origin has been checked and whose production uses 97% renewable fuel, we have a competitive offering. Our products allow customers to use low-carbon packaging. The continued development of effective solutions to calculate

¹ Source: AFRY and internal estimates.

and compare the climate benefit with other materials is an opportunity that contributes to customer value.

We work consistently with value-based sales, in which we highlight the competitive advantages for customers of high-performance materials in uses where they provide a real benefit. Active customer dialogue is key to our quality management. Areas such as the level of service and security of supply remain priorities for us, and we want to be the supplier that customers regard as the easiest to do business with, and we endeavour to develop user-friendly digital customer service solutions.

We currently have a total of around 2 000 customers in 100 countries, and sales are managed through the Board and Paper product areas (see pages 16–19 [2](#)).

Grow the paperboard business

There are good growth opportunities within cartonboard and containerboard (fluting and liner). Europe remains our principal market, but we see the greatest growth potential in North America, where brand owners are looking for renewable, high-quality packaging solutions. North America offers significant growth opportunities for BillerudKorsnäs' high-quality cartonboard and containerboard, and we are intensifying our growth initiatives in this region, as domestic production capacity is currently insufficient to fully meet the demand. The trend is increasingly for brand owners to look for packaging solutions with a smaller carbon footprint. Backed by our strong sustainability position, our offer is of particular interest to independent packaging producers, which make up 36% of the market. Asia is a large and competitive market in which we also see growth opportunities in specific segments.

Use our strong position in liquid packaging board

With over 60 years' experience of developing liquid packaging board for both aseptically packaged and chilled food products, we are now looking to accelerate growth through select opportunities. 60% of our primary fibre-based materials are used to package food and beverages. Requirements for product safety and hygiene

are especially high, as the packaging needs to provide optimum protection and preservation of the contents and also be taste and odour neutral.

Grow sack and kraft paper in high-margin segments

Within sack and kraft paper we will maximize value by improving the mix through profitable applications. Specifically, we will focus on applications when our unique and superior offering can deliver significant customer value. An important area of innovation in this segment is the need for sustainable barrier materials for which we constantly increase our knowledge and capabilities. In the DIY segment, the strength and elasticity of our materials are key competitive advantages and our sack paper can replace packaging with a larger carbon footprint, such as plastic sacks.

Impactful innovations

Our focus is on commercially driven innovations that boost customer value. Work on the strategic development of products and their use should result in innovations related to our core business that have a significant impact. During the year, we conducted a review of innovation processes and management to ensure clearer prioritisation of resources and projects.

To solve the challenges associated with scaling up industrial processes, solutions are often developed in collaboration with machine and packaging manufacturers. A good example is our renewable, degradable and food-safe FibreForm® paper, with its extraordinary elasticity, which is continuing to conquer new segments and is used for trays and blister packs, as well as reusable carrier bags in the food sector. Read more about materials of the future on pages 31-32. [↗](#)

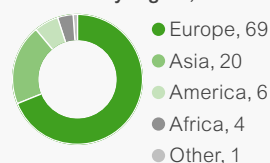
Profitable growth opportunities

Europe:
Well established position to expand further

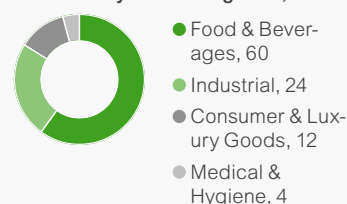
America:
Main growth region for paperboard

Asia and others:
Grow with the market in selected end-use applications

Net sales by region, %



Net sales by market segment, %



We have a competitive position and a solid platform from where we can grow. We prioritise growth in view of our market position, growth opportunities and the competitive dynamics. Across geographies, Europe is our home market and North America represents the largest growth opportunity.

Managed Packaging – custom packaging solutions

Through Managed Packaging, BillerudKorsnäs offers custom packaging solutions, based on our own materials and those of others, plus ancillary services for global brand owners and retail chains with production in Asia. Managed Packaging has a large network of production partners and optimises packaging solutions to reduce resource consumption or apply our design know-how to the creation of a positive unboxing and returns experience in e-commerce.

Operational savings often go hand in hand with reduced material consumption and a smaller carbon footprint. Our life cycle assessment tool informs customers about how different stages of the packaging chain affect the environment. Transparency and control along the value chain is important within Managed Packaging. Read more on page 36. [↗](#)



Board product area

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

Offer and position

BillerudKorsnäs is a niche supplier to the highest-value cartonboard segments. Customers in consumer and luxury goods, in which packaging is a key element of the brand, want sustainable materials that offer properties like formability, good print surfaces and good colour reproduction. The industry segment looks for strong materials that can cope with heavy loads.

BillerudKorsnäs is one of the leading suppliers of liquid packaging board and the global leader in liquid packaging with a long shelf life at room temperature. The liquid packaging board industry is relatively consolidated, with the ten largest material manufacturers and converters accounting for around 80-90% of total capacity.

During the year we continued to launch and market lightweight products from our flagship CrownBoard Prestige® range. Follow-

ing last year's launches, the CrownBoard Prestige line now has 10 different grammages and meets the needs of uncompromising brands with premium products. These cartonboards are produced at Gruvön and are used for consumer goods such as cosmetics, pharmaceuticals and premium food products.

BillerudKorsnäs sells semi-chemical fluting as well as coated and uncoated white kraftliner, segments in which we are one of the leading European producers. We offer the world's strongest fluting, which is the perfect material for packaging fragile and heavy industrial products, as well as fruit and vegetables.

During the year, we launched an upgraded version of our popular Pure Supreme coated liners, one of a raft of new high-quality board products produced at Gruvön.



57%
of net sales
(SEKm 14 852)

2 748
SEKm, EBITDA

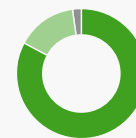
The year 2021

- Net sales rose by 9%, mainly driven by price improvements but also by increased volumes of cartonboard and containerboard.
- EBITDA increased by 48%, positively impacted by the development for the new board machine in Gruvön.
- Great progress was made in ramping up board production at Gruvön. Certification of liquid packaging board was carried out and the share of coated products from the new machine increased gradually during the year.



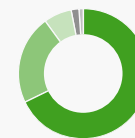
Sales by product category, %

- Liquid packaging board, 53
- Containerboard, 29
- Cartonboard, 15
- Other, 3



Net sales by market segment, %

- Food & Beverages, 83
- Consumer & Luxury Goods, 15
- Industrial, 2






Net sales by region, %

- Europe, 68
- Asia, 22
- America, 7
- Africa, 2
- Other, 1

Key figures

SEKm	2021	2020
Net sales	14 852	13 600
of which liquid packaging board	7 850	7 745
of which cartonboard	2 228	1 659
of which containerboard	4 366	3 886
Operating expenses, net	-12 104	-11 745
EBITDA	2 748	1 855
<i>EBITDA margin</i>	19%	14%
Operating profit/loss	1 451	516
<i>Operating margin</i>	10%	4%
Sales volumes, ktonnes	1 917	1 842

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

¹ Based on capacity, AFRY.

Paper product area

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

Offer and position

Within the market for kraft paper and sack paper, the ten largest players are estimated to account for around 40% of total capacity. Our focus is on growing sack and kraft paper in high-margin segments.

BillerudKorsnäs is a relatively large producer of kraft paper and often competes with materials such as plastic. Increased demand for sustainable packaging solutions continues to drive demand for kraft paper. The main focus for our kraft paper business is on Europe. We have a particularly strong position in the machine glazed (MG) paper segment, in which we have become a world leader after investments in the Skärblacka mill.

Kraft paper is expected to continue its stable long-term growth, although the coronavirus pandemic was still impacting some end

markets in 2021. This applied not only to industrial segments, but also to consumer segments such as paper for food service, carrier bags for clothing stores and products for health care and hygiene.

BillerudKorsnäs is also a leading manufacturer in the sack paper market, which is slightly smaller than the kraft paper market. We have a very strong position in the white sack paper segment in Europe.

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

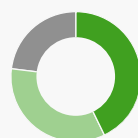


31%
of net sales
(SEKm 8 127)

1 388
SEKm, EBITDA

The year 2021

- Net sales increased by 7%, mainly due to higher market prices.
- EBITDA grew by 34%. Improved prices and cost savings more than compensated higher input costs.
- On 31 October, BillerudKorsnäs divested the Beetham mill, which strategic importance for the rest of the group had been reduced since the investments in MG paper at Skärblacka in 2018. During November-December 2020, Beetham had sales of SEK 78 million.



Sales by product category, %

- Kraft paper, 43
- Sack paper, 34
- Market pulp, 23



Net sales by market segment, %

- Industrial, 58
- Food & Beverages, 26
- Medical & Hygiene, 10
- Consumer & Luxury Goods, 6





Net sales by region, %

- Europe, 67
- Asia, 16
- Africa, 8
- America, 8
- Other, 1

Key figures

SEKm	2021	2020
Net sales	8 127	7 576
of which sack paper	2 726	2 442
of which kraft paper	3 511	3 435
of which market pulp	1 855	1 669
Operating expenses, net	-6 739	-6 541
EBITDA	1 388	1 035
<i>EBITDA margin</i>	17%	14%
Operating profit/loss	906	558
<i>Operating margin</i>	11%	7%
Sales volumes, ktonnes	960	946

Product categories	Market positions ¹		Applications
<p>Kraft paper Kraft paper is used primarily in packaging for medical equipment and food packaging aimed at users that require very high standards of purity, printability, sterilisation, flexibility and strength. <i>Competition:</i> The primary competition comes from plastic packaging solutions. <i>Other major manufacturers:</i> Mondi and Heinzl Papier.</p>	<p>#6 Kraft paper, globally</p> <p>#2 MG paper, globally</p>		<ul style="list-style-type: none"> • Dry foods such as flour, sugar and grain • Carrier bags • Medical packaging • Flexible and formable packaging • Steel interleaving • Bread bags • Greaseproof paper • Release liner for hygiene products
<p>Sack paper Sack paper is used to make sacks with high strength. The sacks must protect the contents and be able to be filled without splitting or generating dust, which contributes to a clean and healthy work environment. <i>Competition:</i> Comes mainly from sack solutions made of plastic or bulk distribution. <i>Other major manufacturers:</i> Mondi and Segezha.</p>	<p>#4 Sack paper, globally</p>		<ul style="list-style-type: none"> • Building materials, such as cement • Industrial minerals • Chemicals • Food

¹ Based on capacity, AFRY.

Operations

Volume growth through operational stability and efficiencies

We are continuing our strategic efforts to realise the potential in our production system to maximise the organic growth until 2025. We are also exploring possibilities to increase capacity beyond this period.

Our strategic choices



Improve efficiency to best in class with one operating framework



Accelerate KM7's production and release potential across the three board mills



Explore possibilities to boost capacity in current facilities and via mergers and acquisitions



BillerudKorsnäs' production facilities are modern and geographically well located, close to the wood raw material. The highest priority is to realise the full potential of our production structure, seeing volume growth and mix optimisation being critical to deliver sales growth over the next years. Optimising the product portfolio across all our machines will improve resource efficiency and quality. In addition to environmental benefits, reduced waste also leads to lower costs.

We are prioritising investments in increased capacity in board production and higher value in paper production, in line with our commercial strategy. We are also exploring possibilities of expanding capacity through mergers and acquisitions in targeted product segments.

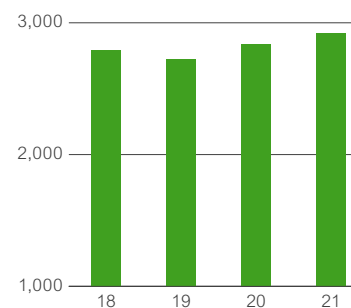
Safety first

Safety is given top priority in our efficiency measures, and an accident-free workplace goes hand in hand with our work on stable, disruption-free production. For both our own employees and our contractors, the lost time injury frequency rate (LTIFR) decreased in the previous year. Find out more about our safety work on page 27-28. [↗](#)

Operational stability and efficiencies

Production is at its most profitable and resource efficient when each machine is running at optimum speed and producing high quality for as many of the hours of the day as possible, maximising capacity utilisation at the lowest possible unit cost, while producing high-quality products.

Production volumes, tonnes



Production volumes have increased since 2019 as a result of increased capacity at Gruvön and efficiency improvements.

Our production stability has improved over the years, but we are continuing to focus on improvements to boost uptime and efficiency. Important aspects of this work include analysing the root causes of unplanned production stoppages and identifying what can be done more efficiently and at higher quality. Representatives from all production facilities are responsible for sharing experiences and implementing the best solutions.

Our work on strategic resource efficiency is linked to production stability, since our production is energy intensive and accounts for a significant proportion of the company's environmental and climate impact. Find out more on page 29. [↗](#)

Focus on mill maintenance and development

During the year, we began working on optimising the maintenance process. Using an independent audit, we are now focusing on developing maintenance processes to support group-wide coordination

and management, proactive maintenance investments, as well as planning and scheduling. We will increase the level of reinvestments in our facilities by 2025 to achieve improved operational stability. The non-strategic annual capital expenditure in our current mills is expected to reach SEK 1.5–1.7 billion during 2022–2025, to ensure that critical process equipment provides the right level of uptime.

Over the past year, we continued the ramp-up of our new board machine in Gruvön, with a maximum annual capacity of 550,000 tonnes. Significant progress has been made and we are now continuing the stage of commercialising and certifying high-value board products.

Release true potential across board machines

Focusing on our three board mills, we are accelerating our reinvestments in a number of areas to improve the facilities' technical standards, which will lead to better production stability. Reinvestment areas include electrical infrastructure, control system modernisation and the replacement of critical process equipment.

At the beginning of the year, investment in a new recovery boiler at the Frövi mill was initiated. Blasting and groundwork has taken place and the foundations started to be laid in the autumn. The new boiler will ensure that Frövi remains a highly integrated mill with competitive production by improving its environmental performance and providing opportunities to enhance efficiency. The assembly of the new recovery boiler is planned to begin during 2022 and is due to enter operation by the end of 2023. The investment is estimated to total SEK 2.6 billion.

In addition to reinvestments, we will invest in debottlenecking, tools for predictive maintenance and energy efficiency measures.



Over the next few years we see opportunities to boost productivity by optimising the product portfolio across our board machines. Our system has a wide range of weights and all four machines have coating capabilities, which creates flexibility. Where feasible, we will maximise the use of CTMP¹ and will systematically improve efficiency in internal sheeting operations.

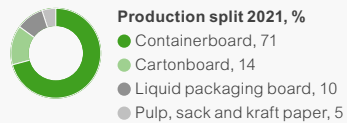
¹ Chemi-thermomechanical pulp.

BillerudKorsnäs' mills



Gruvön, Sweden

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



870 000
tonnes per year capacity
Around 790 employees



Skärblacksa, Sweden

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

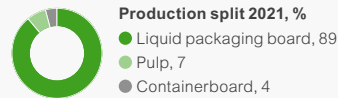


460 000
tonnes per year capacity
Around 630 employees



Gävle, Sweden

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



755 000
tonnes per year capacity
Around 710 employees



Karlsborg, Sweden

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

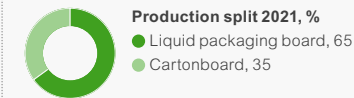


335 000
tonnes per year capacity
Around 380 employees



Frövi/Rockhammar, Sweden

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

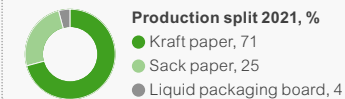


500 000
tonnes per year capacity
Around 540 employees



Pietarsaari, Finland

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



200 000
tonnes per year capacity
Around 120 employees

Wood supply

Transformation in competitive wood supply

Our competitive wood supply, which secures stable flow of sustainable raw materials to our production, is built on long-term partnerships, deep knowledge of forestry and sourcing excellence.

Our strategic choices



Optimise fibre consumption



Build long-term partnerships



Secure competitive fibre availability



Develop lean, green and flexible wood supply chain



Wood raw material from sustainably managed forests is our most important resource in challenging conventional packaging. Each year we purchase approximately 10.5 million cubic metres of pulpwood and woodchip raw material to be converted into renewable packaging materials. Just over 70% of our raw material needs are purchased in Sweden, making BillerudKorsnäs one of Sweden's biggest buyers of wood fibre. Our purchasing volume accounts for approximately 10% of all harvested forest raw materials in Sweden and represents approximately 25% of the wood raw materials used for pulp, paper and board production in Sweden.

Long-term supplier relationships and sourcing partnerships

Our long-term business relationships with forestry companies, forest owners and sawmills enable us to meet demands for the supply of sustainable, cost-efficient raw materials and sustainable forestry. BillerudKorsnäs' wood-sourcing department works constantly on strengthening our relationships and aim to build partnerships with our key suppliers, offering growth opportunities for both parties, and enabling optimisation and efficiency improvements throughout the value chain. We see a long-term approach and close collaboration with our key stakeholders in the wood business as a key to building a stable wood supply and achieving sustainable improvements.

Access to competitive wood raw materials

Availability of pulpwood in the domestic market was good during 2021, providing a cost-effective and stable supply of fibre for our production units. Approximately 75% of BillerudKorsnäs' fibre volume is supplied by sawmills, forest owner associations and large forest companies, based on supply agreements. 25% of the material is harvested by our own forestry organisation on Bergvik Skog Öst's and smaller forest owners' land.

We have a long-term wood supply agreement in place with Bergvik Skog Öst, based on which BillerudKorsnäs purchases 1 million

cubic metres annually. The contract is valid until 2034 and covers around one-tenth of our total annual wood supply needs. The rest of the volume is purchased from around 90 large pulpwood and wood chip suppliers and numerous smaller forest owners.

We focus on developing and growing our business with private forest owners through BillerudKorsnäs' competent wood-purchasing organisation. As more and more private forest owners seek services relating to their forest ownership, we are responding by providing advice on forestry planning, including harvesting, clearing, planting and soil preparation based on our in-depth forestry knowledge. Further, our aim is to develop new sources of supply outside our current supplier base and sourcing regions to secure access to competitive wood raw materials.

Lean, green and flexible wood supply chain

We aim to optimise the flow of wood fibre in the end-to-end supply chain to deliver wood fibre on time, in full, at good quality and at a competitive cost to our production units. Our wood cost consists of three main parts: raw material, harvesting and transport costs. This gives us the opportunity to increase supply chain efficiency and develop sustainable logistics solutions with our partners. Our goal is to constantly improve our end-to-end management of fibre flows and inventory through end-to-end process development and by applying new planning tools and technologies. To ensure wood raw materials are supplied from responsibly managed forests, we set requirements for our wood fibre suppliers on issues such as forest management and harvesting.

Optimised fibre consumption

Our ambition is to optimise the usage of wood fibre in our production. We are working to increase the usage of chemi-thermomechanical pulp (CTMP) in our products and are evaluating how we can optimise the purchasing of market pulp and improve our raw material mix. These efforts are aimed at generating savings in fibre consumption and delivering improvements in quality.

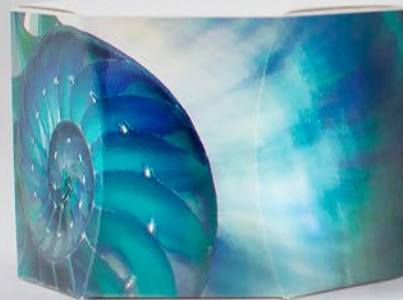
Find out more about sustainable wood supply on page 34. [📄](#)

Launch of strong, super-light cartonboard

BillerudKorsnäs is introducing two new low grammages of their flagship cartonboard product, CrownBoard Prestige®. Made at KM7, the world's most modern board machine, the two new low grammages are particularly interesting for the graphical industry.

The material combines an excellent printing surface with strength and shapeability. Despite the low basis weights, it is a strong board, made of 100% primary wood fibres built up in a 3-ply structure. Thanks to the strength, it is possible to choose a light grammage to reduce packaging weight. With CrownBoard Prestige®, this can be done without compromising packaging performance.

Lightweighting saves cost and reduces environmental impact, because less raw material is used, less energy is needed, less waste is generated, and transport and warehousing requirements are reduced. At the same time this cartonboard invites designers to push limits, thanks to its smooth, fully coated and high-white surface.



BillerudKorsnäs contributes to a circular and sustainable future

Proactive sustainability work throughout the whole value chain with manufacturing of packaging materials and solutions that are renewable as well as recyclable mean we contribute to a circular and sustainable society.

Sustainability issues and the need to make the transition to a circular economy and combatting global warming are driving political agendas and generating green investments and technological development.

The packaging solutions of the future need to be climate-smart at every step of the value chain – from raw material extraction to recycling. With our business based on renewable and recyclable resources, we are uniquely positioned to drive the transition to a climate-neutral, circular future and we actively drive change where our impact has the greatest effect. The areas of sustainability where we can make the biggest difference are safety, reduced climate impact and the materials of the future. These three areas are strategically vital to our future competitiveness and are also the focus of our sustainability efforts. The sustainability

foundation incorporates those aspects that are fundamental to our work on sustainability.

BillerudKorsnäs strives to be in the forefront of the global packaging industry in combatting climate change, and sustainability runs through our entire business. Sustainability, effectiveness and profitability are also closely linked. When we operate with the highest efficiency, we become more sustainable.

Through ambitious climate targets BillerudKorsnäs takes responsibility for combating climate change and striving to help create solutions to the major global sustainability issues. Our climate targets are rooted in science, drawing on the Paris Agreement and the Science Based Targets initiative, with the aim of actively participating in the drive to keep global warming below 1.5°C.



Our contribution to the 2030 Agenda

The transition to a circular and sustainable society boosts BillerudKorsnäs' business in climate-efficient and recyclable packaging materials and solutions based on renewable raw materials.

Based on our strategy and operations, we have picked out six of the UN's Sustainable Development Goals and a number of their concrete targets in the 2030 Agenda within which our greatest impact is found and where we therefore have the greatest opportunity to make a difference. The targets have been integrated in our sustainability strategy and are followed up when the Group's sustainability targets are followed up. The following pages provide more information about the targets, about BillerudKorsnäs' sustainability work, our positive contribution and how we minimise our negative impact.



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

Focus areas



Safety first

- Safe working environment
- Stable and efficient production



Climate impact

- Minimise CO₂ emissions
- Renewable alternatives instead of fossil resources



Materials of the future

- Sustainable products
- Innovate new ways of using fibres

Sustainability foundation

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



Leading position in the DJSI for the fifth consecutive year

For the fifth year in a row, BillerudKorsnäs was listed in the Dow Jones Sustainability World Index among the ten percent most sustainable companies in Containers & Packaging, based on the S&P Global Corporate Sustainability Assessment. This result reflects the outcomes of BillerudKorsnäs' long-term strategic and integrated work on sustainability.

Increased policy making

The policy making has increased during 2021. EU presented several legislative proposals and initiatives focusing on sustainability for forestry and the packaging industry.

In July, the European Commission presented the Fit for 55 package, with the objective to achieve EU's climate goal for 2030 and a step towards the long-term goal of climate neutrality by 2050. In parallel, a new forest strategy was also presented.

For packaging products, EU has, among other things, introduced a Single-Use Plastic (SUP) directive with the aim to prevent and reduce the impact and litter of plastic products in the environment, especially in marine environments.

Included in the Fit for 55 package an amendment was proposed for the LULUCF (Land Use, Land Use Change and Forestry) regulation. The amendment introduced a requirement for an increased

carbon sink at member state level to achieve a total carbon sink of 310 million tonnes by 2030. If this and other legislative proposals come into force, it will influence the conditions for conducting active and responsible forestry in Sweden and the EU.

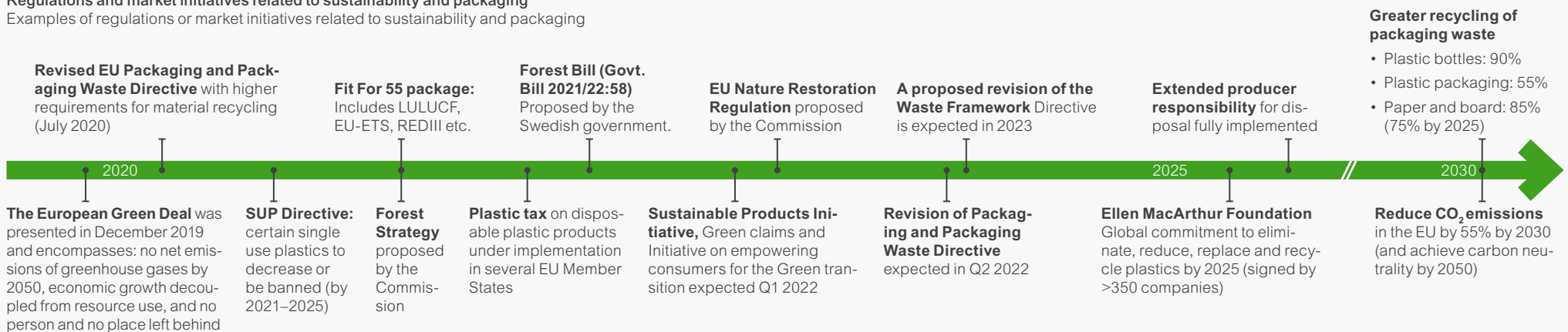
It may also affect the market for some of our products, both positively and negatively, but also the market for wood raw material. BillerudKorsnäs' Sustainability and Public Affairs department monitors the political and legislative development and identifies issues of particular significance to BillerudKorsnäs. The dialogue with decision-makers often takes place in coordination with industry associations such as the Swedish Forest Industries Federation or the two Brussels-based industry associations CEPI (Confederation

of European Paper Industries) and ACE (Alliance for Beverage Cartons and the Environment).

Today's Swedish and Nordic forestry is managed with consideration to biodiversity and social values and is constantly evolving with the latest science and knowledge. Our materials are both renewable and climate efficient due to the high proportion of biofuels used in our production and the substitution effect when paper and carton board replace fossil materials. Swedish forestry maintains a high-quality level and it is important for us to highlight this in today's debate. Some of the proposals that came in 2021 can counteract the substitution effect and without a holistic perspective we risk reversing the development in this area.

Regulations and market initiatives related to sustainability and packaging

Examples of regulations or market initiatives related to sustainability and packaging



Safety first

A strong safety culture and safe working environment are the highest priorities for BillerudKorsnäs. The goal of systematic work on health and safety is to result in zero-injury operations, but also more stable production and improved product quality.

	Target 2021	Outcome
Accident rate, own employees and contractors, LTIFR	6.5	6.4



Safer working environment with smelt spout robots

At the production unit in Karlsborg, further steps have been taken towards a safer working environment with the installation of smelt spout robots. Manual routines, with a high risk of accidents and burns, have been replaced with smelt spout robots that remove the smelt in the spouts at the bottom of the recovery boiler. The solution, which is safe for operation and employees, has created a safer working environment.

At BillerudKorsnäs we look after each other and strive for operations with a strong safety culture. Safe workplaces are a strategic and business-critical issue, crucial to running a successful business. This is about something as self-evident as no-one's health or safety being put at risk by them going to work. Caring for oneself and for others is also part of something bigger; a chain that leads us to also look after our resources and are keen to deliver the highest quality to our customers. Systematic work on safety supports our efforts to ensure efficient and stable production and higher product quality, which also improve resource efficiency and profitability.

Systematic safety work creates a good safety culture

BillerudKorsnäs works systematically and long-term to build a strong safety culture. This means constantly developing the leadership, the organisation, skills and processes. Clear procedures and shared standards based on legislation and international standards on how tasks must be performed foster a neat and orderly approach. BillerudKorsnäs' Group-wide standards cover the work environment and safety at the production units and in the forest. The standards clearly state what is to be attained in terms of safety, procedures for working safely, control and follow-up processes.

Work to build a strong safety culture includes developing attitudes and behaviours that ensure a safe working environment. Leadership, leading and acting by good example every day, has an important role to play and BillerudKorsnäs also works on different forms of training and tools to strengthen and develop the safety culture.

Developments in 2021

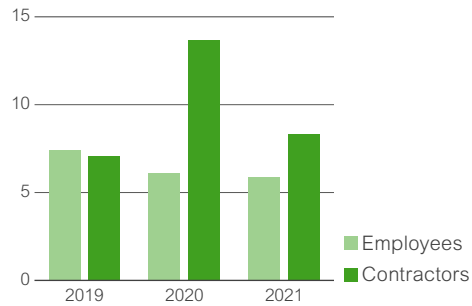
During the year, work on safety was expanded in a number of prioritised areas. Work permits and Lock Out Tag Out have been in focus, since it concerns high-risk work that can cause serious injury. All production units have updated procedures, work descriptions and trained employees to work according to the Group-wide standards that governs these areas. The Group-wide standard on roles and responsibilities has been implemented, making leadership in the field of health and safety clear.

Work on continuous improvements has also involved reviewing risk assessments, priority areas for improvement and measures. There has also been a major focus on compliance with existing processes and procedures. Active work has been carried out, among other things, to anchor BillerudKorsnäs "to Life Saving Rules", with a major focus on knowledge transfer with the aim of raising employee awareness and commitment. During the year, work has continued locally with the tool that we at BillerudKorsnäs call "Near Miss and Injury-free", which aims to minimise risks through employees taking responsibility for both their own and their colleagues' safety. Work on training has also continued and the aim for the financial year has been for all employees to complete BillerudKorsnäs' basic safety training. By the end of 2021, 82% of employees attended this training.

Safety adaptations imposed due to COVID-19 had positive impacts on health and safety

The challenges of the pandemic remained in 2021 and safety adaptations in this regard continued this year. These efforts were coordinated and led by the Group's crisis management team, which addressed and tackled strategic issues and cooperation on a weekly basis. Local crisis teams have dealt with practical issues and local adaptations, work that has had positive health and safety impacts in terms of an understanding of risk assessment. Accidents fell during the year's major planned maintenance shutdowns at the production units, both to own employees and contractors. There were no major outbreaks of COVID-19 in the business during the year. Follow-up and evaluation have also been

LTIFR



launched to retain those adaptations that have generated positive health and safety effects.

Follow-up and reporting of accidents by contractors

During the year, work on coordinating procedures and behaviours for safe workplaces continued with contractors. All contractors must respect and follow BillerudKorsnäs' procedures for a safe workplace. Our responsibility includes clarifying the expectations we have and the demands we make, providing training, and following up and taking action where shortcomings are found on the part of the contractors we hire. Our contractors are obliged to report all accidents, incidents and observed risks and this information is included in the internal reporting and follow-up.

The number of accidents to contractors has fallen sharply compared with the previous year. After investigating the respective accidents that occurred, BillerudKorsnäs is launching a number of activities with the contractors to prevent accidents from occurring again.

For own employees, lost time injuries per million hours worked (LTIFR) have decreased slightly compared to previous years. As a whole, LTIFR for own employees and contractors has decreased compared to the previous year and the LTIFR 6.5 target was

Focus on safety

Safe workplaces and a good safety culture are the top priority for BillerudKorsnäs and the Group has a vision of zero accidents. Nobody should be injured at work. In 2021, BillerudKorsnäs focused on five main areas to improve safety and the working environment at the production units.

BillerudKorsnäs' five main areas to improve safety and the working environment at the production units:

- 1 Implementing Group-wide standards for Lock Out and Tag Out, work permits and roles and responsibility in the business – three areas with a high risk of serious injury.
- 2 Regular meetings in the Safety steering groups at the production units.
- 3 Regular safety walks at the production units where safety and behaviour are discussed.
- 4 All employees must complete Billerud-Korsnäs' basic safety training.
- 5 Anchoring BillerudKorsnäs' 10 Life Saving Rules.



achieved. The long-term trend of a reduction in the number of accidents continues in the right direction. Initiatives and activities are ongoing to develop work on safety in our own operations and with contractors, with the aim of reducing the number of accidents.

BillerudKorsnäs' target for 2022 is to reduce the number of accidents per million hours worked to 5.0. Starting in 2022, this target has been supplemented with two leading KPI's relating to risk observations and safety walks.

Our contribution to the 2030 Agenda (target 8.8)

- Safety is at the top of the agenda and with committed and engaged employees, we can create a zero-accident, safe and inclusive environment.
- No employee is to risk injury in our workplaces. In 2021, 66 accidents occurred to our own employees and contractors. This shows the importance of the issue and of further increasing the pace of the intensive work of building a safety culture.

Climate impact

Ambitious climate targets and developing climate-efficient and recyclable materials and products based on renewable raw material from the forest means we are playing our part in reducing global warming.

	Target 2030 ¹	Outcome
Science Based Targets: Reduction in total emissions in Scopes 1 and 2, %	59	13
Science Based Targets: Reduction in total emissions in Scope 3, %	30	16

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

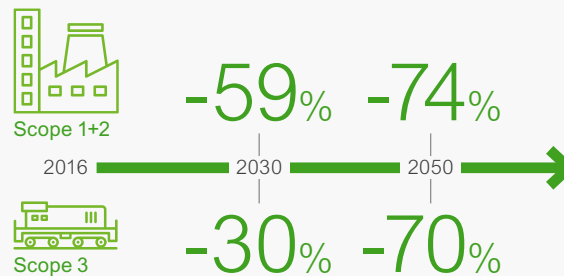
BillerudKorsnäs takes responsibility for mitigating climate change by minimising our carbon dioxide emissions and maximising the climate benefit that arises through the value chain. By replacing material based on fossil plastic, aluminium and glass with our renewable packaging materials enables our customers to reduce their climate footprint. Smart packaging solutions mean we also decrease the amount of air in packaging, enabling better use of the transport space, which further helps to reduce emissions. Packaging that preserves the content well also reduces waste and enables the material to be effectively recycled. This increases consumers' opportunities to contribute to a sustainable transition and a circular economy.

Positive climate effect by replacing fossil-based products

When customers, and ultimately consumers, choose packaging that originates from sustainably managed forests instead of packaging made from e.g. plastic or aluminium, BillerudKorsnäs' products contribute to a positive climate effect. This substitution effect is estimated to amount to an annual reduction of 5.4¹ million tonnes of carbon dioxide from the atmosphere.

¹ The potential effect is realised when our customers and consumers choose our paper instead of fossil-based materials. The result is based on 2019 production data. Read the report quantifying our climate effect here: <https://www.billerudkorsnas.com/sustainability/climate-impact>

Cutting greenhouse gases



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

¹ Scopes 1–2: Direct emissions from own operations and indirect emissions from purchased energy. Scope 3: Indirect emissions from purchasing goods and services, such as transport and chemicals. For more information, see page 114.

Ambitious climate targets combat climate change

BillerudKorsnäs has set ambitious Science Based Targets, in line with the Paris Agreement, for 2030 and 2050. The aim is to drive efforts to reduce emissions at the pace demanded to mitigate climate change to 1.5 degrees. Progress mainly involves significantly cutting emissions from our own operations, and indirect emissions from purchased energy and from purchasing goods and services.

A review of the Group's Science Based Targets will be conducted in 2022 due to the acquisitions and divestments that have been announced.

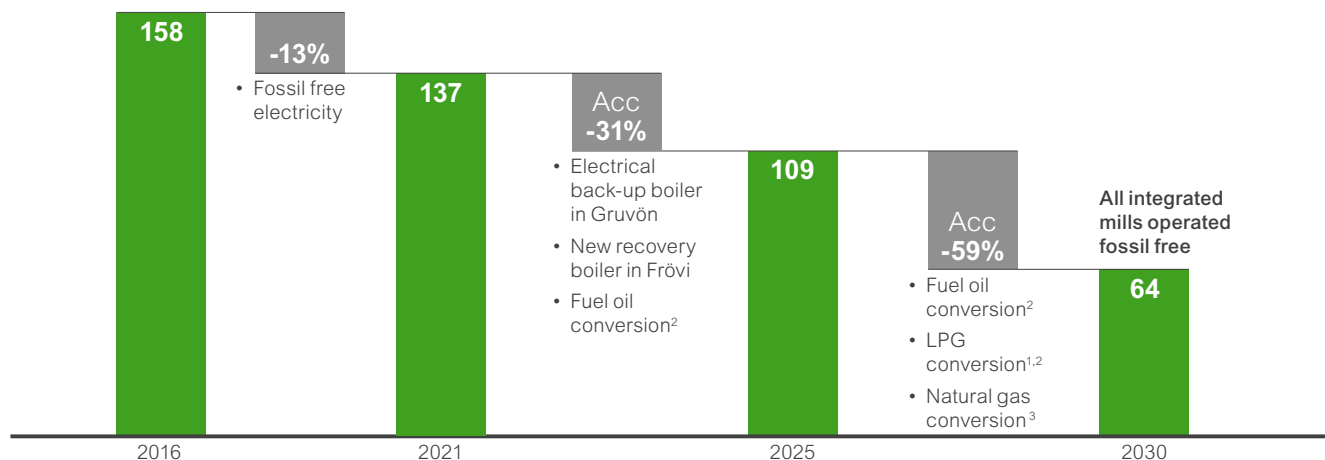


Our contribution to the 2030 Agenda (targets 9.4, 13.1)

- ⊕ We take an active role in the transition of the industry and the market to a more climate-smart production.
- ⊕ We have set ambitious climate targets in line with Science Based Targets, for 2030 and 2050.
- ⊖ Paper production is an energy-intensive process. BillerudKorsnäs currently uses 97% (97) renewable fuel.

Roadmap to reach our Scope 1 & 2 Science Based Targets 2030¹

k tonne CO₂e



¹ Scope 1-2: Direct emissions from own operations and indirect emissions from purchased energy. LPG: liquefied petroleum gas.

² Investment decision not finalised.

³ The roadmap was adopted before the divestment of Beetham. Natural gas was used only in Beetham.

Roadmap to attain the climate targets

In 2020, extensive work began to evaluate and compile a roadmap for attaining the ambitious climate targets BillerudKorsnäs has set for Scopes 1 and 2. The roadmap was adopted by the Executive management team in 2021 and is included in the new strategy.

The Group's interim target is for the first production unit to have all prerequisites for a fossil-free production process by 2025 and for all integrated mills to attain the same fossil-free status by 2030. The focus of the roadmap is on Scope 1 and to identify replacements for fossil fuel oil and LPG. Replacing fuel oil will demand investments in process infrastructure such as tanks, pumps and pipes to cope with the different characteristics of the bio-based alternatives. LPG is more challenging as it is more difficult to replace in purely technical terms, and there are fewer commercial alternatives currently on the market. Different alternatives to LPG based on both electricity and biofuels are being explored, but as technological development is in progress, these investments are judged to be a few years in the future.

The first investments to deliver on the roadmap have already been decided. A new electrical back-up boiler in Gruvön is to be installed during the maintenance shutdown in 2022. This investment is expected to cut emissions by 8 000–9 000 tonnes CO₂e compared with 2020 levels.

In 2021, work was initiated to produce an equivalent roadmap for Scope 3 with a focus on transport and use of chemicals. As these emissions are outside our direct control, they therefore demand extensive collaboration and cooperation with suppliers and other partners. This roadmap will be adopted in 2022.

Read more about BillerudKorsnäs' emissions and outcomes on page 114. [🔗](#)

BillerudKorsnäs has also launched the adaptation of climate-related information in line with TCFD (Task-force for Climate-related Financial Disclosure) recommendations, read more on page 119. [🔗](#)



Materials of the future

The transition to a climate-neutral and circular economy strengthens our business in high-performance, recyclable materials based on renewable forest raw material.

	Target 2021	Outcome
Proportion of customers who consider that BillerudKorsnäs' work on sustainability creates added value ¹ , %	78	84

¹ The target is measured through our customer survey. The latest customer survey was performed in spring 2021.



Prize for being ahead in fighting climate change

BillerudKorsnäs has been awarded the Climate Prize as part of the supplier engagement initiative "Join us in protecting the planet", driven by Tetra Pak. Tetra Pak, which is one of BillerudKorsnäs' most important customers, launched this initiative last year to create a movement aimed to accelerate sustainability actions across its value chain. BillerudKorsnäs is acknowledged since it has achieved the lowest greenhouse gas emissions for the products provided and has submitted the most ambitious climate action plan, that is approved by the Science Based Targets initiative.

The transition to a circular economy is driving higher demand for renewable and recyclable materials able to replace plastic and other fossil materials. Paper is a unique material because it is renewable, recyclable and climate-smart. BillerudKorsnäs is driving technological development and works across the whole value chain to develop sustainable materials that reduce the need for conventional packaging materials such as plastic and aluminium.

BillerudKorsnäs is developing the sustainable materials of the future

BillerudKorsnäs' customers are mainly found in segments in which both statutory requirements and consumer demands are high. The packaging solutions of the future need to be climate efficient along the whole value chain, from raw material extraction to recycling. BillerudKorsnäs sees it as being business critical to meet higher expectations from customers and brand owners alike in terms of the sustainable materials and packaging of the future. The transition from fossil materials is a global challenge, as is the recycling of packaging made from composite materials. BillerudKorsnäs works throughout the value chain to drive development towards fossil-free and 100% recyclable packaging solutions. With in-depth expertise on materials and packaging solutions, we work with our business partners and develop high-performance materials capable of replacing fossil materials and strive to reduce the climate footprint of the entire value chain.

External factors are driving the shift to renewable and circular materials

The EU is also driving the development of and the transition to a circular economy and renewable and recyclable materials in packaging. By 2030, 85% of all paper and board packaging must be recycled. The European Green Deal, the European Commission's programme for the years ahead, contains a number of action plans and legislation packages on waste management and packaging

recycling, bans on some disposable items made from plastic, and extended producer responsibility for packaging. All in all, these will have a significant impact on the development of the whole packaging sector.

Higher demand for recyclable materials in packaging solutions

Higher demands and requirements in terms of sustainable packaging solutions are driving the trend to replace packaging that is difficult to recycle with paper-based alternatives. For example, this may involve developing board and paper with recyclable barriers, ability to preserve food and liquid over time, which are adapted to demands for food and product safety and have a low climate footprint.

BillerudKorsnäs is involved in 4evergreen, an alliance that seeks to optimise the circularity of fibre-based packaging in the form of higher recyclability and increased recycling. This is achieved, for example, by developing methods to test recyclability and guidance for recycling of packaging. We have also started to build up our own expertise in carrying out tests of material recyclability, so as to find answers on recycling performance and to apply the findings more rapidly in product development when testing new coatings or packaging solutions.

Sustainable product development and innovation

Product and application development work is conducted in close collaboration with customers and mainly within Commercial. The resources for more long-term work on innovation are gathered under one Group function and are twofold; firstly within BillerudKorsnäs and secondly through strategic external collaborations.

During the year, a new Group-wide innovation process has been drawn up and implemented with the aim of further strengthening the commercial focus, improving the efficiency of development projects and accelerating product launches. The process covers both product development and long-term innovation. A joint process enables resource optimisation, prioritisation and heightened focus. Systematisation of sustainability issues in conjunction

with new development projects has also been established. All new product development projects are evaluated against sustainability criteria to ensure that e.g. recyclability and climate impact are addressed.

Growing interest in the environmental performance of products

Customers' knowledge and interest in detailed environmental assessment is on the rise. BillerudKorsnäs uses life cycle assessment (LCA) and environmental product declarations (EPD) in evaluating the environmental performance of products. We have also developed a digital tool to enable the environmental performance of packaging to be calculated. This is mainly used in Managed Packaging. In 2021 work to develop the tool further has continued in order to cover a larger proportion of our products.

External collaboration accelerates development

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

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

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



Xpression E-com – paper for e-commerce bags that cuts carbon emissions by 50%

The result of an independent life cycle assessment by RISE shows that e-commerce bags made from BillerudKorsnäs' paper Xpression E-com can reduce fossil emissions by 50% compared with a plastic bag. The study is at www.billerudkorsnas.com/lca

The successful launch of Xpression E-com in 2020 has met growing demand for recyclable and circular packaging solutions in e-commerce, and in 2021 strong growth in volume was attained, partly driven by the pandemic.

Our responsibility and influence throughout the value chain

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

1. Forest raw material

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

Our impact:

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

2. Purchasing

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

Our impact:

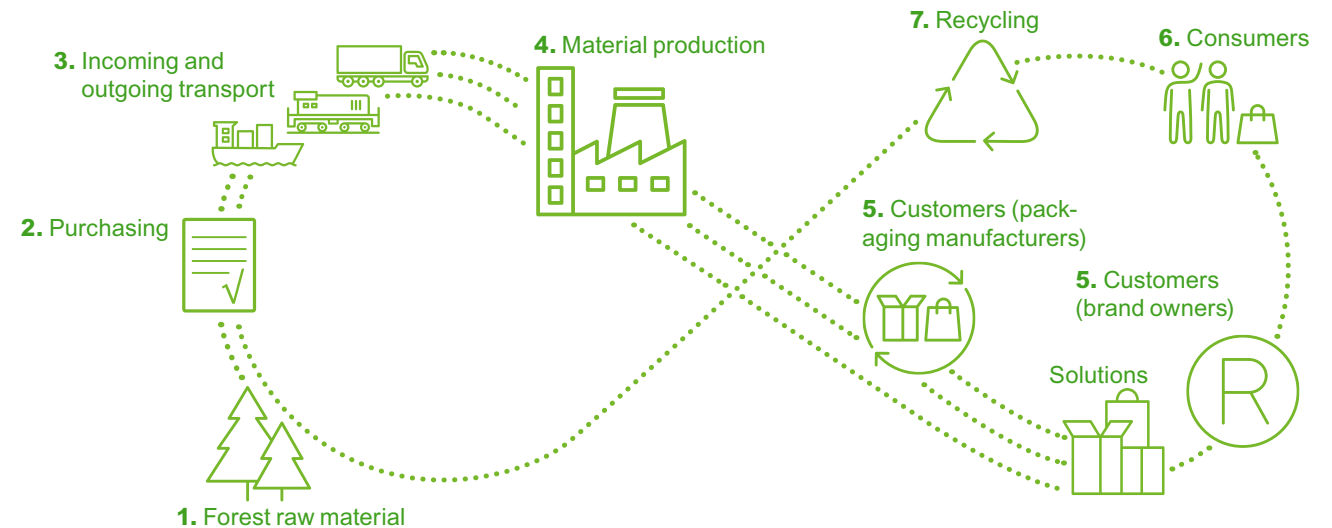
- Tough demands for suppliers, planners and wood buyers and an extensive supplier assessment and follow-up process.
- Collaboration and development to reach established climate targets.

3. Incoming and outgoing transport

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

Our impact:

- Indirect impact through greenhouse gas emissions from transport suppliers.



4. Material production

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

Our impact:

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

5. Customers

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

Our impact:

- Giving customers an opportunity to reduce their climate footprint by replacing material based on fossil plastic, aluminium and glass with paper from forest raw material. High-quality packaging materials also contribute to a secure and sustainable food supply.
- Extensive programme to check working conditions and the environmental approach of production partners in Managed Packaging.

6. Consumers

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

Our impact:

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

7. Recycling

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

Our impact:

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

Sustainable wood supply

Growing forests and their sustainable and renewable raw materials enable the transition to a fossil-free, carbon-neutral society. Sustainable forestry means growing forests in which raw materials are harvested to benefit society, while preserving forests' social and biological assets.

	Goals for 2021	Outcome
Proportion of wood supply from Europe, %	96	99
Proportion of group-certified forest owners (FSC® and PEFC), no.	215	226

Wood is renewable and is our main raw material resource. Every year, BillerudKorsnäs purchases around 10.5 million cubic metres of pulpwood and woodchips, which is converted into sustainable packaging materials by our efficient production units. As a large purchaser of wood fibre, BillerudKorsnäs takes responsibility for ensuring that purchased raw materials come from forests that are managed by respecting the importance of their assets for society and their biodiversity. Find out more about our wood supply on page 23. [↗](#)

BillerudKorsnäs manages approximately 411 000 hectares of forest for Bergvik Skog Öst AB and private smallholders. Read more about our forest management on page 114. [↗](#)

Traceability and global forest certification systems

All wood raw material purchased and all products sold by BillerudKorsnäs each year are covered by FSC® and PEFC Chain of Custody. All wood raw material follows the procedures set out by

Fibre origin 2021, %



79% of our wood raw material is of Swedish origin. 50% of Swedish forests are owned by private forest owners. Every year targeted initiatives are carried out to encourage more of these to certify their forest through our FSC® and PEFC group certification.

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

FSC® Controlled Wood, Controlled Sources in PEFC Chain of Custody and the EU's EUTR timber legislation. 99 percent of our wood raw materials come from EU countries, as well as Norway, with 79 percent coming from Sweden.

BillerudKorsnäs carries out harvesting under the long-term agreement with Bergvik Skog Öst AB and purchases harvesting rights from smallholders, which together account for approximately 25 percent of our total wood raw material consumption. We ensure that harvesting managed and carried out by us takes place in accordance with current legislation and BillerudKorsnäs' sustainable forestry directive.

Targeted initiatives to increase the number of certified forest owners

Certified forestry provides a competitive advantage; as customer demand for certified raw materials in product packaging increases, so does the demand for renewable materials that are produced from wood raw material from certified forests. Both FSC and PEFC certifications promote environmentally, socially, and economically sustainable forestry.

BillerudKorsnäs works actively to increase the proportion of certified raw materials and offers smallholders long-term cooperation agreements to be included in BillerudKorsnäs' FSC® and PEFC group certification. The number of private forest owners certified through BillerudKorsnäs totalled 226 (215) at the end of the year, covering an area of productive forest of approximately 109 000 hectares. The goal is to increase the number of group-certified private forests every year, based on established goals.

Preserving biodiversity

Protecting and conserving biodiversity is an important part of BillerudKorsnäs' forest management. We focus on indirect factors and important structures for biodiversity, such as old and coarse



Inspiring forest owners to grow birch

BillerudKorsnäs launched a hardwood forest project during the year with the aim of inspiring forest owners to focus on cultivating aspen and birch in their forests.

trees, rich transitional environments, spreading corridors, deciduous forest and dead wood.

Work on biodiversity is also reflected in BillerudKorsnäs' financial support for the Swedish Society for Nature Conservation's white-backed woodpecker project. This woodpecker is a bird species that depends on a habitat consisting of older deciduous forest with plenty of dead hardwood. The project involves releasing birds into forests, feeding and measures to improve habitats in Swedish forests, including the deciduous forests managed by BillerudKorsnäs. As part of this project, targeted forest conservation measures are also carried out to improve the habitat of the woodpecker in selected geographical areas.

Measures to prevent spruce bark beetle

Forest owners and forest industry may be impacted by unpredictable events such as storms, fires and insect pests. The spruce bark beetle remained a challenge during the year, and BillerudKorsnäs is working with authorities and organisations in the sector to minimise damage and advise forest owners on how to proactively prevent the spread of the insect.

Our contribution to the 2030 Agenda (targets 15.2 and 15.5)

⊕ We always ensure that the wood raw material we use comes from responsibly managed forests and that forest ecosystems are protected.

⊖ Approximately 10% of the world's deforestation is linked to wood products. We see it as our responsibility to spread awareness of climate benefit, biodiversity and ecosystems.

Responsible supply chain

BillerudKorsnäs strives for a sustainable and responsible supply chain where all purchasing decisions are made in line with principles of business ethics and the sustainability criteria laid down.

	Target 2021	Outcome
Proportion of purchasing value with supplier assessment, %	77	83
Transport of wood raw material and finished products, g CO ₂ e/tonne km	12.0	12.7

BillerudKorsnäs buys large volumes of wood raw material, products, chemicals, energy, services and transport every year. We strive to ensure that our supply chain is sustainable and carry out extensive work to evaluate our suppliers and require environmental, ethical and social responsibility. The Supplier Code of Conduct is based on international standards and frameworks, and is applicable for all suppliers. The Supplier Code of Conduct is part of the contract for suppliers with a purchasing value over SEK 1 million and clearly sets out our expectations and minimum requirements in terms of statutory compliance, business ethics, human rights and labour law, health and safety and the environment.

BillerudKorsnäs' purchasing is divided into three main areas: Group purchasing, wood raw material purchasing and transport purchasing. In addition, there is Managed Packaging, which accounts for about 3% of the Group's turnover and uses production partners to provide packaging solutions and services to brand owners. The Group applies supplier assessments in all areas. In no case did assessments of suppliers show any significant risk of child labour, forced labour or lack of freedom of association. Nor were any supplier agreements terminated as a consequence of this year's supplier assessment.

Evaluation of suppliers for Group purchasing

BillerudKorsnäs' Group purchasing primarily concerns raw materials, maintenance materials and services for the production

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

Purchases of direct material, such as chemicals, are critical from a supply and sustainability perspective and are prioritised in supplier assessments. The proportion of the purchasing value assessed during the financial year amounts to 97% for this category.

In 2021, a total of 382 (320) suppliers were assessed, all of which were approved. 40 (49) suppliers were ordered to carry out improvement measures before the next assessment, which is less than previous year.

Assessment of wood raw material purchasing

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

Evaluations when purchasing transport

BillerudKorsnäs' purchased transport mainly comprises incoming transport of wood raw materials to the production facilities and outgoing transport of products from the production facilities to customers. Evaluations of the logistics companies that manage the transport of wood raw material and products are conducted via tailored supplier assessments covering health and safety, working conditions and the environment. Assessments of transporters of



Working towards zero carbon dioxide emissions from transport

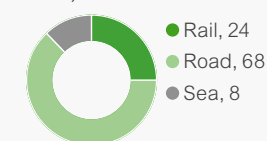
The majority of BillerudKorsnäs' wood raw material comes from Swedish forests and incoming transport is mainly by road. Sea transport is used as a rule for long-distance transport of wood raw material.

BillerudKorsnäs is largely in control of outgoing transport. Transport flows from the production plants to customers are well suited for rail transport and on average 107 goods wagons containing products on their way to customers leave the production units each weekday. In 2021, 67 (72)% of land transport was by rail, and our aim is to increase this proportion to 75% by 2030. The decrease for share of rail has several causes, such as temporary capacity deficits and disturbances as well as late production changes.

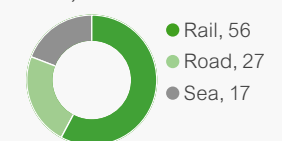
BillerudKorsnäs' long-term goal is zero greenhouse gas emissions from outgoing transport by 2050. In working to achieve this target, BillerudKorsnäs works in partnership with hauliers to drive the transition to a fossil-free fleet. The road ahead also involves actively choosing the mode of transport and monitoring developments in technology and fuel, railway expansion and electrification of roads.

2021 outcomes for greenhouse gas emissions from transport amount to 12.7 g per tonne km in total, of which emissions from transport of wood raw material was 23.1 g per tonne km and transport of finished products was 11.7 g per tonne km.

Transport to production units 2021, %



Transport from production units 2021, %



wood raw material did not show any significant deviations in 2021. As far as outgoing transport is concerned, suppliers responsible for 81% (81) of the procurement volume were assessed.

Close cooperation with suppliers increases performance

Managed Packaging's operations build on a strong supplier network with the aim of developing close, long-term supplier relationships. The starting point of this partnership is BillerudKorsnäs' Supplier Code of Conduct, which sets out clear requirements and expectations of suppliers. Compliance with the Supplier Code of Conduct is regularly monitored in our own audits, third-party audits and brand owner audits. If deviations are identified, we work with the supplier to help them implement systematic improvements.

We conduct ongoing dialogue with our suppliers and communicate our requirements at least once a year. In 2021 we ran workshops with 41 suppliers and tailored training courses for 10 suppliers. We carried out training courses with a further 12 suppliers together with our brand owners. We also take the initiative to engage suppliers' employees on health and wellbeing. One example is our work during the year with the Centre for Child Rights and Business, in which we ran Migrant Parent Training with three suppliers in 2021. Planning is also underway to implement Child-Friendly Space in 2022.

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

Despite the major impact of COVID-19 at a number of suppliers, it was possible to maintain a close dialogue with suppliers and comply with the auditing process. In 2021, Managed Packaging conducted a total of 51 (42) supplier audits, 8 (4) of which concerned new suppliers.

12 of the suppliers audited in 2021 showed deviations in zero-tolerance areas and the relationship was paused. The relationship with one of the suppliers were terminated due to them not being willing to correct the deviation. All other suppliers rectified the deviations immediately and the relationship was able to be resumed with subsequent additional checks. A number of other deviations such



Managed Packaging

– *Transparency and control along the value chain*

Managed Packaging has a network of more than 80 quality-assured production partners, primarily in East Asia. The production network enables complex production programmes to be managed over a large geographical area. The customer is offered a contact point and full transparency and control over the entire packaging chain. We

offer packaging solutions that can be divided into transport packaging, which is optimised to reduce transport and handling costs, and consumer packaging, where the packaging also forms part of the brand.

as extensive overtime, insufficient personal protective equipment, handling of hazardous waste, etc. were also identified. 58% of the deviations that required improvement measures were rectified during the year.

Our contribution to the 2030 Agenda (target 8.7)

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

Engaging workplaces

BillerudKorsnäs strives to develop and engage employees in safe working environments. The skills, experiences and engagement of our employees pave the way for value creation and continued competitiveness.

	Target 2021	Outcome
Proportion of women in total, %	24	25
Proportion of female managers, %	24	27

2021 was also affected by the global pandemic and focus on ensuring safe working environments for our employees continued. This work has included developing and compliance with procedures and standards, leadership and behaviours as well as training. Adjustments to remote working practices for those who had to stay at home continued this year, with great emphasis placed on supporting and training managers and working on activities to boost motivation. Activities have also been launched to encourage healthy working. Read more about BillerudKorsnäs' systematic work on health and safety on pages 27–28.

Developing BillerudKorsnäs' sustainable leadership and employeeship

BillerudKorsnäs conducts long-term, proactive work to develop sustainable leadership with a focus on increasing engagement and dialogue. Sustainable leadership is followed up and evaluated in BillerudKorsnäs' employee survey, with this year's results showing an improvement. During the financial year, BillerudKorsnäs' leadership training at the Leadership Academy has been adapted and

Record attendance at this year's IGEday

During the year, BillerudKorsnäs once more was the main partner for Introduce a Girl to Engineering day (IGEday). The aim of IGEday is to increase interest in technology and engineering among young women. 170 young people participated in this year's event, a record number of participants, enabled by the event being held online.



run online. The Sustainable people programme also continued to be developed during the financial year. The programme seeks to make expectations clear and provide relevant tools and support for the employees in sustainable employeeship. During the year, training on the ground was produced to strengthen frontline managers in sustainable leadership, and pilot training was carried out at all production units.

Diversity and inclusion

BillerudKorsnäs works long-term and preventively in striving towards greater diversity and inclusion. Employees of different sexes, ages, backgrounds and experiences bring new perspectives and innovative solutions, making diversity and inclusion business-critical for BillerudKorsnäs. Long-term efforts on a number of targeted initiatives in the first instance to achieve a better balance between the sexes have generated results and the aim is to increase the proportion of women in the Group in total, also at managerial level. During the year, initiatives to increase inclusion were also launched, including introducing practical tools with the aim of increasing employee knowledge and encouraging dialogue, discussion and reflection.

In 2021 the proportion of female employees amounted to 25.0 % (23.8), while the proportion of female managers was 26.7% (23.8). Looking to 2030, the aim is for the proportion of female managers and female employees in total to be at least 35%. The results of the annual pay survey are presented on page 116.



Sustainability heroes

At BillerudKorsnäs, sustainability has a central role in everything we do. As part of increasing employees knowledge in sustainability issues and strengthening BillerudKorsnäs' sustainability profile and corporate culture, an initiative called "sustainability heroes" was introduced during the year.

The initiative was based on the employees being able to nominate colleagues in three categories; Safety, Climate and Innovation, where a jury selected a hero in each category. The initiative aims to highlight good examples with a focus on employees' sustainable initiatives. The initiative also contributed to increased commitment and knowledge within sustainability.

Hillevi Luks at our mill in Skärblacka became this year's Safety Hero.

Awards



Award

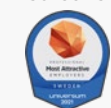
BillerudKorsnäs is among the top 30 most attractive employers in the Young Professional Attraction Index 2021 (YPAI).



Attractive employer

BillerudKorsnäs was named as an attractive and exciting employer among engineering graduates.

Career Company



BillerudKorsnäs was named as a Career Company, for offering attractive career and development opportunities for our employees. In 2021 we came in at an impressive third place among engineering graduates.

Strategy for business-critical skills supply

Meeting the skills supply challenges involves ensuring that existing and potential employees feel they have good opportunities for an interesting future at BillerudKorsnäs in the short and the long term. Our clear mission and our contribution to a sustainable future strengthen our brand and are an asset in working to increase awareness of BillerudKorsnäs as an employer and to attract and recruit new talent.

Based on an extensive skills survey, BillerudKorsnäs has drawn up a strategy for effective skills supply. There are three parts to the strategy: strengthening BillerudKorsnäs in its role as employer, working on targeted initiatives to develop existing employees and producing a specially targeted skills development programme.

One such skills development programme is the Group-wide Professional Trainee Programme at our production units in Sweden, with the aim of ensuring long-term skills supply and attracting skills. In total 22 trainees were recruited to learn the BillerudKorsnäs manufacturing process. The production unit in Skärblacka has also launched cooperation with other paper mills in the region, with the aim of increasing interest in the younger age groups in wanting to train in traditional industry, with a focus on highlighting characteristics such as high-tech, modern and forward-looking. Read more about BillerudKorsnäs' proactive work to create jobs, including internships, degree projects and summer jobs on page 40. [↗](#)

Employee survey 2021

During the year the Group-wide employee survey was carried out, with the results showing continued stable engagement 77 (78) and sustainable leadership 78 (77). The response frequency was high, at 82%. When following up the results of this year's employee survey, improvement and development areas were identified and action plans were drawn up. One development area in this year's employee survey was to improve the clarity of communication regarding the Group's strategy linked to employee engagement.



Gävle mill wins diversity prize

During the year, BillerudKorsnäs' production unit in Gävle was awarded a diversity prize founded by StyrelseAkademien and Nordea in Gävleborg together with the Chamber of Commerce, Mellansvenska Handelskammaren.

"Diversity contributes to increased profitability, increased safety and more creative solutions. Inclusion is also a prerequisite for diversity. Both aspects are important to providing a safe and healthy workplace where employees are healthy and feel good," says Nike Leima, HR Business Partner at BillerudKorsnäs' mill in Gävle.

Digitalisation of employee processes

Work to develop BillerudKorsnäs' Group-wide systems for employee and organisational data continued during the year. The aim is to digitalise the majority of our employee processes and standardise, improve and boost the efficiency of processes for employees and managers.

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

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

Resource-efficient production

BillerudKorsnäs strives to reduce the environmental impact of its production units by ensuring stable and resource-efficient production and phasing out fossil fuels.

	Target 2021	Outcome
Energy consumption, MWh/tonne product	5.2	5.1
Emissions of fossil CO ₂ in the manufacturing process, kg/tonne product	29	30

BillerudKorsnäs' environmental impact mainly comes from the production of pulp, paper and board, which causes emissions to air and water. Ensuring stable production is an important factor in minimising emissions to air and water.

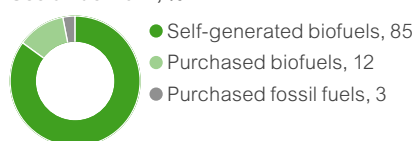
Stable production reduces environmental impact

There is a strong correlation between stable production and effective use of resources as production disruptions are demanding in terms of resources and costs. In other words, the business is at its most sustainable when it works efficiently. Production is energy-intensive and the primary fuel used in production is biofuel, which comes from suspended wood solids in pulp manufacture and from bark on the wood. The energy is mainly used directly in production, but some of the surplus provides the local community with district heating. The proportion of fossil fuel is low, with fossil heating oil used almost entirely in starting and stopping machinery, and as a back-up fuel. LPG is used for drying in the production of paper and board at some of the production units. Natural gas was the primary energy source in Beetham, which was divested during 2021.

Striving towards fossil-free production

In pursuit of its aim to become entirely independent of fossil fuels in the production process, BillerudKorsnäs currently powers its production using 97.3% (97.4) renewable bioenergy. The remaining 2.7% (2.6) was fossil fuel, which generated fossil carbon diox-

Use of fuel 2021, %



ide emissions of 30 (30) kg per tonne of product. The results were on the same level as last year. Differences between production units can mainly be attributable to production stability, where stable production reduces the need for fossil fuel oil. We generate more than 40% of our electricity need internally. All electricity, produced in-house or purchased, is covered by fossil-free guarantees of origin. Read more about BillerudKorsnäs' emissions and outcomes on pages 113-114 [↗](#) and about our roadmap for achieving the climate targets on page 30. [↗](#)

Ongoing energy saving measures

BillerudKorsnäs earmarks a significant sum each year for energy-saving investments. 2021 saw the allocation of SEK 20 (20) million to help realise the improvement measures identified in energy surveys and by other means.

Over the financial year, we have continued to work on energy-saving measures. In Skärblacka, energy monitoring has been improved, and verified steam and electricity savings of 20 GWh been achieved this year. Karlsborg has seen investments to improve the quality of our solid biofuel, which is expected to reduce the need for heating oil and thus reduce the associated carbon emissions by 173 tonnes per year.

In 2021, BillerudKorsnäs' energy use per tonne of product amounted to 5.1 (5.3) MWh, which means that the goal was achieved.

Constant improvements to reduce environmental impact

BillerudKorsnäs' production is governed by extensive environmental legislation, and operation is subject to licences being granted. The environmental efforts are based on constant improvements in which certified management systems (see page 117) help to create structured working methods to comply with official requirements and legislation. The goal is to enable operations to be run efficiently, with consideration for the surrounding environment and neighbours.

BillerudKorsnäs is constantly working to improve the environmental impact from our production. This work is coordinated by a Group-wide function that coordinates the environmental work of the production units, with a focus on synergies and knowledge transfer.

Environmental improvement measures

The production units constantly carry out environmental improvement measures based on the priorities of the respective operation. In a move to ensure improved environmental performance, plus stable and efficient pulp and board production, a decision was taken during the year to invest in a new recovery boiler for the production unit in Frövi. This investment is estimated at around SEK 2.6 billion, with the new recovery boiler expected to enter operation at the end of 2023. The investment will facilitate improved efficiency and full integration of pulp production, as well as meeting the new requirements concerning emissions to air using the best available technology. The project began this year and is proceeding according to plan.

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

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

Community engagement

BillerudKorsnäs' ambition is to make a positive impact on society through both local and global collaboration and engagement.

	Target 2021	Outcome
Number of weeks of work experience	1 200	1 306

BillerudKorsnäs is one of the largest actors in the Swedish paper industry, not to mention a significant business partner and employer, and that status means our operations have an impact on communities and people. We strive to make a positive impact on the communities in which we operate, through both local and global collaboration.

BillerudKorsnäs' business employs more than one in 10 of the people who work in our industry in Sweden. This makes us the largest private employer in four of the five municipalities in which our Swedish production units are located. The fact that almost three-quarters of our employees also live in the municipality where their workplace is situated gives BillerudKorsnäs a significant indirect impact on the local community in the form of fundamental community services being established, and investments being made in infrastructure. Proximity to our production plants also enables surplus heat from parts of the production to be used, e.g. for domestic heating. In 2021 BillerudKorsnäs sold a total of 976 (935) GWh, which is equivalent to the amount of energy needed to heat approximately 49 000 (47 000) detached homes.

Engagement and dialogue with local communities and local residents

BillerudKorsnäs engages with the local community, and as well as routing surplus heat into district heating networks in the regions in which we operate, we also support local initiatives and sporting activities. We pursue a constant dialogue with local communities and local residents, offering a range of channels and forums through which locals can submit their views on our business, including digital channels, direct contact and consultation meet-

ings. Opinions and questions from local residents are documented in internal systems and followed up to determine relevance, continued dialogue and the need for a solution or course of action. During the year, 65 (57) questions were received from local residents, a majority of which concerned odour.

Consultation for responsible forestry

Reindeer herding representatives are consulted within the framework of responsible forestry. In 2021, there were 3 (4) consultations carried out with regard to the land managed by BillerudKorsnäs. No incidents concerning violations of the rights of indigenous peoples were identified in 2021. BillerudKorsnäs encourages and conducts an active dialogue with its neighbours and other stakeholders who are interested in knowing more about, or have views on, the measures being implemented in the forest, while also working jointly with other actors on the harvesting of forest held by smaller private owners.

Proactive work creates jobs

BillerudKorsnäs takes a proactive and long-term approach to job creation. BillerudKorsnäs is engaged in own as well as external initiatives, including the government work experience programmes Tekniksprånget and Jobbsprånget. Tekniksprånget is geared towards young people under the age of 21 who are qualified to take up a degree in engineering, while Jobbsprånget is a programme that offers four-month internships for newly arrived academics to make the most of their skills and ease their entry into the Swedish labour market.

In 2021 a total of 101 (90) interns completed work placements, together with 18 (20) students doing their degree projects with us. This amounted to 1 306 (1 051) weeks of work experience in total.

Commitment to improved recycling and reduced plastic pollution

Through the GRACE network, BillerudKorsnäs drives recycling issues at a global level, with a focus on how to improve recycling

systems for liquid packaging board in various countries, and through its involvement in EXTR:ACT, BillerudKorsnäs works on similar issues within the EU.

We are also engaged in 4evergreen, an alliance involving the whole value chain which promotes recycling of paper-based packaging in the EU. The purpose of 4evergreen is to increase the use of fibre-based packaging in a circular and sustainable economy that minimises impacts on the climate and the environment. The aim is also to draw up guidelines for product design to facilitate circularity and reuse of fibres, and to support the development of optimised collection systems, infrastructure and technology for the recycling of fibre-based packaging. This work is strategically crucial in enabling the transition to a circular economy.

Since 2020 BillerudKorsnäs has been represented on the board of Returkartong, which is responsible for collecting and recycling paper packaging. The business is owned by companies and organisations that are part of the whole packaging chain, from the material manufacturers to the producers who fill the packaging. One important task is lobbying for clearer regulation of producer responsibility and helping the member companies to fulfil their producer responsibility. Returkartong is one of four owners of the packaging and newspaper collection service FTI.

BillerudKorsnäs is working with Tara Expedition, the French non-profit organisation that sails the seas of the world with the ship Tara to increase our knowledge of the oceans, the climate and the marine ecosystems. An important part of their job is to engage and inform in order to reduce marine littering.

Read more about all of BillerudKorsnäs' collaborations with industry organisations on page 116. [↗](#)

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

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



Collaboration with researchers on Bio-CCS in bedrock

BillerudKorsnäs is working with researchers at Luleå University of Technology (LTU) to come up with a technique for storing carbon dioxide in the bedrock, called Carbon Capture and Storage (CCS). The ground around the production unit in Karlsborg comprises magmatic bedrock, and the aim of the project is to investigate how suitable the igneous basalt is for carbon storage. The hope is that new technology can be used to capture the biogenic (green) carbon dioxide emitted by the mill and store it in the bedrock. If the project achieves the desired result, the technology could potentially be employed at several production units in Sweden with the same type of local bedrock.

Responsible business

BillerudKorsnäs seeks to act responsibly in every part of the value chain and to run our business according to sound business practices, in compliance with applicable laws and regulations.

	Target 2021	Outcome
Proportion of production units certified in line with food safety standards, %	100	100
Proportion of employees completed the Code of Conduct e-learning course, %	80	47

BillerudKorsnäs' Group-wide Code of Conduct and core values provide basic guidelines on sound business practices and responsible business, forming the foundation for the company's policy framework. Our Code of Conduct is partly based on international standards concerning human rights, working conditions, the environment and anti-corruption, with the UN Global Contract and its 10 principles as a key point of reference.



Our ambition is to act responsibly in every part of the value chain, conducting proactive and preventive work that encompasses our codes of conduct, a policy framework, risk assessments and employee training, and demanding certain standards from business partners. Read more on page 117.

Launch and implementation of updated Code of Conduct

The Code of Conduct sets out basic guidelines for employees in their daily work, covering areas such as safety, responsible business, inclusion and human rights. The new code was launched in 2021, with a focus on clarifying the content and the expectations placed on employees. The updated Code of Conduct was then implemented during the present financial year. The code is available on the BillerudKorsnäs website and has been translated into several languages. Activities and training sessions have been con-

ducted over the year with a view to raising awareness, something that was followed up in the employee survey. The implementation was also accompanied by the launch of a new e-learning course in the code. The Group-wide goal is for all employees to complete the training every three years, and for them to respect the Code of Conduct. The course was launched in the end of the year and during 2021 less than half of employees had completed the training. Thus, the target was not reached. By the end of February 2022, the corresponding figure was 91%.

The Code of Conduct is also an integrated element of Sustainable Leadership within BillerudKorsnäs. Specific communication initiatives on the Code of Conduct and expectations of responsible leadership have been directed at all the Group's managers, and been addressed in management teams over the year. In addition, targeted communication initiatives have been aimed at stakeholders such as union organisations, with a view to increasing awareness and compliance. This drive has also involved integrating the Code of Conduct into the Group's subsidiaries.

Responsible Business Compliance programme

BillerudKorsnäs' compliance program seeks to strengthen responsible business practices, increase employees' awareness and knowledge, and reduce the company's risks. The programme comprises the five areas: anti-money laundering, anti-corruption, compliance with competition rules, sanctions compliance and respect for human rights.

Follow-up of risk assessment and action plans

Work on risk assessment for responsible business continued during the financial year. The company conducted a follow-up of the Group-wide risk assessment and action plans from 2020 regarding corruption risks, for example towards the Group's sales agents. Improvement measures have been implemented, including updates to the Code of Conduct and the refinement of internal rules on gifts and hospitality. Reporting to the Executive Management Team on the programme for responsible business has also been developed over the year.

Our Responsible Business Compliance programme

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

Proactive training initiatives

BillerudKorsnäs works proactively on continuous training initiatives.

Employees and sales agents who are exposed to higher risk in responsible business areas are trained regularly in line with a set training plan. In 2021 about 130 persons completed e-learning in anti-corruption and about 60 persons completed e-learning in compliance with competition law. Additionally, adapted classroom training on responsible business was carried out for more than 220 employees.

Good awareness of and requirements for business partners

A key aspect of the work on identifying increased risks in business relationships is being well-informed about business partners. BillerudKorsnäs defines high-risk markets by analysing the degree of corruption, sanctions, human rights violations and/or lack of transparency, an analysis that then becomes the starting point for checks and sets the minimum level for additional requirements on business partners through contracts and monitoring. The year has also included long-term work on standardising contractual terms for business partners.

The expectations and requirements placed on suppliers are clearly set out in BillerudKorsnäs' Supplier Code of Conduct. During the financial year, the Supplier Code of Conduct was under review with the purpose of clarifying and amending expectations and requirements. The code was originally launched in 2019, and work on its implementation among existing suppliers continued in 2021. Read more about supplier assessments on page 35. [📄](#)

Speak-Up Line

Suspected malpractice, such as corruption, financial fraud, breach of competition law and material breaches of the company's Code of Conduct and policies, can be reported via our whistleblower system, the BillerudKorsnäs Speak-Up Line. Reports can be made anonymously by anyone and the channel is accessible via the intranet and the external website. During the year, activities and training initiatives have been held to further raise awareness of the Speak-Up Line, and the channel has been translated into several local languages. Awareness of the Speak-Up Line is also followed-up in the BillerudKorsnäs employee survey.

A total of 17 (11) cases were handled using the Speak-Up Line in 2021. While some cases were operational feedback in the form of cases for HR, other cases were related to Responsible Business (incl. potential conflicts of interest, gifts & hospitality) and sustainability. After investigation, disciplinary/corrective action was taken in one of these cases. Among all cases, there was no confirmed incident of corruption.

No reports regarding child labour or slave labour were received during the year, either through the whistleblower system or through any other reporting channel.

In 2021, 19 (10) cases concerning discrimination or harassments were investigated and handled outside the Speak-up line by HR. Following an investigation, the company has taken corrective measures based on the severity of the cases.

Summary of fines and legal measures

No significant fines or other sanctions due to breaches of the law were imposed on the company during 2021. Nor was any legal

action taken against the company regarding anti-competitive behaviour, cartels or monopolies in 2021.

No incidents regarding breaches of customer privacy were registered during 2021.

Following up our responsibility for product safety

Demands on materials and articles intended for food contact are high and managing product safety is thus fundamental for BillerudKorsnäs. BillerudKorsnäs' products comply with the European Framework Regulation (EC) No 1935/2004 on materials and articles intended to come into contact with food. Since there is currently no harmonised legislation on paper and board within the EU, BillerudKorsnäs follow the German legislation by applying the BfR recommendations. The American FDA legislation is also applied outside the EU. In addition, certain products comply with other demands, such as the Chinese standards on materials in contact with food. Some grades are designed to fulfill medical standards for paper material. This ensures that BillerudKorsnäs' products are safe under intended conditions of use.

Monitoring of BillerudKorsnäs' product responsibility in 2021 showed that no breaches of legislation or voluntary codes of practice occurred regarding health and safety, product information and labelling or market communication.

No fines related to product responsibility were imposed.

Our contribution to the 2030 Agenda (target 12.6)

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



Unique combination of strength and appearance

During the year BillerudKorsnäs relaunched its well-established coated white-top kraftliner for litho-laminated packaging, which is more than a facelift – it could even be regarded as a new product.

For premium brands with a need for appealing, high-performance packaging, Pure Supreme is a perfect choice – and the advantages are easily explained. The smooth and fully coated surface gives the liner an attractive appearance, exceptional print results, and opportunities for interesting varnishes and foils.

Pure Supreme is made of 100% pure and strong primary wood fibres, sourced from responsibly managed forests. Its strength and stiffness ensure high runnability, allowing for high-speed printing and converting processes. Thanks to its strength, Pure Supreme enables great lightweighting possibilities; less packaging weight saves cost and reduces the environmental footprint.

Directors' report

The Board and CEO of BillerudKorsnäs AB (publ), corporate identity number 556025-5001, herewith submit the annual report and consolidated annual accounts for the 2021 financial year. Figures for the previous year are stated in brackets.

This English version is a translation of the Swedish original.

Operations

BillerudKorsnäs offers packaging materials made from natural cellulose fibre and innovative packaging solutions. We are a leading producer of high-quality board and paper, and create value through our deep knowledge of primary fibre based materials and optimally designed packaging. The packaging material is manufactured in seven resource-efficient production facilities in Sweden and Finland. In addition to packaging materials, BillerudKorsnäs sells surplus long-fibre pulp and Northern Bleached Softwood Kraft (NBSK), which is not used in its own production. BillerudKorsnäs' main market is in Europe, but the group is continuing to become established in other markets.

BillerudKorsnäs has three operating segments: Product area Board, Product area Paper and Solutions & Other.

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

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

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

Sales volumes by operating segment

Ktonnes	2021	2020
Product area Board	1 917	1 842
Product area Paper	960	946
Total	2 877	2 788

Net sales by operating segment

SEKm	2021	2020
Product area Board	14 852	13 600
Product area Paper	8 127	7 576
Solutions & Other	2 950	2 750
Currency hedging, etc.	277	-42
Total	26 206	23 884

Net sales by region

SEKm	2021	2020
Sweden	3 955	3 724
Germany	3 122	2 877
China	2 589	2 500
Italy	1 698	1 598
Spain	1 523	1 264
United Kingdom	1 358	1 213
France	1 060	1 047
Turkey	763	683
USA	712	315
The Netherlands	699	665
Rest of Europe	3 658	3 644
Rest of the world	5 069	4 354
Total	26 206	23 884

COVID-19 impact

BillerudKorsnäs has since the outbreak of the COVID-19 pandemic run its operations without any major disruptions. Precautionary measures have been taken to safeguard the health of individuals, secure deliveries, support customers and develop contingency plans with regard to critical resources.

The financial effects of COVID-19 for BillerudKorsnäs were limited in 2021. Logistical challenges have been overcome in a satisfactory way, although logistic costs increased in the second half of the year. There have been no increases of credit losses. Additional costs for the annual maintenance shutdown at Gruvön in April related to coronavirus pandemic precautions, were around SEK 10 million. The annual maintenance shutdown at Skärblacka was postponed from the second to the fourth quarter due to the pandemic, without any financial impact.

For further information about COVID-19, see Risks and risk management on page 65. [↗](#)

Financial targets

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

- Net sales growth of 3–4% per year.
- The EBITDA margin above 17%.
- The leverage policy is interest-bearing net debt in relation to EBITDA below 2.5.
- The dividend policy is dividends of at least 50% of net profit.

Sales and earnings

Net sales for 2021 increased by 10% to SEK 26 206 million (23 884). Net sales increased in both Product area Board and Product area Paper. Excluding currency effects net sales increased by 12%.

EBITDA improved to SEK 3 901 million (2 712), mainly due to higher prices, an improved product mix and increased sales volumes. Adjusted EBITDA, excluding items affecting comparability of SEK -177 million (9) amounted to SEK 4 078 million (2 703). Items affecting comparability included a negative result from the divestment of Beetham of SEK 123 million, acquisition-related costs of SEK 135 million and a positive effect of revaluation of biological assets in the associated company BSÖ Holding AB Group of SEK 81 million (73). The EBITDA margin was 15% (11) and the adjusted EBITDA margin was 16% (11). See note 6 for information about items affecting comparability.

Net financial items totalled SEK –113 million (–95). The calculated tax was SEK –391 million (–3). The low tax rate in 2020 was mainly due to additional recognition of deferred tax assets in Finland related to tax losses carry forward, and revaluation of deferred tax liabilities related to tax depreciations as a result of the decreased tax rate in Sweden from 21.4% to 20.6% between 2020 and 2021.

Net profit for the year totalled SEK 1 485 million (660) and the return on equity was 8% (3).

Return on capital employed was 8% (3). When adjusting for items affecting comparability, return on capital employed was 9% (3).

For 2021, a dividend of SEK 4.30 per share (4.30) is proposed by the Board of Directors. The dividend proposal corresponds to approximately 60% of the Group's net profit.

Key events 2021

On 11 January it was announced that Jan Åström would not be available for re-election as Chairman of the Board, but as a Board member and that the Nomination Committee would propose that he is elected to this role. The Nomination Committee also announced its decision to propose that Jan Svensson be elected as Chairman of the Board at the 2021 Annual General Meeting. Jan Svensson has been a member of the Board of BillerudKorsnäs since 2020 and was the CEO of Latour 2003–2019.

On 28 January the Board of Directors decided to invest in a new recovery boiler at Frövi, planned to be in operation at the end of 2023. A new recovery boiler will improve environmental performance, increase energy production and create possibilities for increased efficiency and integration of the Frövi mill. The investment is estimated to total SEK 2.6 billion. The value of the current recovery boiler will be depreciated until it is closed. See more information on page 48.

In February the functions for Technology, Strategy, Communication & Brand and Legal & Compliance were included in the Executive Management Team. Erik Olsson assumed the position as Executive Vice President, Strategy and Ulf Eliasson assumed the position Executive Vice President, Technology. Later in February, it was announced that Helene Biström, Executive Vice President Commercial, had decided to leave BillerudKorsnäs.

In March, the annual maintenance shutdown at Skärblacka was postponed from the second to the fourth quarter due to COVID-19.

On 15 April it was announced that Matthew Hirst had been appointed new Executive Vice President Commercial, and that he would take office on 16 August. Matthew Hirst has previously held various senior sales and commercial development roles in Essity's professional hygiene business unit.

In April, an incident at the Gävle mill damaged equipment connected to the digester in the bleached pulp mill. Repair work was carried

out and production ran at a slower pace during a couple of weeks, implying a volume loss of 22 000 tonnes. The net financial impact of the incident amounted to approximately SEK 75 million in the second quarter.

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

In May, BillerudKorsnäs' board machine at Gruvön, KM7, started to deliver its first grades of liquid packaging board to customers, ahead of time schedule. The qualification of board grades for one litre and portion sized aseptic liquid packaging for one filling system was completed faster than planned, thanks to excellent customer collaboration.

In April, BillerudKorsnäs awarded Andritz the contract for a new recovery boiler at the Frövi mill. The assembly of the new recovery boiler is planned to begin during 2022.

During the second quarter, BillerudKorsnäs introduced Pure DecorX™ – a new generation of coated white top kraft liner with a 3-ply construction, light-weighting opportunities, high runnability in converting machines and enhanced packaging performance. Pure DecorX™ yields excellent print results which makes it very competitive in applications such as shelf ready packaging, displays and packaging of food, beverage, and premium consumer goods.

In July, BillerudKorsnäs initiated a marketing campaign connected to the launch of two low grammages of the flagship cartonboard product CrownBoard Prestige®. With this addition, the CrownBoard Prestige range comprises ten grammages. It is developed to meet the needs of discerning brands for packaging premium consumer goods.

On 29 July, BillerudKorsnäs announced that it was in a process with the aim of divesting the Beetham mill. The strategic importance of the Beetham mill has been reduced since the machine glazed (MG) paper business has been focused to the Skärblacka mill. On 31 October, it was announced that BillerudKorsnäs had agreed with the British investment firm Inspirit regarding the divestment of the Beetham mill and that the transaction was completed the same day. The purchase price corresponded to an equity value of around SEK 30 million. The divestment of Beetham resulted in a negative result of SEK 123 million in the fourth quarter result.

In September, production at Gävle had to be stopped due to the extreme and unprecedented rainfall and flooding in the Gävle area in August, which had led to poor water quality in the lake from which process water is sourced. The unplanned production stoppage implied a volume loss of around 20 000 tonnes of predominantly liquid

packaging board, with a negative earnings impact of around SEK 75 million, whereof around two thirds affected the third quarter result and one third affected the fourth quarter result.

On 17 November, BillerudKorsnäs presented a strategy to 2030 at a Capital Markets Day. It was announced that the strategy for profitable and sustainable growth in packaging materials focuses on attractive markets with good growth opportunities and product segments where the company has strong abilities to compete. New opportunities will be explored, specifically for paperboard in America, and possibilities to increase capacity at existing facilities or via acquisitions will be evaluated. Operational efficiency will be critical to maximise the growth opportunity, and therefore, annual investments in the current mills will increase to SEK 1.5–1.7 billion. Transformation towards a professional sourcing organisation for wood supply is an integral part of the strategy.

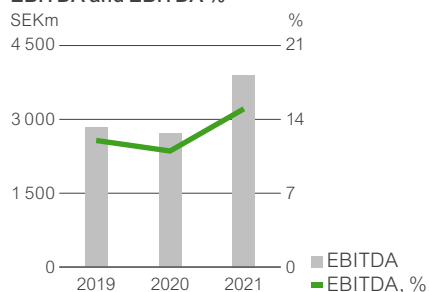
On 20 December, it was announced that BillerudKorsnäs had entered into a merger agreement with Verso Corporation (Verso), according to which BillerudKorsnäs has agreed to purchase Verso for a cash consideration of approximately USD 825 million. The acquisition is in line with BillerudKorsnäs strategy to drive profitable growth in paperboard and the ambition to expand in America. Verso is a leading producer of coated papers in North America. The company has two paper mills in Midwestern U.S., strategically located within proximity to major customers and in a region with abundant and cost-effective fibre supply. Verso reported net sales for 2021 of USD 1 278 million and an adjusted EBITDA of USD 223 million.

BillerudKorsnäs aims to convert Verso's largest facility, the Escanaba mill, into a world-class, fully integrated paperboard production site and thereby build one of the most cost-efficient and sustainable paperboard platforms in North America. One machine is estimated to be converted by 2025 and a second machine by 2029. The investment for the conversion is estimated to be up to SEK 9 billion. The increased net capacity of 400 ktonnes together with a more profitable product mix will create significant shareholder value over time.

The acquisition of Verso and the business transformation are planned to be financed through a combination of debt, a rights issue and operating cash flow. BillerudKorsnäs has a new credit facility of SEK 6 billion, planned to be used for this purpose and to be refinanced by issuance of debt instruments and a rights issue. The Board of Directors intends to propose to the 2022 Annual General Meeting that the Board of Directors be authorized to resolve upon a rights issue of up to SEK 3.5 billion, to be carried out in 2022 following completion of the acquisition of Verso.

After approval of Verso's shareholders as well as receipt of regulatory approvals and the satisfaction of other customary closing conditions, the acquisition of Verso was completed on 31 March 2022.

EBITDA and EBITDA %



Summary

	2021	2020
Net sales, SEKm	26 206	23 884
EBITDA, SEKm	3 901	2 712
EBITDA, %	15%	11%
Operating profit/loss, SEKm	1 989	774
Operating margin, %	8%	3%
Return on capital employed, %	8%	3%
Profit before tax, SEKm	1 876	679
Net profit, SEKm	1 485	660
Earnings per share, SEK	7.18	3.19

EBITDA and EBITDA-margin by operating segment

	2021		2020	
	SEKm	%	SEKm	%
Product area Board	2 748	19	1 855	14
Product area Paper	1 388	17	1 035	14
Solutions & Other	-512		-136	
Currency hedging, etc.	277		-42	
Total	3 901	15	2 712	11

For quarterly data, see pages 125-126. [↗](#)

Operating segments

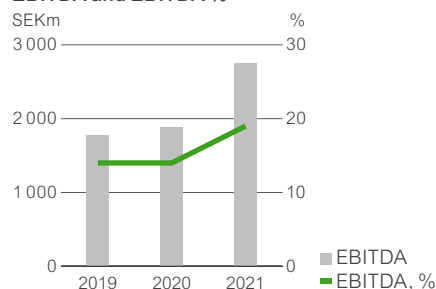
BillerudKorsnäs' result is reported in three operating segments in accordance with IFRS 8: Product area Board, Product area Paper and Solutions & Other. See Significant accounting policies from page 77.

Product area Board

Net sales rose by 9% compared with 2020. Excluding currency effects, net sales grew by 12%. The rise was primarily driven by price improvements but also by increased volumes of cartonboard and containerboard.

EBITDA increased by 48% to SEK 2 748 million (1 855), positively impacted by the positive trend for the new board machine at Gruvön. Operating profit amounted to SEK 1 451 million (516).

EBITDA and EBITDA %



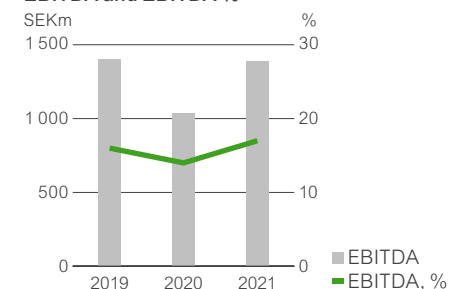
SEKm	2021	2020
Net sales	14 852	13 600
Operating expenses, net	-12 104	-11 745
EBITDA	2 748	1 855
EBITDA, %	19%	14%
Depreciation, amortisation and impairment losses	-1 297	-1 339
Operating profit/loss	1 451	516
Operating margin	10%	4%
Sales volumes, ktonnes	1 917	1 842

Product area Paper

Net sales rose by 7% compared to 2020. Excluding currency effects, net sales grew by 12%. The increase was mainly due to higher market prices.

EBITDA increased by 34% to SEK 1 388 million (1 035). Improved prices and cost savings more than compensated higher input costs. Operating profit amounted to SEK 906 million (558).

EBITDA and EBITDA %



SEKm	2021	2020
Net sales	8 127	7 576
Operating expenses, net	-6 739	-6 541
EBITDA	1 388	1 035
EBITDA, %	17%	14%
Depreciation, amortisation and impairment losses	-482	-477
Operating profit	906	558
Operating margin	11%	7%
Sales volumes, ktonnes	960	946

Solutions & Other (incl. currency hedging)

Net sales increased by 19% and amounted to SEK 3 227 million (2 708). The sales growth was mainly due to wood sourcing operations, hedging result from changes in currency rates and increased sales in Managed Packaging.

EBITDA declined and amounted to SEK –235 million (–178). Earnings were negatively affected by items impacting comparability totalling SEK –177 million (9). The result was also negatively impacted due to costs associated with Group development projects and annual bonus related adjustments.

Solutions & Other (incl. currency hedging)

SEKm	2021	2020
Net sales	3 227	2 708
Operating expenses, net	–3 462	–2 886
EBITDA	–235	–178
Depreciation, amortisation and impairment losses	–133	–122
Operating profit/loss	–368	–300

Market development

The value of the global packaging market is expected to grow by approximately 3% per year. Packaging materials for food and dairy products is a relatively resilient market segment that accounts for almost a third of the global packaging need. BillerudKorsnäs has a strong position in attractive product segments. In 2021, market conditions improved in all of BillerudKorsnäs' segments, except for liquid packaging board where market conditions were stable. Demand for high-quality board and paper products was strong and prices increased.

Safety and production stability

Initiatives have been executed across all mills with aim to increase safety for everyone working at BillerudKorsnäs, including standards and rules and activities to change our culture. The number of accidents resulting in absence per million hours worked (LTIFR) for own employees declined in 2021 to 5.9 (6.1).

Operational efficiency and production stability initiatives entail upgrading standards, cooperating with suppliers to increase preventive maintenance and developing our people. The overall production stability improved in 2021, despite two major unplanned production stops at Gävle during the year.

Growth

Net sales in 2021 grew by 10%. Excluding currency effects, net sales grew by 12%.

Organic growth, measured as the increase in net sales adjusted for additions and deductions with amounts corresponding to the net sales of acquired and divested operations, was 10% in 2021. The Beetham mill, which was divested on 31 October 2021, had net sales in 2021 of SEK 409 million (477).

SEKm	2021	2020
Net sales	26 206	23 884
Beetham	–409	–477
Net sales for comparable units	25 797	23 407

Investments and capital employed

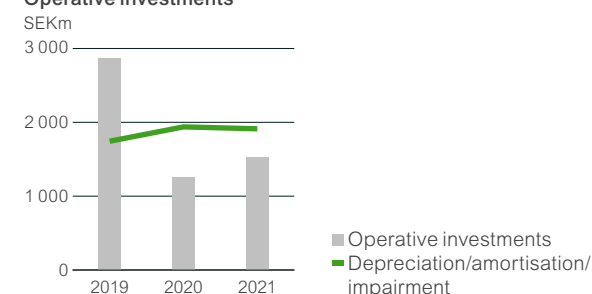
Operative investments in property, plant, equipment and intangible assets amounted to SEK 1 526 million (1 250). The increase was due to the start of the investment in the new recovery boiler at the Frövi mill that was decided in the beginning of 2021.

The new recovery boiler at Frövi will improve environmental performance and provide opportunities for enhanced efficiency. It is planned to be in operation by the end of 2023. The investment is estimated to total SEK 2.6 billion. In 2021, the capital expenditure for this project was around SEK 400 million. In 2022, it is estimated to be around SEK 1.0 billion.

Capital employed on 31 December 2021 totalled SEK 24 008 million (24 667). Return on capital employed (ROCE), calculated over the past 12-month period, was 8% (3). If adjusted operating profit was used in the calculation, ROCE amounted to 9% (3). Return on equity was 8% (3).

Working capital in the fourth quarter was 9% (11) in relation to net sales.

Operative investments



Cash flow and financial position

Operative cash flow after operative investments

SEKm	2021	2020
Operating surplus, etc.	3 932	2 406
Change in working capital, etc.	197	–53
Net financial items, taxes, etc.	–237	–22
Cash flow from operating activities	3 892	2 331
Operative investments	–1 526	–1 250
Operating cash flow after operative investments	2 366	1 081

Operating cash flow after operative investments amounted to SEK 2 366 million (1 081). The improved cash flow was mainly a result of improved operating surplus.

Interest-bearing net debt on 31 December 2021 amounted to SEK 3 968 million (5 373). The net interest-bearing debt in relation to EBITDA at the end of the year was 1.0 (2.0) and the ratio was the same if adjusted EBITDA was used in the calculation.

Financing

On 31 December 2021, interest-bearing debt amounted to SEK 6 446 million (7 325). Of the interest-bearing loans, bond loans totalled SEK 5 100 million (5 900) and other interest-bearing loans SEK 1 346 million (1 425). Of the bond loans, SEK 1 700 million are due in 2022, SEK 1 800 million in 2023, SEK 600 million in 2024 and SEK 1 000 million in 2025.

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

Capital structure, Summary

31 December	2021	2020
Capital employed, SEKm	24 008	24 667
Financing:		
Interest-bearing net debt, SEKm	3 968	5 373
Interest-bearing net debt/EBITDA, multiple	1.0	2.0
Equity, SEKm	20 041	19 294
Net debt/equity ratio, multiple	0.20	0.28

Currency hedging

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

Currency hedging had a combined earnings impact of SEK 135 million (113) for 2021 (compared with if no hedging had taken place).

BillerudKorsnäs' outstanding foreign exchange contracts on 31 December 2021 had a market value of SEK –72 million, of which SEK –15 million is the portion of the contracts corresponding to accounts receivable that has affected earnings in 2021. Other contracts had a market value of SEK –57 million.

The hedged proportion of currency flows and the SEK exchange rates for EUR, USD and GBP on 31 December 2021 are shown in the table below.

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

Currency	Q1–22	Q2–22	Q3–22	Q4–22	Q1–23	Total 15 months
EUR						
Proportion of net flow	82%	78%	82%	77%	73%	78%
Exchange rate	10.22	10.17	10.25	10.17	10.35	10.23
USD						
Proportion of net flow	66%	65%	63%	62%	62%	64%
Exchange rate	8.52	8.41	8.65	8.85	9.03	8.69
GBP						
Proportion of net flow	36%	–	–	–	–	7%
Exchange rate	12.05	–	–	–	–	12.05
Market value of currency contracts ¹	–22	–29	–14	–12	5	–72

¹ On 31 December 2021.

Tax situation

BillerudKorsnäs' effective tax rate is normally estimated at 20–22%. The tax expense for 2021 was SEK 391 million (3), equivalent to a tax rate of 21% (0). The low tax rate in 2020 was mainly due to additional recognition of deferred tax assets in Finland related to tax losses carry forward and revaluation of deferred tax liabilities related to tax depreciations as a result of the decreased tax rate in Sweden from 21.4% to 20.6% between 2020 and 2021.

Environmental and permit issues

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

BillerudKorsnäs has all the official permits necessary to conduct operations at the volumes produced in 2021. The production units affect the environment through water discharges and air emissions as well as noise and waste generation. In addition, raw materials are consumed such as wood, chemicals and energy. Inbound and outbound transportation has an indirect environmental impact.

BillerudKorsnäs' Swedish production units have been awarded emission rights for carbon dioxide within the EU. The allocation for the eight-year period that began in 2021 exceeds total projected emissions.

Under Chapter 6 Section 11 of the Annual Accounts Act, BillerudKorsnäs AB (publ) has chosen to prepare the statutory sustainability report as a separate report from the annual accounts on pages 25–43, 64–68 and 112–120, and a GRI appendix available at <https://www.billerudkorsnas.com/sustainability>. The report has been prepared in accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting, GRI Standards: Core option.

Maintenance shutdowns

Production unit	Shutdown cost 2021	Estimated shutdown cost	Estimated breakdown of shutdown cost		Planned dates of maintenance shutdown		
	SEKm	SEKm	Board	Paper	2022	2021	2020
Gävle	179	~165	~94%	~6%	Q3	Q3	Q3
Gruvön	204	~200	~92%	~8%	Q1-Q2	Q2	Q3
Frövi	119	~115	100%	–	Q4	Q4	Q4
Skärblacka	164	~130	~12%	~88%	Q2	Q4	Q4
Karlsborg	100	~90	–	100%	Q3	Q3	Q3
Pietarsaari	–	~15	–	100%	Q2	–	Q4
Rockhammar	13	~15	100%	–	Q4	Q3	Q4
Total	779	~730					

Product and process development

The costs of product and process development, to the extent attributable to research activities, are charged to profit in the year that they arise. In 2021, such costs accounted for approximately 0.2% (0.5) of BillerudKorsnäs' operating costs.

Seasonal effects

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

Maintenance shutdowns

In addition to ongoing maintenance during production, BillerudKorsnäs' production units normally also require more extensive maintenance at some point during the year. In order to carry out maintenance, production of pulp and paper is stopped. The principal cost items in a maintenance shutdown are loss of volumes arising from the shutdown and fixed costs, mainly maintenance and overtime costs, as well as a certain portion of variable costs including higher consumption of electricity and wood when production is restarted. The effects of shutdowns on earnings vary depending on the extent of measures carried out, their nature and the actual length of the shutdown. The estimated cost of shutdown is an assessment of the impact on earnings of a normal shutdown, compared to a quarter during which no periodic maintenance shutdown takes place.

Other seasonal effects

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

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

Share structure

At 31 December 2021, the share capital totalled SEK 1 537 642 792, represented by 208 219 834 shares. The number of shares on the market totalled 206 870 787.

During 2021 BillerudKorsnäs transferred 38 875 shares under the long-term incentive programme resolved by the 2018 Annual General Meeting. No shares were repurchased during the year.

At 31 December 2021, BillerudKorsnäs' holdings of treasury shares totalled 1 349 047, representing a decrease of 38 875 shares compared with 31 December 2020. These bought-back shares are held as security for conditional rights in the long-term incentive programmes.

Distribution of shares

31 December	2021
Registered number of shares at start of year	208 219 834
Repurchased shares in Company treasury	-1 349 047
Shares on the market	206 870 787

BillerudKorsnäs shares

The share capital of BillerudKorsnäs AB is represented by 208 219 834 ordinary shares, of which 1 349 047 are owned by BillerudKorsnäs AB. Each share carries an entitlement to one vote at the Annual General Meeting. Transfer of shares is not restricted by law or by the Company's articles of association.

The two largest shareholders at year-end 2021 were AMF Pension & Funds and Frapag Beteiligungsholding AG. AMF Pension & Funds owned 25 904 250 shares, corresponding to 12.5% of the shares on the market on 31 December 2021, and Frapag Beteiligungsholding

AG owned 25 000 000 shares, corresponding to 12.1% of the shares in the market at the same time. No other shareholder owned 10% or more of the total number of shares on 31 December 2020.

The Company knows of no agreements between shareholders that may restrict the right to transfer shares. Appointment and dismissal of Board members, and changes to the articles of association, are subject to approval by the Annual General Meeting. Agreements between the Company and other employees that regulate their own resignation or dismissal by the Company conform with normal labour market practice.

Parent company

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

Operating profit for 2021 was SEK 164 million (-129). The operating result includes the effect of hedging contracts and revaluations of trade receivables.

The parent company hedges both its own and the Group's net currency flows. The parent company's earnings include the results of these hedging measures. These effects were SEK 135 million (113) in 2021.

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

The average number of employees on 31 December 2021 was 135 (135). Cash and bank balances, and short-term investments totalled SEK 3 175 million (2 836).

Risk management in parent company

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

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

Customer credit

The parent company's accounts receivables represent approximately 80% of the Group's accounts receivable, because a large share of

the production units' accounts receivable is transferred to the parent company after invoicing and are collected by the parent company. However, the risk of any bad debt losses remains with the invoicing company. Of total provision within the Group for doubtful accounts receivable in 2021, SEK 0 million (0) was attributable to the parent company.

Exchange rate exposure

All forward foreign exchange contracts for the Swedish operations are entered into by the parent company, while the exposure to payment flows in foreign currency is borne by all the Swedish and Finnish production units. Exposure for the parent company is thus lower than that of the forward contracts signed. This applies up to the invoicing date, because the parent company takes over the accounts receivable for the Swedish and Finnish production units. At year-end 2021, foreign exchange contracts not yet recognised in profit/loss for the parent company nominally totalled SEK 3 920 million (2 917), which will be recognised in profit/loss in 2022 and 2023.

Interest rate risk

The Group's external borrowing is conducted primarily via the parent company and accounted for 100% (100) of the Group's total external borrowing at 31 December 2021. As a result, the parent company has the same exposure to changes in interest rates as the Group.

Proposed allocation of profit

As shown in Note 22, non-restricted equity in the parent company, BillerudKorsnäs AB, totalled SEK 5 622 million on 31 December 2021.

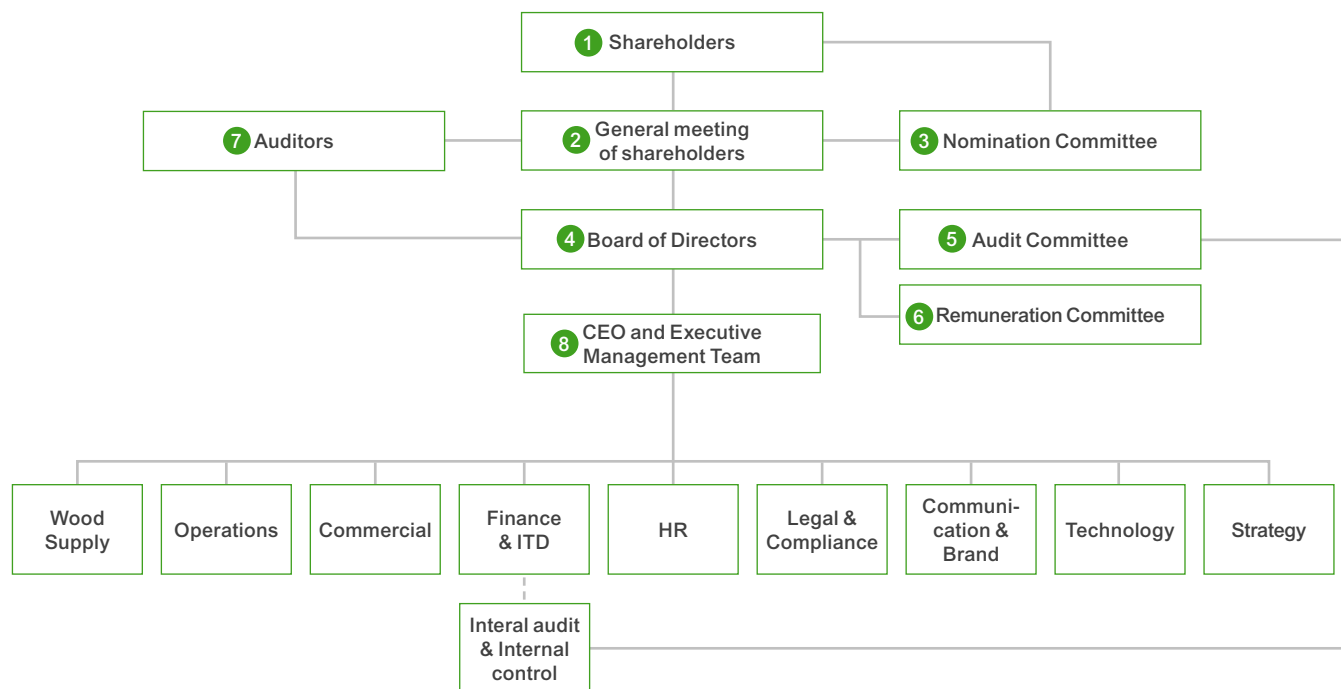
BillerudKorsnäs' financial targets state that dividend is to be at least 50% of net profit and that the long-term ratio of interest-bearing net debt to EBITDA is to be less than 2.5. Group interest-bearing net debt in relation to EBITDA at the end of 2021 was 1.0 (2.0). BillerudKorsnäs' Board of Directors proposes that a dividend of SEK 4.30 per share is paid to shareholders. The dividend proposal corresponds to approximately 60% of the Group's net profit.

Events after the close of the financial year

See Note 32 for Events after the end of the period. For information on the impact of the war in Ukraine on BillerudKorsnäs' operations see Risks and risk management on page 65.

Corporate governance in BillerudKorsnäs

Corporate governance relates to decision-making systems by which the shareholders, directly or indirectly, control the company. The following section provides details about corporate governance within BillerudKorsnäs. This report on BillerudKorsnäs' corporate governance in 2021 has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance. The report has been reviewed by BillerudKorsnäs' auditor, see pages 109-111.



As a publicly traded Swedish company listed on Nasdaq Stockholm, BillerudKorsnäs applies the Swedish Code of Corporate Governance ('the Code'). The Code is available at www.corporategovernance-board.se, where a description of the Swedish model for corporate governance is also provided.

The Code is based on the principle of "comply or explain". This means that a company that applies the Code may deviate from particular rules but will then have to provide an explanation giving the reasons for the deviation. In 2021, as in previous years, BillerudKorsnäs deviated from the Code's rules that Board members should not also be the chairman of the Nomination Committee. This deviation from the Code is explained in more detail in the Nomination Committee section below. No other deviation from the Code occurred. During the year, BillerudKorsnäs complied with Nasdaq Stockholm's Rulebook for Issuers and good stock market practice.

1 Shareholders

BillerudKorsnäs' shares are listed on Nasdaq Stockholm. At year-end 2021, the total number of shareholders was 98 053, compared with 96 409 at the previous year-end. Each share carries an entitlement to one vote. The proportion of foreign ownership was 39.9% (36.6) of the number of shares on the market. Other groups of shareholders consisted of Swedish mutual funds 25.4 % (25.7), Swedish individuals including closely held companies 20.9% (21.6) and Swedish institutions 13.8% (16.1). The largest shareholder, AMF Pension & Funds, owned 25 904 250 shares, corresponding to 12.5% of the shares on the market. The second largest owner, Frapag Beteiligungsholding AG, owned 25 000 000 shares, corresponding to 12.1% of shares on the market. No other shareholder owned 10% or more of the number of shares at the end of 2021. Further details about the company's shares, shareholders, and the like are presented in the section "The share", and on the company's website, www.billerudkorsnas.com.

2 General meeting of shareholders

The general meeting of shareholders is the company's highest decision-making body. Shareholders exercise their voting rights at general meetings of shareholders. Notice of general meetings of shareholders is posted on the Company's website and published as an advertisement in The Official Swedish Gazette. An announcement that the notice has been issued is published simultaneously in Svenska Dagbladet.

Normally, the Annual General Meeting (AGM) is held in April or May. The AGM decides on matters such as the adoption of the Company's annual accounts, appropriation of the Company's profits and the discharge of Board members and the CEO from liability for the year. The AGM also elects members of the Board and auditors and votes

Corporate governance in BillerudKorsnäs

Examples of external regulations affecting BillerudKorsnäs' governance:

- The Swedish Companies Act
- Accounting legislation, including the Swedish Annual Accounts Act and IFRS
- Nasdaq Stockholm's Rulebook for Issuers
- The Swedish Code of Corporate Governance
- Rules on Remuneration of the Board and Executive Management

Examples of internal regulations affecting BillerudKorsnäs' governance:

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

on the establishment of a Nomination Committee, fees for the Board of Directors and auditors and guidelines for determining the salaries and other remuneration for the CEO and Executive Management Team. Shareholders attending the AGM also have the opportunity to ask questions about the Group's activities. Resolutions passed at a meeting of shareholders are disclosed after the meeting in a press release, and the minutes of the meeting are published on the Company's website.

2021 Annual General Meeting

The 2021 AGM took place on 5 May 2021, and addressed matters customarily dealt with at the AGM. The AGM also voted to introduce a long-term incentive programme (LTIP 2021). Due to the coronavirus pandemic, the AGM was conducted only through postal voting in accordance with temporary legislation. To give shareholders an update on BillerudKorsnäs and its business, an interview with the company's CEO Christoph Michalski was published at the company's website before the meeting. The minutes and other documents from the AGM, as well as the interview with the CEO are available on the Company's website.

2022 Annual General Meeting

BillerudKorsnäs' 2022 AGM will take place on 10 May 2022 in Stockholm, and notice of the AGM will be made in April 2022. Shareholders wishing to add an item to the agenda of the AGM may, in accordance with the instructions on the Company's website, propose the item to the Company no later than seven weeks before the meeting.

Notice of the 2022 Annual General Meeting, including details on how to attend the meeting, can be found on BillerudKorsnäs' website www.billerudkorsnas.com.

3 Nomination Committee

The main task of the Nomination Committee is to produce proposals for Board members and auditors, for remuneration to such persons, and a proposal for a chairman for the AGM, prior to the AGM. The current Nomination Committee instructions require BillerudKorsnäs to have a Nomination Committee consisting of four members appointed by the Company's major shareholders. Please see the table below for the composition of the Nomination Committee for the 2022 AGM. For further information about the Nomination Committee instructions, see www.billerudkorsnas.com.

The Nomination Committee held several meetings prior to the 2022 Annual General Meeting, as well as contacts between meetings by telephone and e-mail. In accordance with instructions on the company's website, shareholders were welcome to present proposals and opinions to the Nomination Committee by e-mail or post. Under the Code, the Nomination Committee's reasoned statement concerning the Nomination Committee's proposal to the Board should include a brief description of the diversity policy which the Nomination Committee has applied in drawing up its proposal to the Board. The Nomination Committee has stated that it has applied rule 4.1 of the Code as

diversity policy during 2021. The objective is that the composition of the Board shall be appropriate, versatile and comprise a diverse set of Board members including in relation to gender, age and nationality, as well as experiences, professional backgrounds and business disciplines matching BillerudKorsnäs' key priorities. There is a special section on the company's website www.billerudkorsnas.com headed "Nomination Committee" containing further information about the Nomination Committee and its proposals to the AGM.

Composition of and voting representation on the Nomination Committee

Representative	Shareholder	Share of voting power, % ¹
Tomas Flodén	AMF Insurance and Funds	12.5
Michael M.F. Kaufmann	Frapag Beteiligungsholding AG	12.1
Lennart Francke	Swedbank Robur funds	6.5
Thomas Wuolikainen	Fourth AP Fund	6.4

¹ On 31 December 2021.

Board member Michael M.F. Kaufmann was appointed Chairman of the Nomination Committee when the Nomination Committee for the AGM 2022 was constituted. This is a deviation from the stipulation by the Code that a Board member may not be chairman of the Nomination Committee. However, under the Nomination Committee guidelines determined by the AGM, the chairman of the Nomination Committee should be the member appointed by the major shareholder, and it has been considered acceptable that Michael M.F. Kaufmann assumes this position. Michael M.F. Kaufmann has been chairman of the Nomination Committee in recent years. After the Nomination Committee for the AGM 2022 was constituted, AMF Insurance and Funds became the largest shareholder in the company. However, the Nomination Committee decided to not change the chairman of the Nomination Committee for the AGM 2022 due to this change.

4 Board of Directors

Composition

The articles of association stipulate that the Board of Directors of BillerudKorsnäs has to consist of not fewer than six members and not more than ten members, with no more than six deputies.

The 2021 AGM established that the Board of Directors should consist of eight members and voted to re-elect all Board members, i.e. Tobias Auchli, Andrea Gisle Joosen, Bengt Hammar, Michael M.F. Kaufmann, Kristina Schauman, Victoria Van Camp, Jan Svensson and Jan Åström. The Annual General Meeting decided to elect Jan Svensson as Chairman of the Board and Michael M.F. Kaufmann as Deputy Chairman of the Board. The employee organisations have appointed two employee representatives to serve on the Board. These are Per Bertilsson and Nicklas Johansson, and as deputy Bo Knöös. Other than the employee

representatives and their deputy, none of the Board members are employed by the Group. Of the Board members elected by the AGM, three are women and five are men.

The composition of the Board meets the Code's requirements as to independence in relation to the Company, the Company's management and the Company's major shareholders. For further details about the Board of Directors and information on the independence of the Board members, their duties outside the Group and their holdings of shares in BillerudKorsnäs, see the section "Board of Directors" on pages 62 – 63. [↗](#)

Organisation of the work of the Board

The Board of Directors is the Company's highest administrative body below the AGM. The Board of Directors is charged with the organisation of the Company and management of the Company's affairs, ensuring that the Company's organisation is structured such that accounting, asset management and the Company's financial affairs otherwise are supervised in a satisfactory manner and with assessing the Company's financial situation on an ongoing basis.

The work of the Board follows written rules of procedure to ensure that the Board obtains information on all issues, and that all aspects of the Company's activities relating to the Board are addressed. The Board has also established a number of general policies for the Company's activities. They include the Company's code of conduct, which summarises the Company's responsibilities, values and goals.

The Board's work follows an annual cycle in order for it to optimally accomplish its tasks. At the beginning of the year, the Board considers the year-end report and the annual report, as well as matters to be submitted to the AGM. At the end of the year, the Board considers the business plan for the year ahead. Every quarter, the Board reviews the Group's earnings, and interim reports are approved for publication. An inaugurating Board meeting is held in connection with the AGM at which members of the Board's committees are appointed and the Board decides on matters such as the right to sign on behalf of the Company. At least once a year, the Board has a meeting primarily dedicated to strategy issues, and the execution of the key strategic initiatives is subsequently followed up during the year.

Work of the Board in 2021

The Board held 13 meetings in 2021, including the inaugurating meeting. For information on attendance at these meetings, see the table below. Before each meeting, Board members received an approved meeting agenda and written material concerning issues to be addressed at the meeting.

The Board addressed, on an ongoing basis, strategic issues relating to the Company's operations and focus, follow-up of previous acquisitions and investments, new investments above a certain level, risk management and other matters. An important aspect of the Board's work are the financial reports that are presented at each ordinary Board meeting. The Board also receives monthly reports on the

Company's financial position. At ordinary meetings, reports are submitted about ongoing work relating to Wood supply, Operations, Commercial and Group functions.

One of the top priorities for the Board during the year has been the development of a new strategy for the company. The outcome of this work was presented at the Company's Capital Market Day on 17 November 2021. Another top priority of the Board has been the assessment and evaluation of, and ultimately the decision to acquire the US company Verso Corporation, an acquisition that was announced on 20 December 2021. The acquisition, which was carefully reviewed and discussed by the Board in parallel with evaluation of other potential growth opportunities, is fully in line with Billerud-Korsnäs' strategy to drive profitable growth in paperboard and the ambition to expand into North America. At the beginning of the year, the Board also made the final investment decision to invest in a new recovery boiler in Frövi. The Board also worked on other strategically important issues, such as talent and succession planning, long term strategy to achieve sustainability goals, as well as the Company's innovation and digitalization agenda.

In addition to participating in the audit committee meetings, the Company's auditor also participated in a Board meeting at which Board members had the opportunity to ask the auditor questions without representatives of the Company's management being present.

Assessment of the Board and the CEO

BillerudKorsnäs has procedures for assessing the work of the Chairman and members of the Board each year. The assessment serves as input for an action plan for improvements and as background to the Nomination Committee's work as they assemble a Board. With respect to 2021, the Board conducted an internal assessment of its work (for 2020 the assessment was done with the aid of an external consultant). The purpose of the assessment is to gain an understand-

ing of how the Board's work is conducted and what measures could be taken to make the work of the Board more effective. It also aims to gain an understanding of whether the composition of the Board is adequate with respect to the company's business and strategy, and to identify areas which may require additional capabilities within the Board or areas which should be accorded more scope and time by the Board. The results of the assessment were discussed by the Board and presented to the Nomination Committee. The Board also assessed the work of the CEO, without the CEO being present.

Board committees

The Board currently has two Board committees as part of efforts to streamline and strengthen the work of the Board on certain issues: a remuneration committee and an audit committee. The committee members are appointed for one year at a time at the inaugurating Board meeting and the work and authority of the committees are regulated by the committee instructions, which are reviewed and adopted annually. The committees primarily have a preparatory and administrative role. Issues addressed at committee meetings are documented in meeting minutes and reported at the following Board meeting, where resolutions are made (as applicable).

Until March 2021, the Board also had an Investment Committee, tasked to examine and prepare certain issues relating to the Company's investments, corporate acquisitions and research and development. At a Board meeting in March 2021, the Board resolved to de-establish the Investment Committee, as the Board deemed that the needs for such a committee no longer existed.

5 Audit Committee

To support the Board in its role in supervising auditing issues, the Board has appointed a separate audit committee. The audit committee's main role is to contribute to a good standard of financial

reporting and to ensure that the Company is audited in a professional, efficient and independent way. Without having an impact on the Board's other responsibilities and tasks, the audit committee has the responsibility to address important accounting issues and general taxation issues that affect the quality of the Company's financial reporting. With regard to financial reporting, particular attention is to be paid to the effectiveness of the Company's internal control and risk management. The audit committee is also charged with assisting in the preparation of proposals for decisions by general meetings on the election and remuneration of auditors.

To ensure that the work of the Board and the audit committee is performed in a structured manner, and to satisfy the Board's information requirements, the Company's auditor reports directly to the audit committee and the Board on certain occasions. The committee continuously reports the results of its work, in the form of observations, recommendations and proposed resolutions and actions to the Board, which makes any decisions that result from the committee's work. The audit committee consists of Kristina Schauman (Chairman), Andrea Gisle Joosen and Tobias Auchli. An employee representative normally attends the meetings of the audit committee.

Work in 2021

The committee held five meetings in 2021. During the year, the committee addressed the following audit topics; audit plan for 2021 enterprise risk management, internal control and the establishment of internal audit, financing, currency and energy hedging and tax. The committee met prior to each interim report and the year-end report. These meetings addressed accounting and reporting issues related to the reports. The chairman of the audit committee reported regularly to the Board regarding issues reported on the audit committee meetings. The Board's work on internal control related to financial reporting is summarised in "Internal control over financial reporting".

6 Remuneration Committee

The principal function of the remuneration committee is to prepare the Board's decisions on matters relating to remuneration principles, remuneration amounts and other remuneration related employment terms for members of the Executive Management Team. The committee also monitors and evaluates programmes for variable compensation to the Executive Management Team. Further, the Remuneration Committee also monitors and evaluates the implementation of guidelines for remuneration to senior executives, remuneration structures and remuneration levels. More specifically, the committee's tasks include proposing a general policy on salaries, remuneration and other employment terms for BillerudKorsnäs' Executive Management Team, make proposals to the Board about the salary and other remuneration to the CEO and, on the recommendation of the CEO, make decisions on salary and other remuneration to the managers who report directly to the CEO. The remuneration committee consists of Board members Jan Svensson (Chairman), Michael M.F. Kaufmann and Jan Åström.

Attendance at Board meetings and committee meetings

Member	Position	Board meetings	Audit Committee meetings	Remuneration Committee meetings
Jan Svensson	Chairman	12/13 ¹		2/2 ²
Michael Kaufmann	Deputy Chairman	13/13		7/7
Tobias Auchli	Board member	13/13	5/5	
Per Bertilsson	Board member	8/8 ³		
Andrea Gisle Joosen	Board member	13/13	5/5	5/5 ⁴
Bengt Hammar	Board member	13/13		
Nicklas Johansson	Board member	13/13		
Kristina Schauman	Board member	12/13	5/5	
Victoria Van Camp	Board member	13/13		
Jan Åström	Board member	13/13		7/7

¹ Jan Svensson was elected Chairman at the AGM 2021, replacing Jan Åström who was Chairman until the AGM 2021.

² Jan Svensson joined the Remuneration Committee as Chairman after the AGM 2021.

³ Per Bertilsson joined the Board as an employee representative after the AGM 2021. He replaced Gunnevi Lehtinen Johansson, who participated in 5/5 meetings until the AGM 2021.

⁴ Andrea Gisle Joosen was a member of the Remuneration Committee until the AGM 2021.

Work in 2021

The committee held seven meetings in 2021. In 2021, the committee considered bonus payments with respect to 2020, outcome on LTIP 2018 and prepared a proposal for a new LTIP 2021 for the AGM. The committee decided the annual bonus objectives for the CEO and salary review for members in the Executive Management Team. The committee also approved new members to the Executive Management Team. The committee approved the Remuneration Report for 2020 and Guidelines for remuneration to senior executives. The guidelines on remuneration to the CEO and other senior executives, as well as the actual figures, are contained in the section "Remuneration at BillerudKorsnäs" and Note 29.

7 Auditors

The Company's auditors are appointed by the general meeting of shareholders. At the 2021 AGM, the audit firm KPMG AB, with principal auditor Ingrid Hornberg Román, was elected as the Company's auditor for the period until the end of the 2021 AGM. Ingrid Hornberg Román is currently also auditor for Lernia, Linas Matkasse, OK Ekonomisk Förening, RISE Research Institute of Sweden and SOS Alarm.

The auditor's duties include keeping the Board informed regarding the planning, scope and content of the annual audit, auditing interim reports and the year-end accounts in order to assess their accuracy and comprehensiveness and compliance of the accounts with generally accepted accounting practices and relevant accounting policies. Duties also include informing the Board about services provided over and above auditing services, the compensation for such services, and other circumstances affecting the independence of the auditors. To ensure that the work of the Board and the audit committee is performed in a structured manner, and to satisfy the Board's information requirements, BillerudKorsnäs' auditors met with the audit committee on five occasions and the Board, without the presence of the senior management, on one occasion in 2021.

8 CEO and Executive Management Team

The Company's Chief Executive Officer (CEO) is appointed by the Board of Directors. Christoph Michalski is the Company's CEO since 1 November 2020. The CEO is responsible for the ongoing management of the Company's and Group's business operations in accordance with instructions and regulations established by the Board. These instructions include responsibility for financial reporting, preparation of information and input for decisions, and ensuring that agreements and other measures do not conflict with applicable legislation or regulations.

The CEO and the Executive Management Team (EMT) are jointly responsible for daily operations. The CEO has appointed an EMT that is responsible for different parts of the business. The EMT consists of the CEO, EVP Commercial, EVP Operations, EVP Wood Supply, EVP CFO, EVP HR, EVP Legal & Compliance, EVP Communication & Brand, EVP Technology and EVP Strategy. For further information about the members of the EMT, see pages 60–61. [↗](#)

The role of the EMT is to establish Group-wide values and a long-term vision, as well as strategies and policies for the Group based on the objectives set by the Board. The EMT sets targets for operational activities, allocates resources and monitors the business' earnings. The EMT is also responsible for investment planning and follow-up, acquisitions and divestments, and for preparations for Board meetings. The EMT is taking active measures to involve employees in developing the corporate strategy, culture and to fulfil its values.

The CEO chairs EMT meetings and makes decisions in consultation with the other senior executives. The EMT usually meets monthly to review the financial performance of the preceding month, update forecasts and plans, as well as to discuss strategic issues. In addition, the EMT meets weekly for short telephone conferences, and as necessary.

Organization and governance

The Company's organization is built along the business flow around three functional areas: Wood Supply, Operations and Commercial.

Staff functions are organized in Finance & IT, HR, Legal & Compliance, Communication & Brand, Technology (including Innovation) and Strategy (including Sustainability). An important element of the company's governance is the steering document framework, which ensures that governing documents in BillerudKorsnäs are established, implemented, applied, monitored and reviewed consistently and appropriately across the Group. The Board has adopted a specific set of eight policies that steer the company on the top level (however below our Code of Conduct); Governance Policy, Responsible Business Policy, Sustainability Policy, Communication & Information Policy, Finance Policy, People Policy, Operations & Quality Policy and Safety Policy.

Guidelines for remuneration to senior executives

The 2021 AGM adopted guidelines on the remuneration of senior executives in the Group. The guidelines state, for example, that BillerudKorsnäs shall be on market terms as regards compensation levels and terms of employment. The remuneration shall consist of fixed cash salary, variable cash remuneration, pension benefits and other benefits. In addition, the general meeting may resolve on long-term share and share price-related remuneration. The variable cash remuneration to the CEO and EMT members is paid based on outcomes in relation to clearly stated goals and shall amount to a maximum of 70% of their respective annual fixed cash salary. The pension premiums for defined contribution pension shall amount to a maximum of 35% of the annual fixed cash salary. Other benefits may include, for example, life insurance, medical insurance and company car. In the event of termination of an employment, a notice period of up to twelve months is normally applied and a right to severance pay corresponding to a maximum of the fixed cash salary for one year if the employment is terminated by BillerudKorsnäs. When termination is made by an EMT member, the notice period may not exceed six months, without any right to severance pay.

For the complete resolution on principles for remuneration for 2021, see Note 29. The Board's proposal for guidelines in 2022 is presented in the section "Remuneration at BillerudKorsnäs".

Remuneration at BillerudKorsnäs

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

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

The purpose of the remuneration guideline is to support BillerudKorsnäs by encouraging employees to understand the Group's overall objectives and strategies. The remuneration shall support internal and external pay equity and create a clear line of sight between performance, pay and development. The remuneration committee aims for remuneration to not be set in an overly automated way and for decisions to not be perceived as arbitrary or unfair.

Remuneration Components in BillerudKorsnäs

Fixed pay

Fixed pay is based on market pay levels and is set on the basis of a pay scale taking account of experience, skills, performance and area of responsibility. Fixed pay is reviewed annually in the annual pay review process, where pay is considered in accordance with employee performance and relative pay levels for the role in relation to the external market.

Variable pay

Short-term incentive programme (STIP)

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

Long-term share-based incentive programme (LTIP)

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

Retirement

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

Other benefits

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

Long-term incentive programme (LTIP)

The 2010–2021 AGMs approved the introduction of long-term incentive programmes (LTIP 2010–2021) for BillerudKorsnäs and, in conjunction with this, a transfer of its own holding of treasury shares. There are currently three programmes outstanding 2019, 2020 and 2021. The programme extends to senior executives and other key employees within the BillerudKorsnäs Group. The LTIP has a term of three years. For LTIP 2019–2020 the outcome depends on meeting different financial and share price performance requirements that are deemed to be of considerable significance in terms of the future development of the Group. To take part in the LTIP, the participants are required to purchase and hold BillerudKorsnäs shares, known as savings shares. The general rule for the LTIP is that for each saving share that participants invest in, participants may receive allocated shares at the end of the vesting period, at no charge other than relevant benefit taxation handled by local payroll. The maximum number

of participants invited to participate in the LTIP are usually 100 participants and the programme gaging consist of three categories. Category 1 includes the CEO role and gives a maximum of 1:6 of saving shares to performance shares at vesting. Category 2 for LTIP 2020 includes the Executives Management Team and other senior management roles such as heads of mills and gives a maximum of 1:5 saving shares to performance shares at vesting. Category 1–2 may consist of maximum 20 participants. Category 3 for LTIP 2020 include other key employees and gives a maximum of 1:4 saving shares to performance shares at vesting.

For rights to performance shares under LTIP 2018 to LTIP 2020, the following financial performance objectives are measured:

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

Performance requirements grant shares on a straight-line basis between minimum and maximum levels. For LTIP 2018–2019, one of the shares is a matching share, that is not dependent of an performance objective. LTIP 2018 to LTIP 2020 are also dependent on total shareholder return (TSR).

For LTIP 2021 the outcome depends on one financial performance condition - Earnings Per Share (EPS) growth set over a three year period with a straight-line basis between minimum and maximum levels. To take part in the LTIP the participants are required to purchase and hold BillerudKorsnäs shares, known as participation shares. If BillerudKorsnäs meets the performance condition participant will be entitled to receive a certain amount of performance shares corresponding to a percentage of the participants annual base salary (before tax) as per 31 December 2023. The maximum number of participants invited to participate in the LTIP 2021 are 60 participants and the programme gaging consist of three categories. Category 1 includes the CEO with a participant share investment of 15% of annual base salary as of 30 December, 2020 and a maximum award of 60% of annual base salary 31 December, 2023. Category 2 includes the Executive Management team with a participant share investment of 10% of annual base salary as of 30 December, 2020 and a maximum award of 50% of annual base salary 31 December, 2023. Category 3

include other key persons with a participant share investment of 5% of annual base salary as of 30 December 2020 and a maximum award of 25% of annual base salary 31 December, 2023.

Historical data, completed long-term incentive programmes

Percentage of performance criteria set



Guidelines for remuneration of senior executives 2022

The board proposes that the annual general meeting resolves to adopt the following guidelines for remuneration for the CEO and the other members of the group's Executive Management Team (EMT members). The guidelines are applicable on remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the annual general meeting 2022. The guidelines do not apply to any remuneration approved by the general meeting, for example ordinary board remuneration and BillerudKorsnäs long-term share-related incentive programs.

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

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

For further information on BillerudKorsnäs' business strategy, see the company's website, www.billerudkorsnas.com.

A prerequisite for the successful implementation of BillerudKorsnäs' business strategy and safeguarding of BillerudKorsnäs' long-term

Long-term incentive programme (LTIP)

Programme	Number of participants	Savings shares	Max. allocation of BillerudKorsnäs shares	Percentage of total number of shares/votes	Estimated cost (of which social security costs), SEKm	Maximum cost (of which social security costs), SEKm	Operating profit for 2020 is charged with, SEKm
LTIP 2019	69	47 442	97 383	0,1%	7 (4)	46 (26)	4
LTIP 2020	83	58 822	272 218	0,1%	19 (6)	68 (35)	3
LTIP 2021	55	N/A	N/A ¹	N/A	33 (9)	43 (11)	6

¹ Based on a percentage of annual salary, so it depends on the price per share at vesting.

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

Types of remuneration, etc.

BillerudKorsnäs shall be on market terms as regards compensation levels and terms of employment. The remuneration shall consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Furthermore, the general meeting may resolve on, among other things, share and share price-related remuneration.

The variable cash remuneration to the EMT members is paid based on outcomes in relation to clearly stated goals and shall amount to a maximum of 70 per cent of their respective annual fixed cash salary. Reflecting current market conditions, the variable cash remuneration for members of the EMT employed in the U.S. may amount to a maximum of 150 per cent of annual fixed cash salary.

Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are only made on an individual basis, either for the purpose of recruiting or retaining EMT members, or as remuneration for extraordinary per-

formance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 100 per cent of the annual fixed cash salary, and 150 per cent of the annual fixed cash salary for members of the EMT employed in the U.S. Any resolution on such remuneration shall be made by the board based on a proposal from the remuneration committee.

Decisions on long-term share and share price-related remuneration are made by the general meeting – irrespective of these guidelines. Long-term share and share price-related remuneration shall be designed to ensure long-term commitment to BillerudKorsnäs' development and in order for the CEO and EMT members to have a significant, long-term shareholding in BillerudKorsnäs. The outcome of the long-term share and share price-related remuneration shall be linked to certain predetermined performance criteria based on BillerudKorsnäs' share price and/or results.

The board may also, in order to meet market conditions and to mitigate administrative complexity, offer the members of the EMT employed in the U.S., participation in cash based long-term incentive programs linked to achievement of pre-determined financial performance targets. The maximum outcome shall have a pre-determined cap amounting to no more than 150 per cent of the annual fixed cash salary.

More information about these program, including the criteria for the outcome, are available on the company's website www.billerudkorsnas.se/en/AboutUs/CorporateGovernance/ under the headings "Long-term incentive programs" and "Remuneration".

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

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

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

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

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

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

Criteria for awarding variable cash remuneration, etc.

The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. They may also be individualised, quantitative or qualitative objectives. The objectives for the group for variable cash remuneration may change from year to year depending on the group's focus areas and strategic decisions.

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

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

Salary and employment conditions for employees

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

Termination of employment

BillerudKorsnäs can apply the following terms in the event of termination of employment of an EMT member; a notice period of a maximum twelve months and a right to severance pay corresponding to a maximum of the fixed cash salary for one year if the employment is terminated by BillerudKorsnäs. When termination is made by an EMT member, the notice period may not exceed six months, without any right to severance pay. In order to meet market conditions, in relation to members of the EMT employed in the U.S., BillerudKorsnäs can apply severance pay corresponding to a maximum of 18 months fixed cash salary, if the employment is terminated by BillerudKorsnäs and similar situations.

Remuneration to board members elected by general meetings

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

Derogation from the guidelines

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

Internal control over financial reporting

Internal control over financial reporting is designed to manage risks and ensure a high level of reliability in the processes relating to the preparation of financial reports and to ensure that applicable accounting requirements and other requirements of BillerudKorsnäs as a publicly listed company are fulfilled.

Financial reporting

The Board is ultimately responsible for the internal control of financial reporting. Responsibility for maintaining an effective control environment is delegated to the CEO, who is responsible for ensuring that a process and organisational structure are in place to ensure the internal control and quality of financial reporting. Specifically, for financial reporting, the Board has established an Audit Committee that assists the Board regarding relevant guidelines and policies and significant reporting principles.

BillerudKorsnäs' internal control work is based on the internal control principles developed by the Committee of Sponsoring Organizations of the Tradeway Commission (COSO). These principles consist of the following five components:

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

For more information about BillerudKorsnäs' corporate governance work, please see the section Corporate Governance in BillerudKorsnäs on pages 51-54. [↗](#)

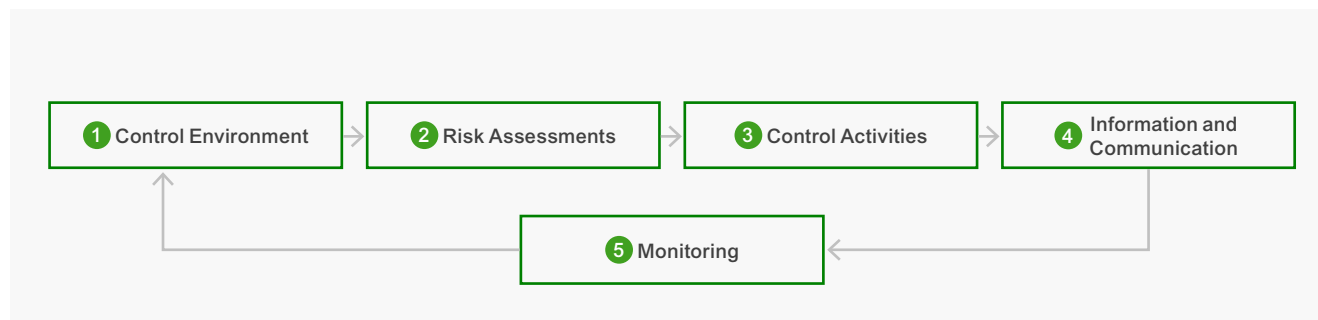
1 Control Environment

Control environment encompasses matters such as how targets are set, how valuations are monitored and how risks are managed. A good control environment is based on an organisational structure with clear decision-making paths and a corporate culture with shared values and an awareness among individuals of their role in maintaining good internal control. For the Board of Directors, the CEO and all BillerudKorsnäs' employees, there are steering documents aimed at ensuring clear roles and responsibilities to aid the effective and efficient management of risks identified within the business. The audit committee's main role is to contribute to a good standard of financial reporting and ensure that the Company is audited in a professional, efficient and independent way. The work of the audit committee is described in more detail on page 53. [↗](#)

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

2 3 Risk Assessment and Control Activities

Risk assessments are made regularly to identify risks that may arise within BillerudKorsnäs if the internal controls in the financial processes are not effective. BillerudKorsnäs' Enterprise Risk Management (ERM) process is further described in the section Risk and riskmanagement section on page 64-68. [↗](#) Risks relating to financial



and reporting, including risk for errors in the financial reporting, are included in the ERM process.

Control activities aim at preventing, detecting and correcting errors and deviations in financial reporting at each time of reporting. The Company's control activities are part of these accounting and financial reporting processes and include authorisation procedures, bank and account reconciliation, earnings analysis, automated and manual controls and the division of administrative and implementing units.

The Company has an internal control function whose purpose is to ensure good internal control and quality in financial reporting. This function implements processes and regulations that ensure the internal control and quality of financial reporting. This internal control function works to ensure that steering documents are complied with, which is the basis for effective control activities within the main financial reporting processes. As part of the internal control work, a self-assessment is made of internal controls which means that the person responsible for control in each case assesses effectiveness in their controls. Improvement measures are introduced according to a plan which is prepared with the internal control function. The measures are then followed up during the coming financial year, when a new self-assessment is carried out. The results of this work are included in the annual reporting of the internal control function to the Audit Committee, which in turn reports to the Board of Directors. The internal control function therefore constitutes an important tool in the Board's monitoring of internal controls relating to financial reporting.

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

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

Material risks are reported to the Board of Directors.

For information regarding financial risks and important items subject to appraisal and assessment, please see the Risk and riskmanagement section and Note 1.

4 Information and Communication

Material governing documents that are of significance to financial reporting are available on BillerudKorsnäs's intranet and management system. Relevant employees are regularly informed of amendments and updates to these.

Work continued during the year to develop the Group's policy framework for the purpose of ensuring completeness and uniformity on formulation, ownership and responsibility for updates. The Board has adopted eight policies. Directives have been updated and aligned to the group common policies and the work to align processes and procedures will continue in 2022.

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

and the person receiving reports. The channel is known as "The Speak-Up Line".

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

5 Monitoring

The Audit Committee carries out preparatory work prior to the Board's assessment of the information submitted by the Executive Management Team and the company's auditors. The Audit Committee's tasks also include ensuring, on behalf of the Board, that actions are taken concerning the deficiencies and proposed actions identified in the external audit and by the internal control function. See the section "Corporate Governance in BillerudKorsnäs" for further information about the Audit Committee and its work.

Internal audit

Based on the Board decision in 2020 a separate internal audit function was established during 2021. The internal audit function reports functionally to the chairman of the Audit Committee and is an independent objective function that assists BillerudKorsnäs in accomplishing its strategic objectives by bringing a systematic, disciplined and risk-based approach to evaluate and contribute to the effectiveness of BillerudKorsnäs's governance, risk management and internal control.

Executive Management Team¹



Christoph Michalski
President & Chief Executive Officer

Education: Master in Economics, Christian Albrechts University.

Year employed: 2020

Year born: 1966

Other assignments: –

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

Shareholding²: 31 963 shares (own and closely related parties)



Ivar Vatne
Executive Vice President & Chief Financial Officer

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

Year employed: 2019

Year born: 1978

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

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

Shareholding²: 2 730 shares (own and closely related parties)



Paulina Ekvall
Executive Vice President Human Resources

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

Year employed: 2017

Year born: 1968

Other assignments: –

Background: Sr Dir HR Arla Foods AB, VP HR Unilever Nordics, HR Director Nordics Johnson&Johnson Consumer, HR Director Pfizer Health AB.

Shareholding²: 5 164 shares (own and closely related parties)



Ulf Eliasson
Executive Vice President Technology

Education: MSc, Chalmers University of Technology, Gothenburg.

Year employed: 2012

Year born: 1962

Other assignments: –

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

Shareholding²: 7 407 shares (own and closely related parties)



Matthew Hirst
Executive Vice President Commercial

Education: Bachelor in Sports Science and Recreation Management, Loughborough University. Masters in Management, Durham University.

Year employed: 2021

Year born: 1977

Other assignments: –

Background: Vice President Category Professional Hygiene, Essity. Global Brand Director, Essity. Various sales and marketing roles Essity.

Shareholding²: 2 437 shares (own and closely related parties)

¹ Nina Ekstrand, left her employment as Executive Vice President Communication & Brand in January 2022.

² Shareholding as per 20 February 2022.



Tor Lundqvist

Executive Vice President Operations

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

Year employed: 2010

Year born: 1971

Other assignments: –

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

Shareholding¹: 5 327 shares (own and closely related parties)



Andreas Mattsson

Executive Vice President & General Counsel

Education: Master of Law, Lund University.

Year employed: 2013

Year born: 1978

Other assignments: –

Background: Senior Associate, law firm Cederquist, International Visiting Attorney, Skadden Arps.

Shareholding¹: 6 038 shares (own and closely related parties)



Erik Olsson

Executive Vice President Strategy

Education: Master in Computer technology/ Industrial automatization, Luleå University of Technology.

Year employed: 2021

Year born: 1961

Other assignments: Board member of Svenska Aerogel AB.

Background: Executive Vice President and President Pöyry Management Consulting PLC, Leading positions within Norske Skog, SCA, StoraEnso and Sveaskog. Founded and built two bioenergy companies in USA.

Shareholding¹: 1 690 shares (own and closely related parties)



Anna-Maria Tuominen-Reini

Executive Vice President Wood Supply

Education: MSc in Economics and Business Administration, Hanken School of Economics, Master of Business Administration (MBA), Helsinki School of Economics.

Year employed: 2021

Year born: 1974

Other assignments: Board Member of Bergvik Skog Öst

Background: Head of Procurement Metso Outotec, SVP Sourcing and Manufacturing Outotec, SVP Supply Chain, Supply Chain Director and VP Supply Chain Stora Enso, various roles at Unilever, Huhtamaki and Cebal.

Shareholding¹: 2 500 shares (own and closely related parties)

¹ Shareholding as per 20 February 2022.

Board of Directors



Jan Svensson
Chairman of the Board

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

Year born: 1956

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

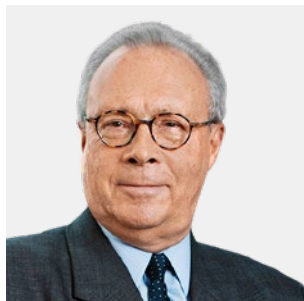
Background: CEO of Investment AB Latour (2003-2019), CEO of AB Sigfrid Stenberg (1986-2002).

Elected: 2021

Committee assignments: Chairman of the Remuneration Committee

Shareholding¹: 20 000 shares (own and closely related parties)

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



Michael M.F. Kaufmann
Vice Chairman of the Board

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

Year born: 1948

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

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

Elected: 2005

Committee assignments: Member of the Remuneration Committee

Shareholding¹: 25 023 750 (own and closely related parties, includes 25 000 000 shares held by Frapag Beteiligungsholding AG)

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



Jan Åström
Board member

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

Year born: 1956

Other assignments: Chairman of the board of Bergvik Skog Öst AB. Member of the board of ECO Development AB. Chairman of the foundation Central Fund for Employees in Forestry and the Forest Industry, as well as Chairman of the Swedish Wrestling Federation.

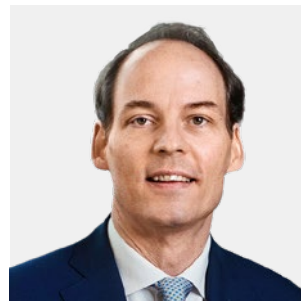
Background: President and CEO of Ahlstrom Munksjö Oyj, SCA AB, Modo Paper AB. Head of Business Group for SCA Fine Paper and Head of SCA Packaging Munksund.

Elected: 2018

Committee assignments: Member of the Remuneration Committee

Shareholding¹: 111 shares (own and closely related parties)

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



Tobias Auchli
Board member

Education: MA HSG, University of St Gallen.

Year born: 1972

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

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

Elected: 2018

Committee assignments: Member of the Audit Committee

Shareholding¹: 0 shares (own and closely related parties)

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



Andrea Gisle Joosen
Board member

Education: MSc International Business at Copenhagen Business School (CBS).

Year born: 1964

Other assignments: Chairman of Acast AB, Board member of Currys PLC, Stadium AB, Qred AB, Logent AB and The Nu Company GMBH.

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

Elected: 2015

Committee assignments: Member of the Audit Committee

Shareholding¹: 3 010 shares

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



Bengt Hammar
Board member

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

Year born: 1951

Other assignments: Senior Adviser, Pöyry Capital Ltd.

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

Elected: 2014

Committee assignments: –

Shareholding¹: 2 000 shares (own and closely related parties)

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

¹ Shareholding as per 20 February 2022.



Kristina Schauman

Board member

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

Year born: 1965

Other assignments: Board member AFRY AB, Coor Service Management AB, BEWi ASA, Nordic Entertainment Group AB and Danads AB.

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

Elected: 2014

Committee assignments: Chairman of the Audit Committee

Shareholding¹: 4 000 shares (own and closely related parties)

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



Victoria van Camp

Board member

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

Year born: 1966

Other assignments: CTO and President, SKF Technology, AB SKF.

Background: Board member of VBG Group AB and PREERA. Director of Industrial Market Technology & Solutions, Director of Product Innovation Lubrication BU and several other positions in SKF Group.

Elected: 2017

Committee assignments: –

Shareholding¹: 950 shares (own and closely related parties)

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



Nicklas Johansson

Board member, employee representative

Education: Upper secondary school qualification in economics, Higher Vocational Education in Paper and Pulp.

Year born: 1968

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

Elected: 2017

Shareholding¹: 0 shares (own and closely related parties)



Bo Knöö

Deputy board member, employee representative

Year born: 1964

Other assignments: Chairman, Swedish Paper Workers Union local branch 96.

Elected: 2017

Shareholding¹: 0 shares (own and closely related parties)



Per Bertilsson

Board member, employee representative

Education: 4-year technical engineering education in Örebro. Higher Vocational Education in Paper and Pulp Technology at the Swedish forest industry centre. Various industry-specific engineering courses.

Year born: 1962

Other assignments: Senior Process engineer Pulp mill staff/management. BillerudKorsnäs Skog & Industri AB, Frövi/Rockhammar. Chair of Unionen branch BillerudKorsnäs Frövi and Rockhammar. Board member of SIRIUS, Swedish forest industry council for industrial development in collaboration with Industriarbetsgivarna. Board member of Frövfors board mill's museum foundation.

Elected: 2021

Shareholding¹: 0 shares (own and closely related parties)

¹ Shareholding as per 20 February 2022.

Risks and risk management

BillerudKorsnäs recognises that in all operations and activities, there are uncertainties that could have a positive or negative effect on the ability to reach goals and strategic objectives. If the organisation possesses the ability to map, monitor and mitigate known risks and have the capacity to identify unknown risks it will lead to a more efficient execution of strategy. Risk management based on clear risk and process ownership, combined with risk identification, assessment, prioritisation and risk response in terms of risk mitigations and monitoring, will enable the organisation to fulfil its goals.

BillerudKorsnäs' risk management is aligned with the governance model presented on page 51 and represented as part of the second line of responsibility.

In 2021 the Enterprise Risk Management (ERM) concept was updated with a new framework, supported by a risk register and a risk assessment process in which risk is rated according to likelihood and impact. According to the ERM concept, each business unit provides input to risk maps showing how risk mitigation actions are prioritised. Risk monitoring and progress on risk mitigations is monitored throughout the year and reported to the Group Executive Management Team (EMT) and the Audit Committee. The current ERM framework focuses more sharply on strategic risks to improve alignment with Group strategic objectives and initiatives.

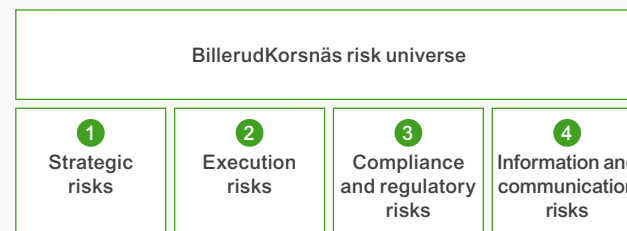
ERM annual wheel



With the ERM framework as a common touchpoint, an extensive risk assessment was performed during the year, with each Group function represented in the EMT as risk owners and by their specialists for dedicated areas, to agree on risk definitions, assess the risks in terms of likelihood and impact and define related steering documents and mitigations. The aggregated results of risk assessments have thereafter been calibrated and harmonised by the EMT to settle on prioritised risks and mitigations. The results thereof have also been presented to the Audit Committee.

Risk universe

The ERM framework is founded on a risk universe that could impact BillerudKorsnäs' ability to achieve the established strategy and operational objectives, including financial targets. The risks to which BillerudKorsnäs is exposed are grouped into four main categories: strategic risks, execution risks, compliance and regulatory risks and information and communication risks. Each main category has sub-categories with defined underlying risks. Sustainability risks are integrated in all main categories and subcategories. Risks are mapped and assessed in relation to strategic and other objectives, including financial targets. Risk ownership is identified for each risk in the risk universe.



1 Strategic risks

Strategic risks are risks that could impact BillerudKorsnäs' ability to achieve strategic objectives, including financial targets. They are assessed top-down by the EMT, and strategic risk maps are used for evaluating the Group's options and strategic position. Strategic risks includes risks related to political initiatives and regulations that could impact BillerudKorsnäs' business model, reputational risks, business risks, risks relating to the economic outlook, to market and sales, climate change and they also include external risks such as hazards and cybercrime.

Political initiatives, laws and regulations

BillerudKorsnäs' business is affected by various political decisions and legislative measures, for example in the areas of forestry, environmental policy and regulations, trade policy, transport policy, energy policy and recycling. A patchwork of requirements that affects the forest and packaging industry is evolving at international and national level, driven by increased sustainability and climate awareness. There is a risk of legislators failing to understand the industry, resulting in increased operating costs.

BillerudKorsnäs' Sustainability and Public Affairs department monitors political and legislative development and identifies issues of particular significance to BillerudKorsnäs and its value chain partners. The dialogue with decision-makers often takes place in coordination with industry associations such as the Swedish Forest Industries Federation or the two Brussels-based industry associations CEPI and ACE. BillerudKorsnäs also participates in network collaborations such as GRACE, EXTR:ACT and 4Evergreen, with the aim of accelerating the development of technologies and new processes to enhance sustainability and the circularity of fibre-based packaging.

Reputational risks

Reputational risks are the risks of negative behaviours or actions negatively impacting BillerudKorsnäs' brand and reputation. Damage to a company's reputation can result in decreased revenues, failure to meet key business objectives, loss of market share and reduced shareholder value. BillerudKorsnäs' Code of Conduct and group policies, including the Sustainability Policy and the Responsible Business Policy, govern the company's view and behaviour in areas and situations related to environment, social responsibilities, human rights, economy and ethics, with the aim to reduce risks in areas closely connected with our sustainable brand.

Business risks

The demand for BillerudKorsnäs' product offering is affected by factors such as market trends and the development of new technology and products that may lead to greater or less demand for packaging paper and

board. Competition related to the product offering, as well as the development of production capacity and its impact on the balance between supply and demand, may also affect BillerudKorsnäs' business model. To mitigate these risks, BillerudKorsnäs monitors the competitive landscape and business risks and evaluates possible impacts from a strategic point of view. It has also established close cooperation between functions such as Strategy, Technology, Commercial, Production and Wood Supply.

Economic outlook and trade policies

A severe economic downturn could have a negative impact on consumer markets and industrial production and consequently on demand for BillerudKorsnäs' products and services. Political initiatives, policies and restrictions for international trade can also affect which markets BillerudKorsnäs operates in.

BillerudKorsnäs has a well-diversified product portfolio, with a large part of sales attributed to material used for essential consumer products, which tends to be less affected by economic downturns. The market exposure is concentrated to Europe with identified growth opportunities in North America where trade barriers are estimated as low risk.

Competition and customer concentration

Market and sales risks are related to market trends, the customer portfolio and competition. One risk that is constantly present is increased competition in BillerudKorsnäs' existing markets. This can involve existing market players acting more aggressively than in the past, for example as a result of expanded capacity, or new players entering the market. BillerudKorsnäs works continuously to establish new customer relationships and market presence in order to balance the customer concentration.

Climate change

Climate change and climate policy will increasingly affect BillerudKorsnäs over the coming decades. With increased global warming, BillerudKorsnäs will be subject to physical climate-related risks, such as flooding, water shortages or other disruptions, which may have a significant impact on the Groups' operations. Transitional risks are long-term structural changes that will require BillerudKorsnäs to adapt its strategy and operations to address climate change. The main risks are related to policy changes impacting the availability and price of wood raw material, the price of purchased energy (read more on page 68 [↗](#)) and market and technology shifts (read more on page 11 [↗](#)).

The Sustainability and Public Affairs function is responsible for identifying transitional and physical risks and opportunities and informing the EMT and/or the Board of Directors of issues that may have a short or long term impact on the company. Short-term risk identification and mitigation related to physical climate risks are primarily managed by Operations. Transitional risks are mainly related to policy changes and managed as such (read more on page 26 [↗](#)). More information on climate-related risks and opportunities can be found on page 119. [↗](#)

Hazards

Hazards are defined as natural catastrophes, biohazards and pandemics. It also encompasses human actions, such as terrorism and armed conflicts. Hazards can impact BillerudKorsnäs' ability to

deliver on strategic goals. For continuance planning, monitoring and risk mitigation BillerudKorsnäs establishes special taskforces, when needed, to monitor and mitigate the risks. During 2021, special attention was directed towards the COVID-19 pandemic. BillerudKorsnäs has continued to follow and comply with local authorities' guidelines, for example alternative workspaces at home have been used where possible, and local authorities have been consulted, particularly when planning and executing maintenance shutdowns. Continued close and open contact with customers and suppliers helps manage deviations from the normal flow of business, and the cross-functional task force has continued its work throughout the pandemic. Critical resources have been identified throughout the company, and contingency plans have been created and are regularly updated to ensure the organisation is prepared for challenging conditions.

Russia's invasion of Ukraine at the end of February made the company reassess the business approach towards Russia. Russia and Ukraine accounted for approximately 1% of the Group's net sales in 2021. We have no employees in Russia and Ukraine. BillerudKorsnäs has decided to suspend all sales to Russia except for one non-Russian owned customer where we continue to supply packaging material for essential food applications in Russia. BillerudKorsnäs has previously had an indirect and very limited supply of wood originating from Russia (approximately 57 000 m³ in 2021). This supply has now been cut off. The direct impact of the conflict on our operations is marginal. BillerudKorsnäs' operations are also expected to be indirectly affected by economic developments and price developments for energy, wood, chemicals and fuel. BillerudKorsnäs complies with applicable sanctions and regulations. BillerudKorsnäs is donating SEK 5 million to UNHCR to support the relief effort of Ukrainian refugees.

Cybercrime

Our society and BillerudKorsnäs' business rely to an ever greater degree on digital tools and data. More extensive digital exposure also increases the risk of unauthorised access to and use of the company's IT system assets and information belonging to the company and its stakeholders. Methods applied to gain unauthorised access to internal company systems and information resources are becoming increasingly sophisticated. Through unauthorised access to systems and information, criminals and criminal organisations can harm BillerudKorsnäs and its stakeholders in various ways. This may involve blackmail, fraud, damage to information and fixed assets, spreading of price-sensitive information on shares, etc. BillerudKorsnäs has chosen a systematic way of working to protect its own and its stakeholders' information assets and privacy based on the information security standard ISO27001. Controls have also been added to the information security management system to make sure that the company fulfils the requirements of the European General Data Protection Regulation (GDPR), and that cybercrime-related risks are managed. The controls and their order of priority are based on analysis of the identified risks. Risk analyses are carried out at several levels in the company, and the risks are addressed in governance and management forums regarding the company's information and system resources.

2 Execution risks

Execution risks, also known as operational risks, are risks that can impact the ability to achieve established objectives in daily operations. Execution risks are assessed by risk and process owners and execution risk maps are used to support business evaluations and decisions. Execution risks are mitigated by implementing clear process ownership, internal governing documents, effective internal control activities, quality programmes, a whistle-blower system, insurance programmes and proper crisis management, as well as by reducing environmental impact and improving energy efficiency. Financial risks presented on the pages 67–68 [↗](#) are also considered execution risks.

Sourcing of raw materials and commodities

The sourcing and supply of raw materials such as wood, energy and commodities is crucial for BillerudKorsnäs' operations. Supply and demand will affect the availability of raw materials, as well as their price. BillerudKorsnäs is dependent on raw materials being supplied in time. Critical resources have been identified throughout the company, and contingency plans for short-term disruptions are being developed.

Wood supply

Market prices for wood fibre vary over time, and the price fluctuations may affect BillerudKorsnäs' earnings. Pulpwood prices are influenced by the pulp supply/demand market balance, indicating that changes in pulp consumption and capacities in the Nordic countries may lead to long-term changes in raw material costs. Increased use of sawn timber and wood as a combustion material, especially as biofuel for electricity and heat generation, may also indirectly affect wood fibre availability and cost. In the long-term, political decisions on how forests as natural resources should and are permitted to be utilised, along with short-term changes in custom duties and transport costs, may impact wood fibre availability and costs. In general, prices are contractually agreed with major suppliers on a periodic basis. This may cause problems with deliveries to BillerudKorsnäs if the parties cannot reach an agreement on the market price. Continuous efforts are made to keep logistics as efficient as possible.

Asset risks

Examples of asset risks are risks that could affect or have an impact on BillerudKorsnäs' material assets such as buildings, machinery and inventory. Preventive work to detect and mitigate such risks is conducted through internal planning and control carried out by independent inspection bodies in close collaboration with insurance companies. Investments are constantly being made to improve the status of facilities. BillerudKorsnäs insures its facilities to their full value with respect to property and business disruption.

There are also risks related to the management of intangible assets such as patents and Intellectual Property Rights (IPR). The two most important risks to mitigate are the risk of restricting freedom to operate (our ability to produce and market the best possible products) and the risk of non-compliance with competition law. Mitigation measures include the systematic handling of competitors' patenting activities and procedures for contacts with competitors on IPR matters.

Organisational and human resources risks

Organisational and human resources risks relate to the ability to attract, hire and retain expertise and personnel, to the ability to comply with sustainable leadership and change management, and to maintaining an accurate reward and benefit system. BillerudKorsnäs works continually to manage skills development and succession planning. The Group works in a structured and focused manner on strengthening the Group's employer brand. Production skills are crucial, and BillerudKorsnäs has devised a Technical Trainee programme to attract and develop the relevant expertise for our mills. The human resource function has established a recruitment training programme for the Group's leaders to boost their knowledge on recruitment. We have also developed a skills profile for Sustainable Leadership, which enables the business to assess a candidate's leadership potential when recruiting, internally or externally.

In order to take proactive steps to minimise the risk of alcohol and drug abuse and other undesirable backgrounds, we carry out background checks for critical and relevant positions, as well as drug tests for illegal substances in all recruitment.

Payroll costs are principally dictated by applicable collective agreements and employer's expenses. BillerudKorsnäs' reward framework is continuously updated. Market salary statistics are used to ensure that remuneration is in line with the Group's reward philosophy.

Health and safety

A safe working environment is important for the health and wellbeing of all employees. Safety is a broad area which, in addition to the working environment and external environment, also includes fire safety, emergency, incidents and accidents, surveillance and traffic safety. In 2021 we continued to work on areas of priority across all mills and functions, with the aim of improving safety for everyone working at BillerudKorsnäs. The areas we have focused on were local procedures to deal with hazardous tasks entailing a risk of serious personal injury, roles and responsibilities, and the enforcement of our Life Saving Rules. The development of a robust safety culture throughout the company is also an area of continuous focus, with actions such as safety rounds, safety training, leadership and communication being performed during the year. The number of accidents resulting in absence per million hours worked (LTIFR) for employees was 5.9 (6.1).

Production permits

BillerudKorsnäs' production is governed by extensive environmental legislation, and the operation requires permits. Production permits in Sweden are issued by land and environmental courts based on a comprehensive legal review in which the government's interests are monitored by, inter alia, the Swedish Environmental Protection Agency and county administrative boards. The production permits include specific environmental conditions that need to be complied with.

Each production unit continuously monitors compliance with environmental conditions based on established control programmes. Any deviations are communicated to the relevant supervisory authority.

In 2021, a corporate monitoring process was established for monthly reporting of the production units' compliance with environmental conditions and other items related to environmental compliance. The production units cooperate in a Group-wide environmental network, as well as in industry-wide working parties. For more information regarding environmental legislation permits, see page 49 [2](#) of the Directors' report.

Production continuity

Board, paper and pulp were produced at seven BillerudKorsnäs sites in three countries during 2021. Stable and reliable production with high quality and efficiency is key to meeting customer demands, securing a stable financial situation and ensuring the company's long-term competitiveness.

The company continuously takes preventive and predictive measures to avoid and mitigate both foreseeable and sudden and unforeseen disruptions. This work is given top priority in internal planning, follow-up, internal controls combined with controls carried out by independent inspection bodies and in collaboration with insurance companies. BillerudKorsnäs insures its facilities to their full value with respect to property and business disruption.

Investments and other improvements are constantly being made to improve the status and capability of the production facilities. Efforts to systematically avoid risk, combined with preventive and mitigating measures, are ongoing. Risk identification and analysis at production facilities, in projects and in other operations have been in sharp focus during the year, with the aim of continuing to prevent loss and damage.

Product safety

BillerudKorsnäs produces material with specific safety requirements, including food contact materials and medical paper. All mills are certified to FSSC 22000. Our food safety management system covers quality control and product safety in raw material sourcing, paper and board production and in delivery of the finished products to ensure safe products for third parties. Product safety issues involve a risk of compensation claims if neglected (such as in relation to the contamination of foods or beverages, damage caused by leaky packaging, etc.). Besides potential harm to third parties, such as consumers of packaged food, this can lead to costs for complaints, damage to reputation, a loss of customer trust, lower revenue, withdrawal of consumer products and legal expenses. Non-compliance reported in both production and on customer premises is systematically followed up.

3 Compliance and regulatory risks

Compliance and regulatory risks are risks of not complying with external laws, rules and/or regulations or internal rules, primarily related to doing business responsibly and complying with the rules and expectations applicable to a listed company with global operations.

BillerudKorsnäs is subject to stringent environmental and regulatory requirements. The introduction of new laws, rules and regulations or the imposition of new or more stringent regulatory requirements

could affect the Group's operating profit and the quality of its financial reporting. Compliance and regulatory risks concern both internal compliance with governing documents and external compliance with laws, rules and regulations. These risks are mitigated by active dialogue, intranet publications and employee training, and annual assessments of internal governing documents by Legal & Compliance, Group Internal Control, HR, Finance and experts from BillerudKorsnäs' functions.

Responsible business compliance risks

Responsible business compliance risks are defined as risks of breaching laws, standards and/or internal rules and/or not meeting external requirements and expectations concerning anti-corruption and anti-money laundering, free and fair competition, compliance with sanctions and respect for human rights. These risks can in turn lead to increased costs for regulatory compliance, fines, damage to reputation or loss of revenue. BillerudKorsnäs' responsible business compliance programme aims to ensure that our Group lives up to its values and commitments and that the risks in these areas are identified and managed. BillerudKorsnäs commits to and expects its business partners to adhere to international standards and requirements. Our Code of Conduct applies to all employees and our Supplier Code of Conduct applies to all suppliers, as applicable. Other core measures include internal rules, training and awareness, risk assessments, third-party screening and due diligence including controls in relation to higher-risk markets, and the "Speak-up Line" whistle-blower process. Our responsible business compliance programme is further described on page 42. [2](#)

4 Information and communication risks

Information and communication risks are risks associated with BillerudKorsnäs' reporting (both financial and non-financial). External communication risks are risks associated with financial information, such as interim reports and annual reports, and non-financial information, such as sustainability information and external communication. Internal information and communication risks comprises systems and processes that contribute to information being identified, distributed and documented in a way that enables employees to perform their work efficiently. External and internal communication is supported by a Communication, Branding and Information Policy approved by the Board of Directors. A more detailed description of BillerudKorsnäs' work on internal controls of financial reporting is provided in the Corporate Governance Report in the section titled Internal controls over financial reporting on page 58. [2](#)

Financial risks

As a large international company, BillerudKorsnäs is exposed to finance risks related to currency, interest rates, liquidity and financing, financial credit risk and customer credit risk. Financial risks are governed by a finance policy and underlying framework directives for credit and hedging. The following section describes BillerudKorsnäs' financial risk management policies, which correspond to the policies adopted before and during 2021.

Currency risk – transaction exposure

Transaction risk is the risk that changes in exchange rates for export revenues and import expenses will negatively affect BillerudKorsnäs' operating profit and the acquisition cost of fixed assets. The Group has a significant net currency exposure, principally in EUR, USD and GBP. However, the majority of the operating expenses are in SEK, with the exception of costs of imported wood raw material, electricity and chemicals, which are primarily affected by EUR and USD exchange rates. The main exceptions are production costs in Finland and the UK prior to the divestment of Beetham, shipping costs and the costs of imported wood raw material and chemicals, which are primarily affected by EUR and USD exchange rates.

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

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

Comments 2021

At the end of 2021, foreign exchange contracts not yet recognised in profit/loss nominally totalled SEK 3 920 million (2 917). These will be recognised in profit/loss in 2022 and 2023. Net currency flows are estimated to totallly SEK 5 900 million (5 300) in 2022.

Of forecasted net flows over the coming 15-month period in EUR, USD and GBP, 78%, 64% and 7% respectively, were hedged at year-end. As of 31 December 2021, the market value of BillerudKorsnäs' outstanding foreign exchange contracts was SEK –72 million (284). These hedges impact Net sales when realised.

Nominal amount of foreign exchange derivatives	2021	2020
EUR million	281	237
USD million	191	117
GBP million	6	5

Market value of foreign exchange derivatives, SEK million

Forward foreign exchange contracts	–72	284
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In addition to the currency hedging presented above BillerudKorsnäs have entered into a hedging position related to the investment in the new recovery boiler in Frövi. EUR 84 million was hedged regarding purchases in EUR. On 31 December, 2021 EUR 10 million was realised whereof SEK 1 million increased the investment and the unrealised hedge represented a positive value of SEK 4 million, accounted for as a receivable and in Other comprehensive income. The hedged exchange rate was 10.21 SEK/EUR on December 31, 2021.

BillerudKorsnäs has also entered into a hedging position related to the announced acquisition of Verso with a nominal amount of USD 825 million. The hedging position is contingent on the acquisition being completed. The market value of the hedging position at 31 December 2021 was SEK –78 million, and is accounted for as a current other liability and in Other comprehensive income.

Currency risk – translation exposure

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

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

Comments 2021

On 31 December 2021, total capital employed in foreign currency was SEK 556 million (716), of which SEK 1 191 million (1 245) was financed by shareholders' equity. No net assets are currently hedged.

SEKm	Capital employed	Net borrowings	Net assets
GBP	–	–7	7
EUR	637	–439	1 076
USD	19	16	3
Other currencies	–100	–205	105
Total	556	–635	1 191

Financing risk

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

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

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

Comments 2021

The Group did not rely on any new external financing in 2021 due to its continued strong cash position following the sale of Bergvik Skog Öst in 2019.

BillerudKorsnäs has a syndicated credit facility of SEK 5 500 million, which falls due in May 2024. The credit facility was unused at year- end.

At 31 December 2021, BillerudKorsnäs' net interest-bearing debt totalled SEK 3 968 million (5 373). Interest-bearing debt decreased by SEK 880 million in 2021. Of interest-bearing borrowings, SEK 1 791 million was short-term, which represented an increase of SEK 902 million during the year. At the end of the year, bond loans totalling SEK 800 million and bilateral loans totalling SEK 80 million had been repaid compared with the start of the year. No new financing was raised during the year. Long-term interest-bearing net borrowings totalled SEK 4 655 million at the end of the year, of which SEK 2 764 million falls due in 2024 or later.

Financial assets and liabilities are recognised in Note 28.

Interest rate risk

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

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

Comments 2021

If the Group's entire borrowing portfolio had a variable interest rate, the effect on earnings for one year from a 1 percentage point change in interest rates would be SEK 64 million (73), based on the total interest-bearing liability of SEK 6 446 (7 325) million at year-end.

The Group's average fixed-interest term was 4 months (5) at year-end. The decrease in the fixed interest term was due to the re-payment of bond loans with fixed interest rates. A 1 percentage point change in interest rates would have an annualised effect of SEK 54 million (58) on earnings, given the current fixed interest term.

Nominal amount, fixed-interest loans	2021	2020
Maturity of less than 1 year	250	500
Maturity of 1–2 years	800	250
Maturity of more than 2 years	–	800
Total	1 050	1 550

Energy price risk

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

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

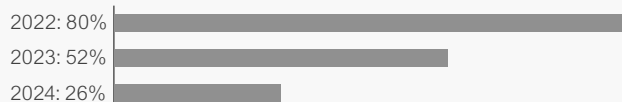
In principle, all in-company power generation is biofuel-based, and the cost of in-company generation follows the trend in biofuel prices.

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

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

Comments 2021

In 2021, total electricity consumption was about 3,3 TWh (3.3), of which approximately 43% (41) was generated in-company, and about 57% (59) was purchased on the spot market. At the end of the year, financial hedging for purchases of electricity exposed to the spot price was:



These hedges impact the energy cost and Other external costs in the Income statement when they mature.

Financial credit risk

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

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

When calculating credit risks, the positive effects on earnings of derivative contracts with counterparties are also considered. BillerudKorsnäs' maximum credit risk exposure is equal to the fair value of financial assets, disclosed in Note 28.

Comments 2021

At year-end, the total net credit exposure was SEK 3 927 million (3 325). The continued high exposure was explained by a solid cash

balance that was maintained throughout the year, along with a high mark-to-market valuation of the electricity hedging contracts.

Customer credit risk

BillerudKorsnäs has approximately 2 000 customers and packaging partners in more than 100 countries; the Company's five largest customers account for approximately one-third of the Group's sales. If BillerudKorsnäs cannot meet the demands made by its largest customers, and if customers do not fulfil their payment obligations, BillerudKorsnäs may be adversely affected. Customers mainly consist of packaging producers, and the relationship with the customer is usually long lasting. By expanding its customer base, BillerudKorsnäs can reduce its dependence on a small number of customers.

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

Breakdown of accounts receivable by age

Group, SEKm	2021			2020		
	Gross	Impairment	Net	Gross	Impairment	Net
Accounts receivable not due	2 872	-12	2 860	2 081	-9	2 072
Accounts receivable overdue 0-30 days	197	-	197	267	-	267
Accounts receivable overdue >30-90 days	19	-4	15	1	-2	-1
Accounts receivable overdue >90-180 days	-10	-5	-15	-1	-	-1
Accounts receivable overdue >180-360 days	-10	-	-10	-1	-	-1
Accounts receivable overdue >360 days	5	-5	-	23	-9	14
Total	3 073	-26	3 047	2 370	-20	2 350

Sensitivity analysis

Impact on profit/loss before tax

Variable	Change	SEKm
Sales volume	+/- 10%	+/-1 020
Exchange rates, SEK ¹	+/- 10%	-/+590
- of which relates to EUR	+/- 10%	-/+300
- of which relates to USD	+/- 10%	-/+210
- of which relates to GBP	+/- 10%	-/+80
Fibre price	+/- 10%	-/+890
Electricity price ²	+/- 10%	-/+100
Loan rate ³	+/- 1 percentage point	-/+54

¹ Excluding effects of currency hedging.

² Excluding effects of electricity price hedging.

³ Excluding effects of interest hedging.

Comments 2021

Accounts receivable totalled SEK 3 047 million (2 350) at 31 December 2021. Accounts receivable averaged SEK 2 930 million (2 582) in 2021, representing an average customer credit period of around 41 days (39). There have been no increased credit losses due to COVID-19. There have been no indications resulting in an increased provision for bad debt due to expected credit losses as a result of COVID-19. Bad debt losses totalled SEK -3 million (-11) in 2021.

Provision for doubtful debts

Group, SEKm	2021	2020
Provision at start of year	20	28
Provision for anticipated bad debt losses	9	3
Bad debt recovered	-	-
Confirmed bad debt losses	-3	-11
Provision at year-end	26	20

Breakdown of operating costs, %



Financial statements

Consolidated income statement

SEKm	Note	2021	2020
Net sales	2	26 206	23 884
Other operating income	3	211	199
Change in inventories		296	-76
Raw materials and consumables		-13 172	-12 637
Other external costs	4, 36	-5 856	-5 293
Employee benefit costs	5, 29	-3 873	-3 586
Depreciation, amortisation and impairment of non-current assets	12, 13, 15	-1 912	-1 938
Change in value of biological assets	14	-	132
Share of profit/loss of associates	18	89	89
Operating profit	2, 6	1 989	774
Financial items	7		
Finance income		3	32
Finance cost		-116	-127
Net financial items		-113	-95
Profit before tax		1 876	679
Tax	9	-391	-3
Profit from continuing operations		1 485	676
Discontinued operations			
Profit/loss from discontinued operations, net of tax	10	-	-16
Profit for the year		1 485	660
Profit attributable to:			
Owners of the parent company		1 485	660
Non-controlling interests		-	-
Profit for the year		1 485	660
Earnings per share, SEK	11	7.18	3.19
Diluted earnings per share, SEK	11	7.17	3.19

Consolidated statement of Other comprehensive income

SEKm	Note	2021	2020
Profit/loss for the year		1 485	660
Items that cannot be transferred to profit/loss for the period			
Revaluation of forest land	14	-	148
Revaluation of defined-benefit pensions	23	-17	-4
Change for the period in fair value relating to shares in Other holdings		-6	-28
Tax that can be attributed to items that cannot be transferred to profit/loss for the period		4	-30
Total items that cannot be transferred to profit/loss for the period		-19	86
Items that have been or can be transferred to profit/loss for the period			
Translation differences for the period arising from translation of foreign operations		45	-63
Translation differences for the period transferred to profit/loss for the year		-6	-
Changes in fair value of cash flow hedges during the period		776	-98
Changes in fair value of cash flow hedges transferred to profit/loss for the year		-599	138
Tax attributable to items that have been or can be transferred to profit/loss for the period		-53	-8
Total items that have been or can be transferred to profit/loss for the period		163	-31
Total comprehensive income for the year		1 629	715
Attributable to:			
Owners of the parent company		1 629	715
Non-controlling interests		-	-
Total comprehensive income for the year		1 629	715

Consolidated balance sheet

SEKm	Note	31 Dec 2021	31 Dec 2020
ASSETS	1, 28		
Non-current assets			
Non-current intangible assets	12	1 957	1 960
Property, plant and equipment	13	22 021	22 335
Forest assets	14	393	393
Right-of-use assets	15	275	260
Participations in associated companies and joint ventures	18	1 165	1 043
Other holdings	19	70	108
Non-current receivables from associates	17	16	15
Deferred tax assets	9	158	103
Non-current receivables		116	10
Total non-current assets		26 171	26 227
Current assets			
Inventories	20	3 836	3 629
Accounts receivable		3 047	2 350
Tax receivables		5	16
Other receivables		827	713
Prepaid expenses and accrued income		534	389
Cash and cash equivalents	30	3 558	3 036
Total current assets		11 807	10 133
Total assets		37 978	36 360

SEKm	Note	31 Dec 2021	31 Dec 2020
SHAREHOLDERS' EQUITY AND LIABILITIES	1, 28		
Shareholders' equity	21		
Share capital		1 537	1 537
Other contributed capital		4 484	4 484
Reserves		552	382
Retained earnings incl. profit/loss for the year		13 468	12 891
Total equity attributable to owners of the parent company		20 041	19 294
Non-controlling interests		–	–
Total shareholders' equity		20 041	19 294
Non-current liabilities			
Interest-bearing liabilities	25	4 655	6 435
Lease liabilities	15,25	169	170
Provisions for pensions	23	816	836
Other provisions	24	91	116
Deferred tax liabilities	9	3 962	3 609
Other liabilities		–	30
Total non-current liabilities		9 693	11 196
Current liabilities			
Interest-bearing liabilities	25	1 791	889
Lease liabilities	15,25	111	95
Accounts payable		3 809	3 129
Tax liabilities		12	29
Other liabilities		463	303
Accrued expenses and deferred income	27	1 955	1 356
Provisions	24	103	69
Total current liabilities		8 244	5 870
Total liabilities		17 937	17 066
Total shareholders' equity and liabilities		37 978	36 360

Consolidated statement of changes in equity

SEKm	Note	Equity attributable to owners of the parent company						Total	Non-controlling interests	Total shareholders' equity
		Share capital	Other contributed capital	Translation reserve	Revalutaion surplus	Hedging reserve	Retained earnings and profit/loss for the year			
Opening balance, 1 Jan 2021	21	1 537	4 484	158	117	107	12 891	19 294	–	19 294
Total comprehensive income for the year				45	–	125	1 459	1 629		1 629
Dividend to owners of the parent company							–890	–890		–890
Hedgingresult transferred to acquisition cost in fixed assets							1	1		1
Share-based payments to be settled in equity instruments, IFRS 2							7	7		7
Closing balance, 31 Dec 2021		1 537	4 484	203	117	232	13 468	20 041	–	20 041

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

Consolidated statement of cash flows

SEKm	Note	2021	2020
Operating activities	30		
Profit after financial items		1 876	679
Adjustments for items not included in cash flow		1 961	1 622
Tax paid		-141	83
Cash flow from operating activities before changes in working capital		3 696	2 384
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventories		-259	-95
Increase (-)/decrease (+) in operating receivables		-935	-114
Increase (+)/decrease (-) in operating liabilities		1 390	156
Cash flow from operating activities		3 892	2 331
Investing activities			
Acquisition of property, plant and equipment	13	-1 526	-1 250
Disposal of property, plant and equipment		1	3
Divestment of subsidiaries	36	29	-
Shareholder contributions		-43	-2
Dividend from associated companies		10	4
Disposal/repayment of financial assets		30	24
Cash flow from investing activities		-1 499	-1 221
Financing activities			
Changes in interest-bearing receivables		8	-6
Borrowings		-	-
Debt repayment		-1 014	-602
Dividend		-890	-889
Cash flow from financing activities		-1 896	-1 497
Cash flow for the period		497	-387
Cash and cash equivalents at start of year		3 036	3 450
Translation difference in cash and cash equivalents		25	-27
Cash and cash equivalents at year-end		3 558	3 036

Parent company income statement

SEKm	Note	2021	2020
Net sales	2	609	390
Other operating income	3	25	12
Total operating income		634	402
Operating expenses			
Other external costs	4, 15	-194	-280
Employee benefit costs	5, 29	-275	-250
Depreciation, amortisation and impairment of non-current assets	13	-1	-1
Total operating expenses		-470	-531
Operating profit/loss	2	164	-129
Financial items			
	7		
Profit/Loss from investments in Group companies		-37	18
Profit/Loss from associated companies		-	-5
Interest income and similar profit/loss items		61	69
Interest expense and similar profit/loss items		-167	-166
Total financial items		-143	-84
Profit/loss after financial items		21	-213
Appropriations	8	289	606
Profit/loss before tax		310	393
Tax	9	-74	-89
Profit/loss for the year		236	304

Parent company statement of Other comprehensive income

SEKm	2021	2020
Profit/loss for the year	236	304
Other comprehensive income		
Other comprehensive income for the year	-	-
Total comprehensive income	236	304

Parent company balance sheet

SEKm	Note	31 Dec 2021	31 Dec 2020
ASSETS	1, 28		
Non-current assets			
Property, plant and equipment	13	2	3
Forest assets	14	5	5
Investments in Group companies	16	10 560	10 640
Participations in associated companies and joint ventures	18	–	–
Other holdings	19	–	–
Non-current receivables from associates	17	13	13
Deferred tax asset	9	19	–
Other non-current receivables		70	34
Total non-current assets		10 669	10 695
Current assets			
Accounts receivable		2 537	2 016
Receivables from Group companies	17	10 646	11 819
Tax receivables		3	–
Other receivables		70	15
Prepaid expenses and accrued income		156	20
Cash and bank balances	30	3 175	2 836
Total current assets		16 587	16 706
Total assets		27 256	27 401

SEKm	Note	31 Dec 2021	31 Dec 2020
SHAREHOLDERS' EQUITY AND LIABILITIES	1, 28		
Shareholders' equity	21, 22		
Restricted equity			
Share capital		1 537	1 537
Statutory reserve		149	149
Total restricted equity		1 686	1 686
Non-restricted equity			
Share premium reserve		4 408	4 408
Retained earnings		979	1 559
Profit/loss for the year		236	304
Total non-restricted equity		5 623	6 271
Total shareholders' equity		7 309	7 957
Untaxed reserves	31	1 341	1 516
Provisions			
Provisions for pensions according to the Social Security Act and similar commitments	23	237	218
Provisions	24	16	13
Total provisions		253	231
Non-current liabilities			
Bond loans	26	3 400	5 100
Deferred tax liabilities	9	–	2
Other interest-bearing non-current liabilities	26	1 255	1 335
Total non-current liabilities		4 655	6 437
Current liabilities			
Liabilities to credit institutions	26	1 791	889
Accounts payable		28	66
Liabilities to Group companies	17	11 627	10 174
Tax liabilities		–	22
Other liabilities		35	43
Accrued expenses and deferred income	27	217	66
Total current liabilities		13 698	11 260
Total shareholders' equity and liabilities		27 256	27 401

Parent company statement of changes in equity

SEKm	Note	Restricted equity		Non-restricted equity			Total shareholders' equity
		Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit/loss for the year	
Opening balance, 1 Jan 2021	21	1 537	149	4 408	1 559	304	7 957
Previous year's profit/loss brought forward					304	-304	-
Profit/loss for the year						236	236
Dividends paid					-890		-890
Share-based payments to be settled in equity instruments					6		6
Closing balance, 31 Dec 2021		1 537	149	4 408	979	236	7 309

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

Parent company cash flow statement

SEKm	Note	2021	2020
Operating activities	30		
Profit/loss after financial items		21	-213
Adjustments for items not included in cash flow		113	-31
Tax paid		-119	148
Cash flow from operating activities before changes in working capital		15	-96
Cash flow from changes in working capital			
Increase (-)/decrease (+) in operating receivables		-74	2 663
Increase (+)/decrease (-) in operating liabilities		1 552	-2 234
Cash flow from operating activities		1 493	333
Investing activities			
Acquisition of property, plant and equipment	13	-	-
Acquisition of shares and shareholder contributions to subsidiaries	16	-	-36
Divestment of shares in subsidiary	36	29	-
Acquisition of shares in associates and shareholder contributions		-	-2
Change in financial receivables		-8	-2
Cash flow from investing activities		21	-40
Financing activities			
Repayment of borrowings		-895	-493
Dividend		-890	-889
Settled Group contributions		610	665
Cash flow from financing activities		-1 175	-717
Cash flow for the year		339	-424
Cash and cash equivalents at start of year		2 836	3 260
Cash and cash equivalents at year-end		3 175	2 836

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1 Significant accounting policies

Statement of compliance

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

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

Basis of measurement in preparing the financial reports

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

Functional and presentation currencies

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

Use of estimates and judgments in the financial reports

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

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

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

Assessments and conditions regarding BillerudKorsnäs holding of shares in BSÖ Holding AB and its subsidiary Bergvik Skog Öst AB, from which BillerudKorsnäs have an exclusive right to buy wood (through felling rights) are described in more detail in Note 18 and 19.

Accounting policies applied in the reports

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

Changes in accounting policies

The new and amended standards and interpretations that are applicable from 2021 have not had any material effect on BillerudKorsnäs' accounting. No amended standards or interpretations due to be implemented in the next few years have been applied in advance.

Classifications etc.

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

Operating segments

BillerudKorsnäs' operations are divided into operating segments based on which parts of the operations the Company's ultimate executive decision makers monitor, that is, according to the "management approach". The Group's operations are organised so that the Executive Management Team monitors the profit or loss, EBITDA and the operating margin generated by the Group's various goods and services. The Executive Management Team monitors the operation's profit or loss and determines resource allocations based on the goods and services the Group manufactures and sells, so these constitute the Group's operating segments. BillerudKorsnäs has identified its operating segments in accordance with IFRS 8, and they consist of product area Board, product area Paper and Solutions and Other.

Basis of consolidation

Subsidiaries

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

Subsidiaries are recognised using the purchase method. By this method, the acquisition of a subsidiary is considered a transaction

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

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

Associates and Joint Arrangements

Associates are companies in which the Group has a significant influence, but not control, over operating and financial strategies, usually via a shareholding corresponding to 20–50% of voting rights. From the time when the Group gains its significant influence, participations in the associated company are recognised in accordance with the equity method.

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

Transactions eliminated on consolidation

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

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

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

Translation differences that arise when translating the financial statements of foreign operations are recognised directly in other comprehensive income as a translation reserve. When a foreign operation is sold, the accumulated translation differences attributable to the operation are recognised in the consolidated profit and loss accounts.

Revenue

Revenue from contracts with customers

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

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

BillerudKorsnäs identifies the contract among other things by being able to determine the right of each party, terms of payment, and by it being probable that the BillerudKorsnäs will collect the consideration to which it will be entitled to in exchange for goods and/or services transferred to a customer. The performance obligation consists primarily in the supply of goods, as well as services to a limited extent. The transaction price is the consideration BillerudKorsnäs expects to be entitled to in exchange for transferring promised goods or services to a customer. The transaction price includes both fixed and variable amounts, for example discounts, returns and other similar

items. Allocation of the transaction price is usually not necessary as BillerudKorsnäs does not supply goods and services composed of more than one performance obligation. Fulfilment of a performance obligation does not differ between goods and services.

Fulfilment of performance obligation for goods

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

Fulfilment of performance obligation for services

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

Government support

Government grants are recognised in the balance sheet as deferred income when there is reason to assume that the conditions connected with receiving a grant will be fulfilled and that the grant will be paid out. Grants are distributed systematically in the profit and loss accounts in the same way and over the same periods as the costs that the grants are intended to compensate. Government grants related to assets are recognised in the balance sheet as deferred income and are distributed as other operating income over the useful life of the asset, or by the grant reducing the carrying value of the asset.

Financial income and expenses

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

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

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

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

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

Taxes

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

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

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

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

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

Financial instruments

Financial instruments recognised in the balance sheet include, on the assets side, cash and cash equivalents, accounts receivable, financial

investments and derivatives. The liabilities side has accounts payable, borrowings and derivatives.

Recognition in and derecognition from the balance sheet

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

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

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

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

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

Classification and measurement

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

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

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

Derivative instruments are initially reported at fair value, meaning that transaction costs are charged to profit/loss for the period. Derivatives are subsequently recognised at fair value at each reporting date. Changes in the fair value of derivatives for which hedge accounting is not applied are recognised in profit or loss. For derivatives that are hedge accounted, see sections below.

For derivative used in hedge accounting, to the extent that the hedge is effective changes in value reclassified from the hedge reserve are recognised on the same line in the income statement or the balance sheet as the hedged item. Even if hedge accounting is not used, increases and decreases in the value of the derivative are recognised as income or expense in operating profit/loss or in financial income and expenses based on what the derivative is used for and to what extent the use is related to an operating item or financial item. In hedge accounting, ineffective portion is recognised in the same way as changes in value of derivatives not used for hedge accounting.

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

Financial assets are recognised at amortised cost

Financial assets recognised at amortised cost are financial assets that are not derivatives, and the business model is to collect payments that are or can be determined with respect to amounts of capital and outstanding interest relating to capital amounts. Loan receivables and accounts receivable in particular are recognised in this category. The amortised cost is determined based on the effective rate of interest estimated at the time of acquisition. Receivables shorter than three months are recognised at acquisition cost. Accounts receivables are recognised at the amounts expected to be received, that is, after deductions for doubtful receivables.

Financial assets recognised at fair value through other comprehensive income

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

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

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

Financial liabilities are recognised at amortised cost

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

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

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

Derivatives and hedge accounting

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

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

Receivables and liabilities denominated in foreign currencies

Forward contracts are used to hedge receivables and liabilities against foreign exchange risk. Hedge accounting is not normally used to protect against currency risks, because a financial hedge is reflected in the accounts by recognising the underlying receivable or liability and its hedge instrument at the rate at the end of the reporting period and by recognising changes arising from exchange rate fluctuations in the profit and loss accounts.

Hedging of foreign currency – cash flow hedging

Foreign exchange contracts used to hedge future cash flows and forecast sales, and purchases in foreign currency are recognised at fair value on the balance sheet. Changes in value are recognised in other comprehensive income and accumulate in the hedge reserve in equity until the time when the hedged flow is recognised in the profit and loss, at which time the hedging instrument's accumulated changes in value are transferred to the profit and loss accounts, where they then meet and match the profit/loss effects of the hedged transaction. If the hedged item is the future payment for the acquisition of a non-financial asset, when relevant for BillerudKorsnäs normally property, plant & equipment, the amount accumulated in the hedging reserve is included in the carrying amount of the acquired item on initial recognition. Profit and loss is subsequently impacted by

depreciations and impairment, according to the hedged item's depreciation period.

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

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

Electricity derivatives

BillerudKorsnäs buys electricity from external suppliers. To continually hedge the electricity price, BillerudKorsnäs enters into derivative contracts for electricity. Electricity derivatives that protect the forecast outward flow of electricity expenses are recognised in the balance sheet at fair value. Changes in value are recognised in other comprehensive income and accumulate in the hedge reserve in equity until the time when the hedged flow is recognised in the profit and loss, at which time the hedging instrument's accumulated changes in value are transferred to the profit and loss accounts, where they then meet and match the profit/loss effects of the hedged transaction.

The gains or losses realised on these contracts are recognised continuously in operating profit/loss as a correction of electricity costs.

Property, plant and equipment, biological assets and leased assets Owned assets

The Group recognises property, plant and equipment at cost less deductions for accumulated depreciation and any impairment losses. Acquisition cost includes the purchase price and costs directly attributable to the asset in order to bring it into place in the right condition to be used as intended. Examples of directly attributable costs are costs for delivery and handling, installation, title registration, consulting services and legal services. Borrowing costs directly attributable to the purchase, construction or production of assets that take considerable time to complete for intended use or sale are capitalised.

The acquisition cost of internally produced non-current assets includes costs for materials, employee benefits, other production overheads directly attributable to the assets and estimated outlays for dismantling and removing the assets and restoring the site or area where they are located. Property, plant and equipment that consist of parts with different useful lives are treated as separate components of property, plant and equipment.

The carrying amount of property, plant and equipment is removed from the balance sheet upon scrapping or disposal or when no future economic benefit is expected from its use, scrapping or disposal. Any gain or loss arising from the scrapping or disposal of an asset is

the difference between the sale proceeds and the asset's carrying amount less deductions for direct selling costs. Gains and losses are recognised as other operating income or expense.

The accounting policies for impairment are explained below.

Forest assets

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

BillerudKorsnäs recognise forest land at fair value (the revaluation method). It implies that both biological assets and forest land are recognised at fair value, and are recognised as forest assets on a separate line in the balance sheet.

The Group's forest assets are recognised at fair value mainly based on the transaction prices for forest properties in those areas where the Group has forests. Fair value measurement is based on measurement level 3. The total value of the forest assets is allocated across growing trees, which are recognised as biological assets, and forest land. Biological assets are recognised according to IAS41. The value allocated to the biological assets is established by calculating the present value of expected cash flows, less selling costs but before tax, from harvesting those trees currently growing. The value of the forest land is calculated as the difference between the total value of the forest assets and the biological assets. Changes in the fair value of biological assets are recognised in profit/loss. Changes in the fair value of forest land are recognised in other comprehensive income and accumulated in a separate component of equity, the revaluation surplus. If the fair value of forest land, however were to be less than cost, the difference would be recognised in profit/loss as an impairment loss.

Leased assets

Lease contracts are recognised as assets and liabilities in the balance sheet, with recognition of depreciation and interest expense in profit and loss.

BillerudKorsnäs has chosen to apply the relief rules relating to leases shorter than 12 months and low-value leases. Under the relief rules, leases not covered by these rules are not included in the recognised lease liability or right-of-use asset. BillerudKorsnäs' leases principally consist of trucks, company cars and office rents, the vehicle category accounting for major part of the right-of-use asset.

The liability reflects the present value of the lease payments, usually is discounted by incremental borrowing rate of BillerudKorsnäs. In most cases the right-of-use asset and the leasing liability are the same at the first recognition date.

The asset is depreciated over its useful life, which in most cases corresponds to the lease term. The leasing term comprises of the non-cancellable periods including periods that may be covered by an option to extend a lease if it is reasonably certain that it will be utilised,

and periods covered by an option to terminate the lease if it is reasonably certain that it will not be utilised. The occurrence of using options to extend leasing contracts and the possibility not to terminate leasing contracts in advance is limited.

Subsequent costs

Subsequent costs are added to the acquisition cost of an asset only if it is probable that the future economic benefits associated with the asset will accrue to the company and the acquisition cost can be measured reliably. All other subsequent costs are recognised as expenses in the period when they occur.

A subsequent cost is added to the acquisition cost if the expenditure relates to the replacement of identified components or parts thereof. Even if new components are created, the expenditure is added to the cost of the asset. Any remaining carrying amount for replaced components, or parts of them, is scrapped and recognised as an expense in connection with the replacement. Repairs are recognised as an expense as incurred.

Borrowing costs

Borrowing costs directly attributable to the construction of so called qualified assets are capitalised as a part of the qualified assets' acquisition cost. A qualified asset is an asset that normally take a substantial amount of time to finalize. First are borrowing costs capitalised that are attributed to the specific qualified asset. Second are borrowing costs capitalised that are related to the general loan situation, which are not attributed to another specific qualified asset.

Depreciation policies

Assets are depreciated on a straight-line basis over the estimated useful life of the asset, though land is not depreciated. The Group applies component depreciation, which means that each component's estimated useful life forms the basis for depreciation.

The following depreciation periods are applied:

Industrial buildings	20–33 years
Residential and office buildings	30–50 years
Land improvements	20–25 years
Machinery used for pulp and paper	20–25 years
Other machinery	10 years
Vehicles, equipment and components	3–5 years

The residual value and useful life of each asset is assessed annually.

Non-current intangible assets

Goodwill

Goodwill is measured at acquisition cost less any accumulated impairment. Goodwill is distributed among cash-generating units and tested for impairment at least once a year (see the accounting policies for Impairment of property, plant and equipment and intangible assets as well as participations in associated companies). Goodwill arising upon the acquisition of associated companies is included in the carrying amount of the participations.

Research and development

BillerudKorsnäs' product and process development focuses primarily on meeting customer requirements on product characteristics and adaptations. Activities are divided into a research phase and a development phase. Examples of expenditure included in the research phase are costs related to acquiring new knowledge and costs for the evaluation of and search for alternative grades and processes. Costs for the research phase are recognised as an expense continually in the profit and loss accounts in accordance with IAS 38.

Costs for development, where research results or other knowledge is applied to achieve new or improved products or processes, are recognised as an asset on the balance sheet, if the product or process is technically and commercially feasible and the company has sufficient resources to complete the development and then use or sell the intangible asset. The carrying amount includes costs for materials, direct costs for salaries and indirect costs that can be attributed to the asset. Other development costs are recognised as expense in the income statement as they arise.

Other non-current intangible assets

Other intangible assets include customer contracts and brands relating to corporate acquisitions and software. Costs for the development and maintenance of software are recognised as an expense as they arise. Costs that are directly linked with the development of identifiable and unique software products controlled by the Group and likely to have economic benefits for more than one year that exceed the costs, are recognised as intangible assets.

Electricity certificates

Electricity certificates are allocated against in-company production of renewable electricity. Electricity certificates are valued at the estimated market value and recognised as a current intangible asset included in other receivables in the balance sheet. Production entitled to electricity certificates but which had not yet been awarded certificates at the end of the reporting period is recognised as accrued income and initially measured at the estimated market price. Corresponding income is recognised in operating profit/loss as a correction of electricity costs.

Emission rights

BillerudKorsnäs' mills have been allocated carbon dioxide emission rights within the EU. When emission rights are received, they are recognised at market value as a current intangible asset under other receivables in the balance sheet and treated as a liability and recognised as a grant received.

The allocation was gradually taken up as production cost reduction over the year, while emissions generated were carried as a cost.

Subsequent costs

Subsequent costs are added to the acquisition cost of an asset only if it is probable that the future economic benefits associated with the asset will accrue to the company and the acquisition cost can be measured reliably. All other subsequent costs are recognised as expenses in the period when they occur.

Depreciation policies

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of an intangible asset, unless this period is indeterminable. Useful life is tested at least once a year. Goodwill and other intangible assets with an indeterminable useful life or intangible assets not yet ready for use are tested for impairment annually and are also tested as soon as there is an indication that the value of the asset has decreased. An intangible asset with a determinable useful life is depreciated from the time it is available for use.

The expected useful life is:

Customer contracts	8 years
Brands	8 years
Capitalised development expenditure and software	3–7 years

The residual value and useful life of each asset is assessed annually.

Inventories

Inventories are stated at the lower of acquisition cost and net realisable value. The FIFO (first in, first out) method is used to calculate the cost of inventories. This includes costs arising upon the acquisition of the assets and transport to the current site in their current condition. If it is not possible in practice to apply FIFO, a weighted average calculation can be used as it provides a good approximation of the FIFO method. For manufactured goods and work in progress, the cost includes a reasonable portion of indirect costs based on normal capacity.

The net realisable value is the expected selling price in the ordinary course of business less expected costs for completion and selling.

Impairment losses

The carrying amounts of Group assets are tested at the end of each reporting period to determine whether there is any indication of impairment. IAS 36 is applied to test if an impairment loss shall be recognised for assets other than financial assets, which are recognised in accordance with IFRS 9, assets for sale, inventories and deferred tax assets. For the excluded assets above, the carrying amount is assessed in accordance with the relevant standard.

Impairment of property, plant and equipment and intangible assets as well as participations in associated companies

If there is an indication that an asset is impaired, the recoverable amount of the asset is calculated (see below). For goodwill and other intangible assets with indefinite useful lives and intangible assets not yet ready for use, the recoverable amount is assessed annually or as soon as the need is indicated. If it is not possible to establish significantly independent cash flows for an individual asset, and if its fair value less selling costs cannot be used, the assets are grouped to test impairment at the lowest level at which it is possible to identify significantly independent cash flows (a cash-generating entity).

An impairment loss is recognised when the carrying amount of an asset, cash-generating entity or group of entities exceeds the recoverable amount. Impairment is recognised as an expense in the profit

and loss accounts. When a need for impairment has been identified for cash-generating entity or group of entities, the need for impairment is firstly allocated to goodwill. Proportional impairment of other assets included in the entity or group of entities is then carried out.

The recoverable amount is the higher of the fair value less selling costs and value in use. When calculating the value in use, future cash flows are discounted using a discount factor taking into account risk-free interest and the risk associated with the specific asset.

Impairment of financial assets

The Group recognises loss reserves for expected credit losses in all material respects on accounts receivable. The Group does not have any holdings in debt instruments recognised at fair value through other comprehensive income, and for assets other than accounts receivable which are valued at amortised cost possible expected credit losses are deemed to be negligible. The loss reserve for accounts receivable is always measured at an amount corresponding to expected credit losses throughout the life of the receivable.

Doubtful receivables are based on expected credit losses and consist of a general reserve and an individual assessment. A percentage is calculated for the general reserve based on historical credit losses and forward-looking assumptions. The individual assessment takes account of the customer's current situation and other relevant circumstances, for example credit insurance status, historical situation, geographical/political situation.

Impairment is recognised as an expense in profit/loss.

Reversal of impairment losses

Impairment of assets covered by IAS 36 is reversed if there is an indication that impairment no longer exists and there has also been a change in the assumptions on which the estimate of recoverable value was based. However, impairment recognised on goodwill is never reversed. A reversal is only performed to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been recognised, minus appropriate depreciation, if no impairment loss had been recognised.

Capital payments to shareholders

Buy-back of own shares

Acquisition of the Company's own shares is recognised as a deduction from equity. Consideration received from the sale of such equity instruments is recognised as an increase in equity. Any transaction costs are recognised directly in equity.

Dividends

Dividends are recognised as a liability after the AGM has approved the dividend.

Earnings per share

Calculation of earnings per share is based on the consolidated profit/loss attributable to parent company shareholders and on the weighted average number of shares outstanding during the year.

When calculating diluted earnings per share, profit/loss and the average number of shares are adjusted to take account of the effects of diluted potential ordinary shares, which during the reporting period are linked to share-based payments to be settled in equity instruments.

Employee benefits

Defined-contribution plans

Pension plans in which the company's commitments are restricted to the fees the company has undertaken to pay are classified as defined-contribution pension plans. In those cases, the size of an employee's pension depends on the fees the company pays into the pension plan or to an insurance company and the capital return on those fees. Consequently it is the employee who bears the actuarial risk (that the benefit is less than expected) and the investment risk (that the invested assets will be insufficient to support the expected benefit). The company's commitments concerning fees paid to defined-contribution pension plans are recognised as a cost in the profit and loss accounts at the rate at which they are earned through the employee performing services for the company during a period.

Defined-benefit plans

The Group's net commitments for defined-benefit plans are calculated separately for each plan by estimating the future benefit that each employee has earned through employment both in the current period and previous periods; this benefit is discounted to its present value. The discount rate is the interest rate at the end of the reporting period for a first class corporate bond, including mortgage bonds, with a duration corresponding to the duration of the Group's pension commitments. When there is no active market for such corporate bonds, the market rate for government bonds of corresponding duration is used instead. In addition to these there is a supplement which is the difference between interest on mortgage bonds and nominal government bond with a similar duration. The calculation is made by a qualified actuary using the projected unit credit method. In addition, the fair value of any plan assets is calculated at the report date.

In the determination of the present value of the commitment, actuarial gains or losses may arise. They arise either because the fair value deviates from earlier assumptions or because the assumptions change. Actuarial gains and losses are recognised in other comprehensive income.

In the balance sheet the carrying amount of pensions and similar commitments represents the present value of commitments at the end of the period. Interest on pension liabilities is recognised in financial items. No new earnings occur in the plans. Correction of previous years' earnings as well as gains and losses due to changes in pension plans are recognised in operating income.

The commitments for retirement and family pensions for salaried employees in Sweden are secured through an insurance policy with Alecta. This is a multi-employer defined-benefit plan. BillerudKorsnäs has not had access to such information as to make it possible to

recognise this plan as a defined-benefit plan. ITP pension plans secured via insurance with Alecta are therefore disclosed as defined-contribution plans.

Termination benefits

A provision is recognised in connection with termination of staff only if the company is clearly committed, without a realistic possibility of reversal, to a formal and detailed plan to terminate employment before the normal time.

When a termination benefit is offered to encourage voluntary redundancy, a cost is recognised if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

Short-term benefits

Short-term benefits to employees are calculated without discounting and are recognised as a cost when the related services are received.

Share-based payments

Share incentive programmes are recognised as share-based payments settled with equity instruments in accordance with IFRS 2. This means that their fair value is calculated based on forecast achievement of targets set for the measurement period. The value is distributed over the vesting period. Revaluation once the fair value has been set is only done for performance terms.

Social fees attributable to share-based payments are recognised as per the Swedish Financial Reporting Board's statement UFR 7, which states that the cost shall be distributed among the periods when services are performed. The resulting provision is revalued at the end of each period to correspond to the estimated fees that will be paid at the end of the vesting period.

Provisions

Provisions are different from other liabilities, because the time of payment or the size of the payment are uncertain. A provision is posted on the balance sheet when the Group has an existing legal or informal commitment as the result of a past event and it is probable that an outlay of resources will be required to settle the commitment and so that a reliable estimate of the amount can be made.

A provision is made based on the best estimate of what will be required to settle the existing commitment at the end of the reporting period. In cases where the effect of when in time the payment is made is material, the amount of the provision is calculated by discounting forecast cash flows using a pre-tax interest rate that reflects current market assessments of the time value of money and, if applicable, the risks specific to the liability.

Warranties

If a provision is made for warranties, they are recognised when the underlying products or services are sold. The provision is based on historic data on warranties and a weighing of possible outcomes in relation to the probability of these outcomes occurring.

Restructuring

A provision for restructuring is recognised when the Group has established a detailed and formal restructuring plan, and the restructuring has either started or been publicly announced. No provisions are made for future operating expenses.

Restoration of contaminated land

In accordance with the Group's publicised environmental principles and appropriate legal requirements, a provision is recognised for restoration of land when it becomes contaminated.

Contingent liabilities

A contingent liability is recognised whenever there is a possible obligation arising from past events and whose existence is confirmed only by one or more uncertain future events, or there is an obligation not reported as a liability or provision because it is not probable that resources will have to be used to settle the obligation or the obligation cannot be calculated sufficiently reliably.

Parent Company's accounting policies

The parent company prepares its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's standard RFR 2 Reporting by legal entities. Statements on listed companies published by the Swedish Financial Reporting Board are also followed. Under RFR 2, the parent company in its annual report for the legal entity shall apply all IFRS and interpretations endorsed by the EU as far as possible within the limitations of the Annual Accounts Act, the Swedish law safeguarding pension commitments and with consideration for the connection between accounting and taxation.

Differences between the Group's accounting policies and those of the parent company

The differences between the Group's accounting policies and those of the parent company are set out below. The accounting policies of the parent company described below have been applied consistently in all periods presented in the parent company's financial statements.

Classification and presentation

The parent company's profit and loss accounts and balance sheet are presented based on the schedule in the Swedish Annual Accounts Act. The differences from IAS 1 Presentation of Financial Statements, which is applied when structuring the consolidated accounts, mainly concern reporting of financial income and expenses, non-current assets and equity.

Leasing

IFRS 16 leases is not applied by the Parent Company according to the exception permitted under RFR 2. Leases in which the Parent Company is the lessee are recognised as a cost over the life of the lease on a straight-line basis. No right-of-use assets or lease liabilities have been recognised.

Subsidiaries and associated companies

Participations in subsidiaries and associated companies are recognised in the parent company in accordance with the cost method.

All dividends from subsidiaries and associated companies are recognised in the profit and loss accounts for the parent company. Under special circumstances, such dividends can serve as an indication that the shares have declined in value and thus a test for impairment should be performed.

Financial instruments and hedge accounting

Because of the connection between accounting and taxation, the rules in IFRS 9 concerning financial instruments and hedge accounting are not applied by the parent company as a legal entity.

The parent company measures non-current financial assets at acquisition cost less any impairment losses and current financial assets at the lesser of cost or market. The cost of interest-bearing instruments is adjusted for the accrued difference between the amount originally paid, after deducting transaction costs, and the amount paid on the due date (at a discount or premium).

In currency hedging of receivables and liabilities the contract is measured at the rate applicable on the day when the derivative contract is entered into, which is usually zero. The gains or losses realised on the currency hedging contracts are recognised continuously in operating profit/loss as a correction of net sales, when they meet and match the profit/loss effect of the hedged transaction.

In order to continuously hedge electricity prices, BillerudKorsnäs may enter into electricity derivative contracts for electricity. The electricity derivative contracts are measured at the rate applicable on the day when the pulp derivative contract is entered into, which is usually zero. The gains or losses realised on these electricity derivative contracts, are invoiced to the Group companies for which the electricity purchases are hedged, regardless if the outcome is positive or negative. This means that the profit and loss effect in the parent company is zero.

Derivatives not used for hedging are measured in the parent company according to the lower of cost or market. Recognition of derivatives used for hedging is governed by the hedged item. This means that the derivative is treated as an off-balance-sheet item as long as the hedged item is not on the balance sheet or recognised on the balance sheet at cost.

Anticipated dividends

Anticipated dividends from subsidiaries are recognised if the parent company has the sole right to determine the size of the dividend and has determined the size of the dividend before publishing its financial statements.

Employee benefits – Defined-benefit plans

The parent company uses different assumptions than those set out in IAS 19 when calculating defined-benefit pension plans. The parent

company follows the Swedish law on safeguarding pension commitments and the Swedish Financial Supervisory Authority's rules, because they are a condition for tax deductions. The most material differences compared to the IAS 19 rules are how the discount rate is determined, that the calculation of the defined benefit commitment is based on current salary levels with no consideration of future increases and that all actuarial gains and losses are recognised in the profit and loss accounts as they occur.

Taxes

In the parent company, untaxed reserves are recognised on the balance sheet without dividing them into equity and deferred tax liabilities, unlike in the consolidated accounts. Correspondingly, the parent company does not recognise in its profit and loss accounts deferred tax expense as a part of appropriations.

Shareholder contributions

Shareholder contributions are recognised directly in the equity of the recipient and are capitalised in shares and participations for the contributor, as far as no impairment is determined.

Group contribution

BillerudKorsnäs has elected to apply the alternative rule in accordance with RFR 2, which means that all group contributions are recognised in appropriations.

2 Operating profit/loss by segment and net sales by market

The Group's business is organized on the basis of the functional areas Wood Supply, Operations and Commercial and is governed by two product areas Board and Paper.

Solutions and Other includes Wood Supply, Scandfibre Logistics AB, Managed Packaging, rental operations, dormant companies, income

from the sale of businesses, items affecting comparability and costs due to increased investments in the production structure. Other also includes Group-wide functions, Group eliminations (including IFRS 16) and profit/loss from participation in associated companies. Currency hedging etc. includes results from hedging of the Group's

net currency flows and revaluation of accounts receivables and payments from customers. The part of the currency exposure that relates to changes in exchange rates for invoicing is included in the product area's profit/loss.

Profit/loss by operating segment

SEKm	Product area Board		Product area Paper		Solution & Other (excl currency hedging etc)		Currency hedging etc		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Group										
Net sales	14 852	13 600	8 127	7 576	2 950	2 750	277	-42	26 206	23 884
<i>Product area</i>										
Liquid packaging board	7 850	7 745							7 850	7 745
Cartonboard	2 228	1 659							2 228	1 659
Containerboard	4 366	3 886							4 366	3 886
Sack paper			2 726	2 442					2 726	2 442
Kraft paper			3 511	3 435					3 511	3 435
Pulp			1 855	1 669					1 855	1 669
Managed Packaging					744	635			744	635
Other	408	310	35	30	2 206	2 115	277	-42	2 926	2 413
<i>Region</i>										
Sweden	1 105	1 278	635	574	1 938	1 914	277	-42	3 955	3 724
Germany	2 321	2 081	801	796					3 122	2 877
China	1 873	1 811	289	289	427	400			2 589	2 500
Italy	1 326	1 249	372	346		3			1 698	1 598
Spain	889	717	634	547					1 523	1 264
United Kingdom	660	635	698	578					1 358	1 213
France	759	775	301	272					1 060	1 047
Turkey	404	357	359	326					763	683
USA	401	70	290	229	21	16			712	315
The Netherlands	580	546	119	119					699	665
Rest of Europe	1 931	1 987	1 453	1 444	274	213			3 658	3 644
Rest of the world	2 603	2 094	2 176	2 056	290	204			5 069	4 354
Other income and operating expenses	-12 104	-11 745	-6 739	-6 541	-3 462	-2 886			-22 305	-21 172
Depreciation, amortisation and impairment losses	-1 297	-1 339	-482	-477	-133	-122			-1 912	-1 938
Operating profit/loss	1 451	516	906	558	-645	-258	277	-42	1 989	774

SEKm	Product area Board		Product area Paper		Solution & Other (excl currency hedging etc)		Currency hedging etc		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
EBITDA, %	19	14	17	14					15	11
Operating margin, %	10	4	11	7					8	3
Financial items									-113	-95
Tax									-391	-3
Profit/loss from discontinued operations,									-	-16
Profit/loss for the period									1 485	660
Capital employed										
Operating assets	24 516	23 745	7 280	7 277	2 609	2 287			34 405	33 309
Operating liabilities	-3 797	-2 833	-1 502	-1 256	-1 136	-944			-6 435	-5 033
Deferred tax liabilities	-2 880	-2 245	-713	-708	-369	-656			-3 962	-3 609
Capital employed	17 839	18 667	5 065	5 313	1 104	687			24 008	24 667

Of net sales of SEK 26 206 million (23 884), SEK 716 million (753) was sales of services.

The Group has one customer in the Product area Board segment which accounts for more than 10% of the Group's sales.

Parent company

Net sales					332	398	277	-8	609	390
Operating profit/loss					-113	-121	277	-8	164	-129
Financial items									-143	-84
Appropriations									289	606
Tax									-74	-89
Profit/loss for the period									236	304

Of net sales of SEK 609 million (390), SEK 331 million (398) was sales of services.

Non-current assets by country

SEKm	Group	
	2021	2020
Sweden	23 846	24 076
Finland	490	519
Latvia	31	29
United Kingdom	-	59
Other	4	5
	24 371	24 688

Non-current assets include intangible assets and property, plant and equipment and forest assets.

3 Other operating income

SEKm	2021	2020
Group		
Services Sold	57	29
Capitalised work from own account	32	29
Insurance compensation	35	21
Other	87	120
Group total	211	199
Parent company		
Other	25	12
Parent company total	25	12

4 Fees and expenses to auditors

SEKm	Group		Parent company	
	2021	2020	2021	2020
KPMG				
Auditing assignments	5	4	1	1
Auditing activities besides audit assignments	–	–	–	–
Tax consultancy	–	–	–	–
Other services	–	–	–	–
Total	5	4	1	1
Other auditors				
Auditing assignments	1	2	–	–
Tax consultancy	1	–	–	–
Other services	–	–	–	–
Total	2	2	–	–

Audit assignments refer to the audit of the annual report and accounting records as well as the Board of Directors' and CEO's administration of the Company, other tasks incumbent on the Company's auditor and advice or other assistance resulting from observations made during audits or the performance of such tasks. Auditing activities besides audit assignments relate to reviews of attestations, interim reports, etc. that resulted in reports from the auditor. Tax consultancy relates to assignments performed in regard to taxes and other charges. Other services relate to all other assignments not included in the above.

The general meeting of shareholders held on 5 May 2021 resolved that KPMG AB would be appointed as auditor for the period extending up until the end of the 2022 AGM.

5 Employees and employee benefits expense

Average number of employees

	2021		2020	
	Of which men, %		Of which men, %	
Parent company				
Sweden	126	52	126	50
Other countries	9	33	9	33
Parent company total	135	49	135	49
Subsidiaries				
Sweden	3 662	78	3 714	79
Finland	126	81	126	81
United Kingdom	119	89	148	86
China	95	31	114	33
Latvia	66	74	67	76
USA	51	49	47	51
Germany	27	56	28	57
Vietnam	23	39	23	30
France	14	43	13	38
Spain	13	38	12	42
Italy	11	27	11	27
Other countries	28	75	30	80
Subsidiaries total	4 235	76	4 333	77
Group total	4 370	76	4 468	76

SEKm	Group		Parent company	
	2021	2020	2021	2020
Employee benefit costs				
Wages, salaries and other remuneration				
Board, CEO and Executive Management Team ¹	55	45	52	45
of which variable remuneration	16	2	15	2
Other employees	2 698	2 481	129	108
of which variable remuneration	172	12	7	2
Total salaries and other remuneration	2 753	2 526	181	153
Social security costs				
Contractual pensions for the CEO and Executive Management Team				
Defined-benefit pensions	–	–	–	–
Defined-contribution pensions	10	10	10	10
Contractual pensions, other				
Defined-benefit pensions	–	–	–	–
Defined-contribution pensions	256	259	28	27
Other social security costs	854	791	56	60
Total social security costs	1 120	1 060	94	97
Total employee benefits expense	3 873	3 586	275	250

¹ CEO and Executive Management Team refers to those of both the parent company and the Group, the Group CEO and the Executive Management Team. Board refers to the Board of BillerudKorsnäs AB.

Number of women in management positions, %

%	2021	2020
Group and parent company management		
Board	38	38
CEO and Executive Management Team	30	25

For information about the benefits of senior managers in accordance with the Annual Accounts Act, see note 29.

6 Items affecting comparability

SEKm	Group	
	2021	2020
Capital loss from the sale of Beetham (Operating expenses)	-123	
Acquisition costs, Verso (Operating expenses)	-135	
Restructuring (Operating expenses)		-36
Revaluation of biological assets (Change in value of biological assets)		132
UPM – compensation (Raw materials and consumables)		-160
Revaluation of biological assets in associated companies (Profit from participations in associated companies)	81	73
Items affecting comparability	-177	9

Items affecting comparability presented to enable an adjustment of the result that better reflects the underlying business.

Items affecting comparability can include additional project costs for major projects, major restructuring/write-downs, litigations, specific impact due to strategic decisions, and significant earnings effects from acquisition and disposals.

7 Net financial items

SEKm	Group		Parent company	
	2021	2020	2021	2020
Finance income				
Dividends from Group companies			36	26
Net change in exchange rates		27		27
Interest income, Group companies			60	40
Interest income, other	3	5	1	3
Finance income	3	32	97	96
Finance costs				
Interest expense for financial liabilities measured at amortised cost	-85	-103	-86	-99
Impairment losses, subsidiaries				-8
Impairment losses, associates/Other holdings				-5
Capital gain/loss, subsidiaries			-73	
Interest expense for pension provision	-6	-10	-6	-6
Net interest income on derivatives in hedge accounting			2	-17
Interest expenses, Group companies			-55	-34
Net change in exchange rates	-10		-14	
Interest expense, lease liability	-4	-4		
Other financial expenses	-11	-10	-8	-11
Finance costs	-116	-127	-240	-180
Net financial items	-113	-95	-143	-84

8 Appropriations

SEKm	Parent company	
	2021	2020
Group contributions, received	114	610
Tax Allocation reserve, resolved	175	-
Tax allocation reserve, provided/adjusted	-	-4
Parent company total	289	606

9 Tax

SEKm	Group		Parent company	
	2021	2020	2021	2020
Profit/loss before tax				
Sweden, Group companies	1 792	596	310	393
Rest of world, Group companies	83	83	-	-
Total profit/loss before tax	1 875	679	310	393
Tax expense				
Current tax				
Tax expense for the period	-132	-114	-96	-64
Tax attributable to previous period	-3	-8	1	-3
Total current tax	-135	-122	-95	-67
Deferred tax				
Deferred tax income/expense related to temporary differences	-256	119	21	-22
Total tax expense	-391	-3	-74	-89

SEKm	Group		Parent company	
	2021	2020	2021	2020
Reconciliation, effective tax rate				
Tax according to Swedish income tax rate	-386	-142	-64	-84
Effect of other tax rates for foreign subsidiaries	-5	-1		
Revaluation of deferred taxes relating to reduced tax rate in Sweden		88		
Capital losses	-25		-15	
Capital gains	5			
Tax-exempt dividends		5	8	6
Tax attributable to previous periods	-3	-8	1	-3
Impairment of shares	-5	-6		-3
Non-deductible expenses	-40	-8	-4	-2
Tax exempt income		2		
Result from participations in associated companies	18	19		
Taxable non-booked income	4	-3		-3
Recognised/Utilised tax loss not recognised in previous years	21	47		
Current year tax losses on which deferred tax asset is not recognised	-5			
Allocation of shares in incentive programmes		-1		
Tax reduction (3.9%) on acquisition of machinery and equipment	31			
Other	-1	5		
Tax according to income statement	-391	-3	-74	-89
	20.9%	0.4%	23.9%	22.6%

The capital losses in 2021 mainly relate to the divestment of the Beetham mill.

A major part of the non-deductible expenses relate to Verso acquisition cost.

An additional recognition of a deferred tax asset of SEK 21 million (47 million) relates to tax loss carry-forwards in Finland.

The tax rate in Sweden was 21.4% until financial year 2021, when it was lowered to 20.6%. This had a positive effect of SEK 88 million in relation to revaluation of deferred taxes in 2020.

Change in deferred tax in temporary differences and loss carry-forwards

SEKm	Opening balance, 1 January		Recognised in profit and loss		Recognised directly in equity/balance sheet		Closing balance, 31 December	
	2021	2020	2021	2020	2021	2020	2021	2020
GROUP								
Deferred tax liability								
Non-current assets	3 391	3 410	345	-72	-7	53	3 729	3 391
Tax allocation reserve	334	333	-41	1			293	334
Hedging reserve	40	19	-15	13	53	8	78	40
Other	8	6	3	2			11	8
Total deferred tax liability	3 773	3 768	292	-56	46	61	4 111	3 773
Deferred tax asset								
Foreign tax credit	3		1	3			4	3
Inventories	46	6	23	40			69	46
Accounts receivable	3	4		-1			3	3
Provisions	86	101	-4	-14	4	-1	86	86
Loss carry-forwards	124	83	19	41			143	124
Negative net interest	4	10	-4	-6			-	4
IFRS 16 – Leasing	1	1					1	1
Other			1				1	-
Total deferred tax asset	267	205	36	63	4	-1	307	267
Total net deferred tax liability	3 506	3 563	256	-119	42	62	3 804	3 506
Portion recognised as deferred tax asset	103	50					158	103
Portion recognised as deferred tax liability	3 609	3 613					3 962	3 609
PARENT COMPANY								
Deferred tax liability								
Other non-current assets	-2			-2			-2	-2
Total	-2	-	-	-2	-	-	-2	-2
Deferred tax asset								
Accounts receivable incl. FX effects	-13	2	16	-15			3	-13
Negative net interest		10		-10			-	-
Provisions	9	8	5	1			14	9
Total	-4	20	21	-24	-	-	17	-4
Total net deferred tax liability (+)/receivable (-)	2	-20	-21	22	-	-	-19	2

Temporary differences and/or loss carry-forwards for the Group that are not recognised as deferred tax assets total SEK 8 million (200). The assessment was made based on uncertainty about whether this tax asset can be recovered.

10 Discontinued operations

The amount of SEK –16 million is a purchase price adjustment made in 2020, related to the sale of BSÖ Holding AB (parent company of Bergvik Skog Öst AB) to the pension company AMF in 2019.

11 Earnings per share

	2021	2020
Basic earnings per share		
Profit/loss for the period, SEKm	1 485	660
Weighted number of outstanding ordinary shares	206 858 356	206 815 793
Basic earnings per share, SEK	7.18	3.19
Diluted earnings per share		
Profit/loss for the period, SEKm	1 485	660
Weighted number of outstanding ordinary shares	206 858 356	206 815 793
Adjustment for assumed dilution through incentive programme	294 908	301 083
Number of shares included in calculation of earnings per share	207 153 264	207 116 876
Diluted earnings per share, SEK	7.17	3.19

12 Intangible assets

SEKm	Acquired intangible assets										
	Goodwill		Customer contracts		Brand		Other intangible assets		Total		
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	
GROUP											
Acquisition value											
Carrying amount at start of year	1 982	2 042	567	567	115	115	118	120	2 782	2 844	
Divestments and disposals								-1	-	-1	
Reclassification		-60							-	-60	
Translation differences	1							-1	1	-1	
Carrying amount at year-end	1 983	1 982	567	567	115	115	118	118	2 783	2 782	
Accumulated depreciation/amortisation											
Carrying amount at start of year			-567	-502	-103	-95	-109	-108	-779	-705	
Depreciation/amortisation				-65		-8	-3	-3	-3	-76	
Divestments and disposals								1	-	1	
Translation differences							-1	1	-1	1	
Carrying amount at year-end	-	-	-567	-567	-103	-103	-113	-109	-783	-779	
Accumulated impairment losses											
Carrying amount at start of year	-31	-31			-12	-12			-43	-43	
Carrying amount at year-end	-31	-31	-	-	-12	-12	-	-	-43	-43	
Carrying amounts according to balance sheet	1 952	1 951	-	-	-	-	5	9	1 957	1 960	

The Group's goodwill of SEK 1 951 million arose in connection with the Korsnäs acquisition in 2012 and has been allocated to the product area Board, which is a cash-generating unit in line with the Billerud-Korsnäs organizational structure. In 2020 goodwill of MSEK 60 million that was related to the Marma Skog group, was reclassified to forest land, since the excess value is related to forest land.

With regard to impairment testing of the goodwill related to the acquisition of Korsnäs, the recoverable amount has been calculated as value in use. The calculations use cash flow based on the business plan for 2022. For the period 2023–2031, an assumed volume growth of 2%, inflation of 2% and cost increased of 75% of the inflation has been used. A long forecast plan (10 years) have been used due to the fact that this is a long term business. The assumptions in the multi-year plan are based on historical experience and forecasts regarding market performance and other factors. The main assumptions relate

to volume growth, EBITDA margin, operating capital and investment needs. Forecasts are made on management's assessments which are based on both internal and external sources.

An annual growth rate of 2% (2) was used to extrapolate cash flows beyond 2031. The discount rate before tax that was used is 10% (11). An impairment test was performed and no need for impairment was identified.

The Company's management believes that no reasonable changes in any of the major assumptions would result in any impairment, including possible effects due to COVID-19.

The impairment test has not been effected by the introduction of IFRS 16, since the adjustment only have an impact on group level.

13 Property, plant and equipment¹

SEKm	Buildings and land ¹		Plant and equipment ²		Construction in progress ³		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
GROUP								
Acquisition value								
Carrying amount at start of year	8 690	8 650	42 565	41 498	951	915	52 206	51 063
Investments	1	2	11	20	1 513	1 228	1 525	1 250
Reclassification	-77	41	1 207	1 143	-1 125	-1 191	5	-7
Divestments and disposals	-35		-42	-9			-77	-9
Disposals via divestment of business ⁴	-26		-509				-535	-
Translation differences	2	-3	49	-87	1	-1	52	-91
Carrying amount at year-end	8 555	8 690	43 281	42 565	1 340	951	53 176	52 206
Accumulated depreciation/amortisation								
Carrying amount at start of year	-3 402	-3 089	-24 433	-23 060			-27 835	-26 149
Depreciation/amortisation	-312	-314	-1 483	-1 443			-1 795	-1 757
Divestments and disposals	40		32	8			72	8
Disposals via divestment of business ⁴	13		462				475	-
Translation differences	-	1	-36	62			-36	63
Carrying amount at year-end	-3 661	-3 402	-25 458	-24 433	-	-	-29 119	-27 835
Accumulated impairment losses								
Carrying amount at start of year	-111	-111	-1 925	-1 925			-2 036	-2 036
Impairment losses								
Carrying amount at year-end	-111	-111	-1 925	-1 925	-	-	-2 036	-2 036
Carrying amounts according to balance sheet	4 783	5 177	15 898	16 207	1 340	951	22 021	22 335

SEKm	Buildings and land ¹		Plant and equipment ²		Construction in progress ³		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
PARENT COMPANY								
Acquisition value								
Carrying amount at start of year	2	2	9	11	–	–	11	13
Investments							–	–
Divestments and disposals				–2			–	–2
Reclassification							–	–
Carrying amount at year-end	2	2	9	9	–	–	11	11
Accumulated depreciation/amortisation								
Carrying amount at start of year			–8	–8			–8	–8
Depreciation/amortisation			–1	–1			–1	–1
Divestments and disposals				1			–	1
Carrying amount at year-end	–	–	–9	–8	–	–	–9	–8
Carrying amounts according to balance sheet	2	2	–	1	–	–	2	3

1 Of which land is SEK 52 million (58) in the Group and SEK 1 (1) million in the parent company.

2 Light machinery and equipment represent only a minor proportion of the value of plant and equipment and thus are not disclosed separately.

3 Capitalised loan expenditure included in cost of acquisition totalled SEK 2 million in 2021, and the interest rate used in determining loan expenditure was 1.15% in 2021. No capitalised loan expenditure was recognised during 2020.

4 Relates to the divestment of Beetham.

14 Forest assets

SEKm	Forest land		Biological assets		Total	
	2021	2020	2021	2020	2021	2020
GROUP						
Acquisition value						
Carrying amount at start of year	246	16	147	15	393	31
Revaluation		148		132	–	280
Reclassification		82			–	82
Change due to harvesting			–1	–1	–1	–1
Other changes			1	1	1	1
Carrying amount at year-end	246	246	147	147	393	393
PARENT COMPANY						
Acquisition value						
Carrying amount at start of year	5	5	–	–	5	5
Carrying amount at year-end	5	5	–	–	5	5

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

The Group's forest assets are recognised at fair value mainly based on the transaction prices for forest properties in those areas where the Group has forests. Fair value measurement is based on measurement level 3. The total value of the forest assets is allocated across growing trees, which are recognised as biological assets, and forest

land. Biological assets are recognised according to IAS41. The value allocated to the biological assets is established by calculating the present value of expected cash flows, less selling costs, from harvesting those trees currently growing. Calculation of present value uses a discount rate of 5%. The value of the forest land is calculated as the difference between the total value of the forest assets and the biological assets.

The main part of the forests are located in areas close to the mountain areas in Jämtland and Dalarna, where the productivity is rather low. A large part of the mature forests are very old, >170 years and has been assessed as not possible to harvest, mainly due to certifications criteria, which is reflected in the low value of the biological assets. Approximately 2 000 forest hectares, of which 1 000 hectare are productive, are located close to the Group's production units in Sweden.

According to current market statistics, the average price for the forest assets are assessed to approximately 10 900 SEK per hectare. Based on that, the forest assets are valued to SEK 393 million.

BillerudKorsnäs expects to own another 15 400 hectares of forest assets as a result of the transactions with Bergvik Skog Öst AB during 2019, of which around 5 500 hectares are productive forest land, when the cadastral processes for these properties are finalized. These forest assets will be recognized at that time.

15 Right of use assets

SEKm	Vehicles		Office rents		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
GROUP								
Acquisition value								
Carrying amount at start of year	307	243	102	69	3	3	412	315
New leasing contract	62	91	58	55	12	1	132	147
End of leasing contract	-39	-26	-11	-19	-1	-1	-51	-46
Disposals via divestment of business	-2						-2	-
Translation differences		-1	3	-3			3	-4
Carrying amount at year-end	328	307	152	102	14	3	494	412
Accumulated depreciation/amortisation								
Carrying amount at start of year	-112	-61	-38	-25	-2	-1	-152	-87
Depreciation/amortisation	-74	-70	-36	-34	-4	-1	-114	-105
End of leasing contract	36	19	11	19	1		48	38
Disposals via divestment of business	1						1	-
Translation differences			-2	2			-2	2
Carrying amount at year-end	-149	-112	-65	-38	-5	-2	-219	-152
Carrying amounts according to balance sheet	179	195	87	64	9	1	275	260

Other Disclosures

SEKm	2021	2020
Lease liabilities		
Current	111	95
Non-current	169	170
Total	280	265
The total cash outflow for leases	119	109
Expense relating to short-term leases	113	114
Expense relating to leases of low-value assets	2	2
Committed lease not delivered	93	46

An incremental borrowing rate of 1.4% (1.4) was used to calculate the lease liability.

Expense for short-term leases include rental of train carriages in the Scandfibre business SEK 112 million (112).

The amounts for 2020 have been adjusted in the table for short-term train carriage leases.

For maturity analysis of leasing liabilities, see Note 28 Financial assets and liabilities.

Leases

For the Parent Company, the future contractual lease commitments was SEK 50 million (35) 2021, of which SEK 15 million (10) is payable within one year and SEK 36 million (25) within two to five years.

Leasing costs for 2021 were SEK 11 million (11).

16 Investments in Group companies

SEKm	2021	2020
Acquisition value		
Opening balance at start of year	10 946	10 910
Divestments ³	-200	-
Investments ¹	-	36
Closing balance at year-end	10 746	10 946
Accumulated impairment losses		
Opening balance at start of year	-306	-298
Divestments ³	120	-
Impairment losses ²	-	-8
Closing balance at year-end	-186	-306
Carrying amount on the balance sheet	10 560	10 640

¹ Investment in 2020 relates to shareholder contributions to BillerudKorsnäs Managed Packaging AB of SEK 5 million and BillerudKorsnäs Venture 31 million.

² In 2020, impairment losses related to impairment of the holdings in BillerudKorsnäs Venture AB.

³ Divestment of BillerudKorsnäs Beetham Ltd.

Specification of parent company's investments in Group companies

Subsidiary/Registered office/Corp. ID no.	Number of shares	Holding in % ¹	Carrying amount, SEKm
BillerudKorsnäs Venture AB, Solna, 559040-3548	50 000	100	23
Paccess AB, Solna, 556459-7572	1 000	100	–
BillerudKorsnäs Sweden AB, Stockholm, 556876-2974	2 000	100	1 040
ScandFibre Logistics AB, Örebro, 556253-1474	10 000	100	8
BillerudKorsnäs Asia Holding, Hong Kong	10 000	100	–
BillerudKorsnäs Benelux B.V., Amsterdam	200	100	3
BillerudKorsnäs France S.A.S., Paris	25 401	100	–
BillerudKorsnäs Germany GmbH, Hamburg	2	100	1
BillerudKorsnäs Spain S.L, Barcelona	–	100	1
BillerudKorsnäs Italy S.r.l, Milano	–	100	–
BillerudKorsnäs China Limited, Shanghai	–	100	4
BillerudKorsnäs Lithuania UAB, Klaipeda	200	100	15
BillerudKorsnäs Estonia OÜ, Pärnu	1	100	–
BillerudKorsnäs Latvia SIA, Juanjalgava	5 623	100	43
BillerudKorsnäs Incorporated, Delaware, USA	100	100	0
BillerudKorsnäs Finland OY, Jakobstad	2 500	100	1 167
BillerudKorsnäs Skog & Industri AB, Gävle, 556023-8338	53 613 270	100	8 240
BillerudKorsnäs Packaging India Private Ltd, Haryana	8 750	100	3
NimblePacc Packaging Private Ltd, New Dehli, India	36 908	100	4
BillerudKorsnäs Singapore Private Ltd, Singapore	500 000	100	3
BillerudKorsnäs Vietnam LLC, Ho Chi Minh City	0	100	–
BillerudKorsnäs Bangladesh Limited, Dhaka	998	100	–
BillerudKorsnäs Managed Packaging AB, Solna, 559176-2017	50 000	100	5
			10 560

In addition to participations directly owned by the parent company, the following companies are part of the Group

Subsidiaries and joint arrangements/Registered office/Corp. ID no.	Holding in % ¹	Subsidiaries and joint arrangements/Registered office/Corp. ID no.	Holding in % ¹
BillerudKorsnäs Rockhammar AB, Lindesberg, 556761-2436	100	BillerudKorsnäs Commercial Inc, Delaware, USA	100
Diacell AB, Gävle, 556155-2786	100	BillerudKorsnäs Taiwan Ltd, Taiwan	100
Korsnäs Sägverks AB, Gävle, 556024-8477	100	Bomhus Energi AB, Gävle, 556793-5217 (joint arrangement)	50
AB Stjernerunds Bruk, Gävle, 556028-6881	100	Fastighets AB Marma Skog 31, Gävle, 556580-2203	100
Trävaru AB Dalarne, Gävle, 556044-3920	100	AB Marma Skog 75, Gävle, 556802-4359	100
BillerudKorsnäs Managed Packaging Holding AB, Solna 559333-0615	100	AB Marma Skog 76, Gävle, 556802-4367	100
BillerudKorsnäs UK Ltd, Stowe	100	AB Marma Skog 77, Gävle, 556802-4375	100
BillerudKorsnäs USA LLC, Oregon	100	AB Marma Skog 78, Gävle, 556904-3465	100
BillerudKorsnäs International Trading Ltd, Shenzhen, China	100	AB Marma Skog 79, Gävle, 559269-7253	100
West Acquisition Merger Sub Inc, Delaware, USA	100		

¹ Participating interest in capital, which is the same as the proportion of votes in the total number of shares.

17 Receivables from and liabilities to Group companies, interest-bearing

SEKm	2021	2020
GROUP AND PARENT COMPANY		
Non-current receivables from associates		
Carrying amount at start of year	13	18
Change for the year	–	–5
Carrying amount at end of year	13	13
SEKm		
PARENT COMPANY		
Current receivables from Group companies		
Carrying amount at start of year	10 728	80
Change for the year	–328	10 648
Carrying amount at end of year	10 400	10 728
Liabilities to Group companies		
Carrying amount at start of year	9 494	356
Change for the year	1 462	9 138
Carrying amount at end of year	10 956	9 494

Interest-bearing receivables and liabilities relate to the Group accounts with an internal rate of return and interest-bearing fixed-term loans and investments.

18 Participations in associates

SEKm	2021	2020
GROUP		
Carrying amount at start of year	1 043	953
Capital contribution to associates ¹	43	5
Dividend	-10	-4
Participations in associates' profit/loss after tax	89	89
Carrying amount at end of year	1 165	1 043

BSÖ Holding AB Group

In 2019, BillerudKorsnäs sold 89.9% of the shares in BSÖ Holding AB. As a result of the transaction, an excess value of SEK 159 million related to forest land arose, which is included in the value of the shares. Accordingly, the holding in BSÖ Holding AB amounts to 10.1% of the shares and votes.

The holding is classified as shares in an associated company in accordance with IAS 28, although BillerudKorsnäs holds less than 20% of the votes. This is based on the assessment that BillerudKorsnäs is deemed to have a "significant influence" over BSÖ Holding AB under the provisions and definitions of IAS 28. BillerudKorsnäs has a contractual right to appoint one member of the Board of BSÖ Holding AB. There are five members of the Board in BSÖ Holding AB.

BillerudKorsnäs has an exclusive right to buy wood (through felling rights) from Bergvik Skog Öst AB, a subsidiary to BSÖ Holding AB, through a Wood Supply Agreement. The agreement is valid until June 24, 2034, and is after that automatically prolonged with 5-year intervals unless it is terminated by either of the parties. For the first 15 years Bergvik Skog Öst AB has a base volume that should be sold to BillerudKorsnäs, but also a sale option volume regarding additional volumes. If the parties disagree regarding the price, the dispute should first be resolved by an audit, and secondly by an independent group of experts.

BillerudKorsnäs and Bergvik Skog Öst AB also have a Forest Service Agreement until June 24, 2024, which automatically is prolonged with 5 years intervals unless it is terminated by either of the parties. The services involve the practical operational forest management- and administrative services that are necessary on the Bergvik Skog Öst properties. The services do not involve policies and strategic decisions regarding forest management.

Associates

SEKm	Country	Revenue	Earnings	Assets	Liabilities	Shareholders' equity	Proportion owned, %	Carrying amount
2021								
FreeForm Packaging AB	Sweden	3	-4	24	22	2	50	3
Trätåg AB	Sweden	232	-	38	38	-	50	-
SSG Standard Solutions Group AB	Sweden	144	19	117	35	82	28	23
BSÖ Holding AB Group	Sweden	463	929	14 657	5 926	8 731	10	1 039
Paper Bottle Co. A/S	Denmark	7	-14	198	29	169	47	100
Total								1 165
2020								
FreeForm Packaging AB	Sweden	3	-4	28	21	7	50	4
Trätåg AB	Sweden	230	-	35	35	-	50	-
SSG Standard Solutions Group AB	Sweden	114	14	91	19	72	28	21
BSÖ Holding AB Group	Sweden	440	824	13 579	5 685	7 894	10	956
Paper Bottle Co. A/S	Denmark	6	-1	114	23	91	47	62
Total								1 043

SEKm	2021	2020
PARENT COMPANY		
Acquisition value		
At start of year	-	-
Capital contribution to associates ¹	-	5
Impairment losses, associates ²	-	-5
Closing balance	-	-

Specification of participations in associates directly owned by the parent company

Company, corporate ID no. and registered office	Votes and capital, %	Carrying amount
2021		
Associates		
FreeForm Packaging AB, 556928-2873, Norrköping	50	-
Parent company total		-
2020		
Associates		
FreeForm Packaging AB, 556928-2873, Norrköping	50	-
Parent company total		-

1 Capital contributions in 2021 related to Paper bottle company & 2020 related to FreeForm Packaging AB.

2 Impairment loss in 2020 relates to the impairment of the investment in Free Form Packaging AB.

19 Other holdings

Name/Corp. ID no.	Number of shares	Holding in %	Carrying amount, SEKm
2021			
Group			
One tenant-owner property	1	–	–
Bergvik Skog Öst AB, 556644-5473	1	0.1	10
Bergvik Skog AB (in liquidation process), 556610-2959	353	5	10
Radio Skog AB, 556137-8505	400	10	–
RK Returkartong AB, 556483-8828	28	4	–
Recycl3R Solutions SL, Spain, B-16.557.514	117	10	3
Kezzler AS, Norway, 983 594 123	5 280 490	8	47
Hanhaa Ltd, UK, 09097664	21 336	13	–
Vericool Inc, US, 47-5317336	543 915	12	–
IUC Norr AB	200	3	–
Total			70

Bergvik Skog Öst AB

Under the contractual arrangements relating to BillerudKorsnäs' shareholding in, and wood supply from, Bergvik Skog Öst AB, Billerud-Korsnäs' is party to an Option Agreement which grants BillerudKorsnäs the right to buy back Bergvik Skog Öst AB under certain circumstances. The option agreement includes this right if BillerudKorsnäs is not offered an extension of the Wood Supply Agreement with Bergvik Skog Öst AB when the current contract term expires in 2034, and in the

event of certain contractual breaches by parties in the constellation (others than BillerudKorsnäs). BillerudKorsnäs does not itself control the circumstances that can trigger the option. The option agreement is intended to create long-term supply certainty from the forestlands owned by Bergvik Skog Öst AB. Because BillerudKorsnäs does not itself control the circumstances that can trigger the option, the option agreement is as such not deemed to have any value to recognise.

PARENT COMPANY

SSG Standard Solutions Group AB, 556403-1523	7 143	14	–
Total			–

2020

GROUP

One tenant-owner property	1	–	–
BioBag International AS, Norway, 966 534 281	360	10	34
Bergvik Skog Öst AB, 556644-5473	1	0.1	4
Bergvik Skog AB, 556610-2959	353	5	10
Radio Skog AB, 556137-8505	400	10	–
RK Returkartong AB, 556483-8828	28	4	–
Recycl3R Solutions SL, Spain, B-16.557.514	117	10	3
Kezzler AS, Norway, 983 594 123	5 280 490	8	47
Hanhaa Ltd, UK, 09097664	21 336	13	–
Vericool Inc, US, 47-5317336	543 915	12	10
IUC Norr AB	200	3	–
Total			108

PARENT COMPANY

SSG Standard Solutions Group AB, 556403-1523	7 143	14	–
Total			–

Changes regarding Group Other holdings are stated in Note 28.

20 Inventories

SEKm	Group	
	2021	2020
Raw materials and consumables	1 341	1 347
Finished goods	2 358	2 133
Work in progress	46	71
Advances to suppliers	91	78
Total	3 836	3 629

Of the inventory of finished goods, SEK 80 million (301) has been measured at net realisable value.

Operating costs include SEK 17 million (29) for impairment of inventories.

21 Shareholders' equity

Share capital

Owners of ordinary shares are entitled to a dividend approved at a later date, and the shareholding entitles the owner to vote at General meetings, with one vote per share. All shares have the same rights to BillerudKorsnäs' remaining net assets. Regarding shares in the Company's treasury (see below), all rights are suspended until the shares are re-issued.

Other contributed capital

The shares represent equity paid in by the owners. This includes part of share premium reserves transferred to the statutory reserve at 31 December 2005. Allocations to the share premium reserve from 1 January 2006 onward are also recognised as paid-in capital.

Reserves

Translation reserve

The translation reserve comprises all exchange rate differences arising from the translation of financial reports of foreign operations that have prepared their financial reports in a currency other than the currency that is the Group's functional (reporting) currency. The parent company and Group present their financial statements in Swedish kronor.

Revaluation surplus

The revaluation surplus comprises of revaluation of forest land.

Hedging reserve

The hedging reserve comprises the effective portion of accumulated net changes in the fair value of a cash flow hedge instrument attributable to hedge transactions that have not yet occurred.

Retained earnings

Retained earnings including profit/loss for the year includes profit earned by the parent company and its subsidiaries and associates. From 2020 retained earnings include accumulated net change in the fair value of financial assets measured at fair value through other comprehensive income, until the asset is derecognised from the balance sheet. Previous allocations to the statutory reserve, excluding transferred share premium reserves, are included in this capital item.

Repurchased shares

Repurchased shares includes the acquisition cost of the Company's treasury shares held by the parent company. At 31 December 2021, the Group's holdings of treasury shares totalled 1 349 047 (1 387 922).

Dividend

After the end of the reporting period, the Board of Directors proposed to the AGM a dividend of SEK 4.30 per ordinary share, totalling SEK 890 million. This proposal will be voted on at the AGM on 10 May 2022.

	2021	2020
Dividend, SEKm	890	889
Dividend per ordinary share, SEK	4.30	4.30

Financial position

BillerudKorsnäs' financial target for its financial position is for the longterm ratio of net interest-bearing debt to EBITDA to be less than 2.5. Group interest-bearing net indebtedness in relation to EBITDA at the end of 2021 was 1.0 (2.0) times. Interest bearing net debt in relation to adjusted EBITDA was 1.0 (2.0), see more information in Note 6 regarding items affecting comparability.

PARENT COMPANY

Restricted reserves

Restricted reserves may not be reduced by the distribution of profits.

Share capital

The share capital at year-end consists of 208 219 834 (208 219 834) ordinary shares with a quotient value of SEK 7.38 (7.38) and entitling holders to one vote per share.

Statutory reserve

The purpose of the statutory reserve is to save a part of net earnings that is not needed to cover retained losses.

Non-restricted equity

Share premium reserve

When shares are issued at a premium, that is, at a price that is greater than the shares' quotient value, an amount corresponding to the amount received in excess of the quotient value of the shares must be transferred to the share premium reserve.

Retained earnings

These consist of the preceding year's non-restricted equity after payment of dividends, if any. Together with profit/loss for the year this constitutes total non-restricted equity, that is, the amount available for distribution as a dividend to shareholders.

22 Proposed allocation of profit

Non-restricted equity in the parent company consists of:

SEK	
Share premium reserve	4 407 645 318
Retained earnings	978 888 691
Profit/loss for the year	235 728 550
	5 622 262 559

The Board proposes that:

SEK	
Dividend to shareholders, 206 870 787 shares at SEK 4.30 per share ¹	889 544 384
and that the remaining amount be retained	4 732 718 175
Total	5 622 262 559

¹ Allocation of shares under the LTIP programme in April/May, if any, are not taken into account.

23 Provisions for pensions and similar commitments

BillerudKorsnäs has defined-benefit pension plans for office-based staff in Sweden (ITP plan). BillerudKorsnäs also has defined-contribution pension plans.

In addition to this, there are defined-benefit pensions secured through endowment insurance, along with a provision for non-vested pensions of SEK 19 million (18) in the subsidiary BillerudKorsnäs Skog & Industri AB.

Parts of the ITP plan's pension commitments are secured through provisions on the balance sheet in accordance with the FPG/PRI system.

All newly earned pension contributions within the ITP 2 plan are secured through pension insurance with Alecta. Alecta cannot provide sufficient information to recognise the ITP plan as a defined-benefit plan, and the plan is therefore recognised as a defined-contribution plan in accordance with UFR 10.

The ITP plan secured with Alecta is a multi-employer defined-benefit plan. Alecta's collective consolidation ratio was 172% (148) at yearend. The collective consolidation ratio consists of the market value of Alecta's assets in relation to the insurance undertakings calculated as per Alecta's actuarial assumptions, which do not correspond to IAS 19. BillerudKorsnäs' pension undertakings secured with Alecta constitute a marginal proportion of total undertakings secured with Alecta.

This means that no pension costs for newly earned defined-benefit pension are recognised as defined-benefit.

The recognised defined-benefit pension costs are attributable to previous periods.

Fees for pension insurance with Alecta totalled SEK 129 million (117) for the year.

GROUP	2021	2020
SEKm		
Pension costs		
Pension costs in profit/loss for the year		
Employee benefit costs		
Defined-contribution plans	266	269
Defined-benefit plans	–	–
Special payroll tax	71	72
Finance costs	6	10
Total	343	351
Pension costs in other comprehensive income		
Actuarial changes	17	4
Provisions for pensions in balance sheet		
Provisions at start of year	836	871
Pension costs	–1	–4
Finance costs	6	10
IFRS adjustment		
Actuarial changes		
Change in financial assumptions	5	14
Experience-based adjustments	12	–10
Payments	–42	–45
Provisions at end of year	816	836
of which covered by credit insurance with FPG/PRI	774	799
Of the provision, SEK 43 million (45) is expected to be paid within 12 months. As collateral for pension commitments, the Group has pledged endowment insurance totalling SEK 67 million (48).		
	2021	2020
Actuarial assumptions		
The following material actuarial assumptions have been applied in the calculation of commitments (weighted averages).		
Discount rate	1.6%	0.8%
Future increases in pensions	2.3%	1.5%
Lifetime	DUS 14	DUS 14

Sensitivity analysis actuarial assumptions

Parameter	Change	Impact on pension liability
Discount rate	+0.5%	–58
Discount rate	–0.5%	65
Inflation	+0.5%	68
Inflation	–0.5%	–61
Lifetime	+1 year	45
Lifetime	–1 year	–44

The sensitivity analysis is based on a change in an individual actuarial assumption while other assumptions remain unchanged. This method shows the sensitivity of the undertaking to a single assumption. This is a simplified method as the actuarial assumptions are usually correlated. The average maturity of pension undertakings is around 14 years.

PARENT COMPANY

SEKm	2021	2020
Pension costs		
Employee benefit costs	38	37
Special payroll tax	13	11
Finance costs	6	6
Total cost of direct pensions	57	54
Provisions for pensions in balance sheet		
The value of pension commitments related to retirement under the management of the company at start of year	176	178
Pension costs	2	4
Finance costs	6	6
Pensions paid	–11	–12
The value of pension commitments related to retirement under the management of the company at start of year	173	176
Commitments paid to endowment insurance held by BillerudKorsnäs	51	34
Other provisions	13	8
Provisions for pensions in balance sheet	237	218
of which covered by credit insurance with FPG/PRI	173	176

SEK 13 million (13) is expected to be paid within 12 months. As collateral for pension commitments, the parent company has pledged endowment insurance totalling SEK 51 million (34).

24 Provisions

SEKm	Severance pay, redundancy pay		Working environment, restructuring costs		Other costs		Total carrying amount	
	2021	2020	2021	2020	2021	2020	2021	2020
GROUP								
Change for the year								
Carrying amount at start of year	45	53	136	165	4	4	185	222
Provisions made during the year	61	38	6		23		90	38
Unutilised amount reversed during the year		-2					-	-2
Amount utilised during the year	-38	-44	-43	-29			-81	-73
Carrying amount at end of year	68	45	99	136	27	4	194	185
of which current portion of provisions	60	37	16	28	27	4	103	69
SEKm	Severance pay, redundancy pay		Working environment, restructuring costs		Other costs		Total carrying amount	
	2021	2020	2021	2020	2021	2020	2021	2020
PARENT COMPANY								
Change for the year								
Carrying amount at start of year	9	19	-	-	4	4	13	23
Provisions made during the year	5	11			5		10	11
Unutilised amount reversed during the year							-	-
Amount utilised during the year	-7	-21					-7	-21
Carrying amount at end of year	7	9	-	-	9	4	16	13
of which current portion of provisions	7	9			9	4	16	13

25 Interest-bearing liabilities

SEKm	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
GROUP				
Non-current liabilities				
Syndicated loans	-	-	-	-
Bilateral loans	1 255	1 255	1 335	1 335
Bond loans	3 400	3 420	5 100	5 129
Leasing	169	169	170	170
Carrying amount at year-end	4 824	4 844	6 605	6 634
Current liabilities				
Syndicated loans	-	-	-	-
Bond loans	1 700	1 704	800	800
Commercial papers	-	-	-	-
Bilateral loans	91	91	89	89
Leasing	111	110	95	95
Carrying amount at year-end	1 902	1 905	984	984
Repayment periods and future interest payments on loans contracted				
(number of years from 31 Dec 2021)	0-1	1-2	2-	Total
Bilateral loans	91	91	1 164	1 346
Bond loans	1 700	1 800	1 600	5 100
Commercial papers	-	-	-	-
Leasing	111	77	91	279
Group total	1 902	1 968	2 855	6 725
Future interest payments	57	44	34	135

The majority of the liabilities are due for payment within five years of the end of the reporting period.

The difference between carrying amount and fair value is due to the liabilities not being marked to market in the balance sheet and instead being recognised at amortised cost. The Group has no loans recognised at fair value through profit or loss. The fair value of interest-bearing liabilities are established according to value hierarchy Level 1 regarding fixed interest rate bonds and hierarchy level 2 regarding other interest-bearing liabilities. For a definition of value hierarchy please see Note 28.

Terms and repayment periods

The agreements for the syndicated loans, bilateral loans and bond loans issued outside the MTN programme contain financial covenants which must be met for them to be available. These covenants primarily relate to the net debt/equity ratio and interest coverage ratio. All covenants were met throughout 2021. The syndicated loan facilities, which consists of a revolving credit facility of SEK 5 500 million, were unutilised as of 31 December 2021. The credit facility falls due in May 2024. The syndicated loans and bilateral loans have variable interest rates.

BillerudKorsnäs had six outstanding bond loans totalling SEK 5 100 million as of 31 December 2021. Of the outstanding bond loans, SEK 4 050 million have variable interest and SEK 1 050 million fixed interest. SEK 3 500 of the bonds were issued under the MTN programme, which was established in 2013. Of the outstanding SEK 5 100 million, SEK 1 700 million matures in 2022, SEK 1 800 million in 2023, SEK 600 million in 2024 and SEK 1 000 million in 2025.

Commercial papers are issued under the programme originally established in 2003. The commercial paper programme has a framework amount of SEK 4 000 million. Commercial papers have a minimum maturity of one day and a maximum maturity of one year. As of 31 December 2021, no commercial papers had been issued.

26 Liabilities to credit institutions

SEKm	2021	2020
PARENT COMPANY		
Non-current liabilities		
Syndicated loans	–	–
Bilateral loans	1 255	1 335
Bond loans	3 400	5 100
Carrying amount at year-end	4 655	6 435
Current liabilities		
Syndicated loans	–	–
Bilateral loans	91	89
Bond loans	1 700	800
Commercial papers	–	–
Carrying amount at year-end	1 791	889

Repayment periods

(number of years from 31 Dec 2021)	0–1	1–2	2–	Total
Syndicated loans	–	–	–	–
Bilateral loans	91	91	1 164	1 346
Bond loans	1 700	1 800	1 600	5 100
Commercial papers	–	–	–	–
Total	1 791	1 891	2 764	6 446

The majority of the liabilities are due for payment within five years after the closing date.

27 Accrued expenses and deferred income

SEKm	Group		Parent company	
	2021	2020	2021	2020
Employee benefit expenses, including social security costs	842	567	70	35
Excise duties		2		
Delivery expenses	224	86		
Wood expenses	383	129		
Energy expenses	134	48		
Other	372	524	147	31
Total	1 955	1 356	217	66

28 Financial assets and liabilities

SEKm	Fair value through profit/loss – hedge accounting		Amortised cost		Fair value through other comprehensive income		Financial liabilities valued at amortised cost		Total carrying amount		Fair value	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Valuation class	Level 2				Level 3							
GROUP												
Other shares and participations					70	108			70	108	70	108
Non-current receivables	94		37	26					131	26	131	26
Accounts receivable			3 047	2 350					3 047	2 350	3 047	2 350
Other receivables	363	295	435	392					798	687	798	687
Cash and cash equivalents ¹			3 558	3 036					3 558	3 036	3 558	3 036
Total	457	295	7 077	5 804	70	108	–	–	7 604	6 207	7 604	6 207
Non-current interestbearing liabilities							4 824	6 605	4 824	6 605	4 844	6 634
Current interest-bearing liabilities							1 901	984	1 901	984	1 905	984
Accounts payable							3 809	3 129	3 809	3 129	3 809	3 129
Other liabilities	159	96					304	238	463	334	463	334
Total	159	96	–	–	–	–	10 838	10 956	10 997	11 052	11 021	11 081
Valuation class	Level 2				Level 3							
PARENT COMPANY												
Non-current receivables			82	47					82	47	176	47
Accounts receivable			2 537	2 016					2 537	2 016	2 537	2 016
Other receivables			42	15					42	15	405	242
Cash and bank balances ²			3 175	2 836					3 175	2 836	3 175	2 836
Total	–	–	5 836	4 914	–	–	–	–	5 836	4 914	6 293	5 141
Bond and syndicated loan							3 400	5 100	3 400	5 100	3 420	5 129
Non-current interestbearing liabilities							1 255	1 335	1 255	1 335	1 259	1 335
Current interest-bearing liabilities							1 791	889	1 791	889	1 791	889
Accounts payable							28	66	28	66	28	66
Other liabilities							35	43	35	43	178	48
Total	–	–	–	–	–	–	6 509	7 433	6 509	7 433	6 676	7 467

¹ Short-term investments are classified as 'Cash and cash equivalents' when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.

² Short-term investments are classified as 'Cash and bank balances' when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.

29 Remuneration to the board and senior management

Remuneration to the Board of Directors

The Chairman and members of the Board receive remuneration in accordance with resolutions by the Annual General Meeting. Additional fees are paid for work on committees. The Chairman of the Board received SEK 1 500 (1 350) thousand in 2021. At a Board meeting in March 2021, the Board decided to resolve the Investment Committee, as the Board deemed that the needs for such a committee no longer existed.

Board fees, SEK thousand, Name	Fee for year		Fee for audit committee		Fee for remuneration committee		Fee for investment committee		Fee	
	2021–2022	2020–2021	2021–2022	2020–2021	2021–2022	2020–2021	2021–2022	2020–2021	2021–2022	2020–2021
Jan Svensson	1 500	520			50				1 550	520
Jan Åström	540	1 350			25	50		50	565	1 450
Michael M.F. Kaufmann	910	880			25	25			935	905
Bengt Hammar	540	520						50	540	570
Kristina Schauman	540	520	200	155					740	675
Andrea Gisle Joosen	540	520	100	75		25			640	620
Victoria Van Camp	540	520						50	540	570
Tobias Auchli	540	520	100	75				50	640	645
Total	5 650	5 350	400	305	100	100	–	200	6 150	5 955

The board member Andrea Gisle Joosen have received SEK 57 thousand (85) for work in BillerudKorsnäs Venture AB in addition to her remuneration in the board.

Remuneration to the CEO and Executive Management

The 2021 Annual General Meeting approved the guidelines for remuneration to senior executives. Senior executives include the CEO and other members of the Executive Management Team (EMT).

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

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

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

A prerequisite for the successful implementation of the BillerudKorsnäs' business strategy and safeguarding of BillerudKorsnäs' long-term interests, including its sustainability, is that BillerudKorsnäs is able to recruit and retain qualified employees with high competence and capacity to achieve set goals. BillerudKorsnäs will challenge conventional packaging for a sustainable future – and it is Billerud-

Korsnäs' talented and high-performing employees that are the people driving the change that is needed to realise the strategy and achieve this purpose. To achieve this, it is necessary that BillerudKorsnäs offers competitive total remuneration which creates incentives for senior executives to think new, feel responsibility, cooperate and create value. The goal is to create incentives to promote BillerudKorsnäs' business strategy and long-term interests, deliver exceptional results and to link incentives for key persons within BillerudKorsnäs with the shareholders' interests. These guidelines enable this objective and that EMT members can be offered a competitive total remuneration.

Types of remuneration, etc.

BillerudKorsnäs shall be on market terms as regards compensation levels and terms of employment. The remuneration shall consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Furthermore, the general meeting may resolve on, among other things, share and share price-related remuneration.

The variable cash remuneration to the EMT members is paid based on outcomes in relation to clearly stated goals and shall amount to a maximum of 70 per cent of their respective annual fixed cash salary. Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are only made on an individual basis, either for the purpose of recruiting or retaining EMT members, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration

may not exceed an amount corresponding to 100 per cent of the annual fixed cash salary. Any resolution on such remuneration shall be made by the board based on a proposal from the remuneration committee.

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

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

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

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

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

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

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

Criteria for awarding variable cash remuneration, etc.

The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. They may also be individualised, quantitative or qualitative objectives. The objectives for the group for variable cash remuneration may change from year to year depending on the group's focus areas and strategic decisions.

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

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

Salary and employment conditions for employees

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

Termination of employment

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

Remuneration to board members elected by general meetings

Board members elected by general meetings in BillerudKorsnäs shall in special cases be able to be remunerated for services within their respective areas of expertise, which do not constitute board work in

BillerudKorsnäs AB. For these services, a market-based fee shall be paid, which must be approved by the board.

Derogation from the guidelines

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

Exception from the guidelines adopted by the general meeting

During 2021, BillerudKorsnäs has followed the guidelines for remuneration to senior executives adopted by the annual general meetings in 2020 and 2021 without any exceptions.

SEK thousand, Year	Gross salary	Variable remuneration	LTIP	Other benefits	Pension costs	Total
Remuneration and benefits to the CEO						
2021	9 098 ¹	5 634	–	104	3 202	18 038
2020 ²	1 502 ³	–	–	24	534	2 060
2020 ⁴	6 478 ⁵	–	–	251	1 930	8 659

Remuneration and benefits to rest of Executive Management Team

2021	23 204	8 848	1 113	1 032	6 736	40 933
2020	27 703	465	1 386	1 671	8 059	39 284 ⁶

¹ This amount includes paid holiday days, holiday supplement, allowances for expenses and lunch coupons totalling SEK 89 thousand in addition to fixed salary.

² CEO, Christoph Michalski, November–December 2020.

³ This amount includes paid holiday days, holiday supplement, allowances for expenses and lunch coupons totalling SEK 2 thousand in addition to fixed salary.

⁴ Acting CEO, Lennart Holm, January–October 2020.

⁵ This amount includes paid holiday days, holiday supplement, allowances for expenses and lunch coupons totalling SEK 150 thousand in addition to fixed salary.

⁶ Remuneration for noticing two former ELT members during the year amounted to SEK 8 095, of which gross salary SEK 5 470 thousand, variable remuneration SEK 70 thousand, LTIP SEK 8 685 thousand (estimated benefit), other benefits SEK 248 thousand and pension costs SEK 1 622 thousand. They receive salary during the notice period of 12 months.

Comments on the tables

- Variable remuneration for 2021 refers to amounts to be paid out in 2022 but charged to 2021, while variable remuneration for 2020 refers to remuneration paid out in 2021 but charged to 2020. The actual amounts are based on financial and individual targets linked to the development of the business and based on profit for 2021 and 2020.

- The LTIP for 2021 relates to the benefit value of the outcome of LTIP 2018, and the LTIP for 2020 relates to the benefit value of the outcome for LTIP 2017.
- Other benefits include car allowance, accommodation allowance and other taxable benefits.
- Pension costs refers to the costs charged to profit/loss for the year.
- In BillerudKorsnäs' long-term incentive programs participants are allocated a certain number of BillerudKorsnäs shares free of charge after a three-year vesting period, provided certain criteria are met.

The CEO participates in LTIP 2021 with a maximum outcome of shares and cash of 60% of the annual salary. To participate the CEO have to own shares that represent 15% of the annual salary. The EMT have a maximum outcome of 50% of their annual salary and have to own shares representing 10% of their annual salary. Other key personnel have a maximum outcome of 25% and shall own shares of 5% of their annual salary.

LTIP 2019 and LTIP 2020 involve 'savings shares'. The CEO participates in LTIP 2020 with 8 134 saving shares and have a potential exchange ratio of 6x in LTIP 2020. Each savings share entitles the holder to 6 rights to performance shares.

See the section Remuneration in BillerudKorsnäs for more information regarding the LTIP-programs.

30 Additional disclosures for the cash flow statement

SEKm	Group		Parent company	
	2021	2020	2021	2020
Interest paid and received and dividend				
Interest and dividends received	3	32	61	96
Interest paid	-98	-137	-155	-204
Total	-95	-105	-94	-108
Adjustments for items not included in cash flow, etc.				
Depreciation, amortisation and impairment of non-current assets	1 912	1 938	1	1
Interest adjustment	6	11	2	-12
Impairment of shares in subsidiaries				8
Pensions and other provisions	-30	-84	16	-13
Unrealised earnings, electricity certificates and emission allowances	20	-5		
Share of profit/loss in associates/impairment of investments	-89	-89		5
Impairment of Other holdings				
Share-based payments	7	6	5	5
Unrealised exchange rate differences	12	-27	16	-25
Revaluation of biological assets		-132		
Capital loss, sale of subsidiary	123		73	
Disposal of fixed assets		-2		
Other		6		
Total	1 961	1 622	113	-31
Cash and cash equivalents ¹				
The following are included in cash and cash equivalents				
Short-term investments	-	-	-	-
Cash and bank balances	3 558	3 036	3 175	2 836
Total	3 558	3 036	3 175	2 836

¹ Short-term investments are classified as 'Cash and cash equivalents' when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.

SEKm	2020	Cash flows	Leasing	Divestment	Changes not affecting cash flow		2021
					Business combinations	Changes in exchange rates	
GROUP							
Non-current interest-bearing liabilities	6 605	-1 797				16	4 824
Current interest-bearing liabilities	984	783	132			2	1 901
	7 589	-1 014	132	-	-	18	6 725

PARENT COMPANY

Non-current interest-bearing liabilities	6 435	-1 796				16	4 655
Current interest-bearing liabilities	889	902					1 791
	7 324	-894	-	-	-	16	6 446

SEKm	2019	Cash flows	Leasing	Divestment	Changes not affecting cash flow		2020
					Business combinations	Changes in exchange rates	
GROUP							
Non-current interest-bearing liabilities	7 493	-912	45			-21	6 605
Current interest-bearing liabilities	582	310	95			-3	984
	8 075	-602	140	-	-	-24	7 589

PARENT COMPANY

Non-current interest-bearing liabilities	7 349	-893				-21	6 435
Current interest-bearing liabilities	493	400				-4	889
	7 842	-493	-	-	-	-25	7 324

31 Untaxed reserves

SEKm	2021	2020
PARENT COMPANY		
Tax allocation reserve		
Carrying amount at start of year	1 516	1 512
Resolved	-305	
Provided/adjusted	130	4
Carrying amount at year-end	1 341	1 516

32 Events after the end of the period

BillerudKorsnäs' production in Pietarsaari has from 1 January 2022 been affected by the strike at UPM's nearby pulp mill, which supplies the operation with pulp, purified water, steam and compressed air. There have been production interruptions due to the strike. The strike is estimated to negatively affect BillerudKorsnäs' first quarter result by around SEK 10 million.

On 3 March 2022, it was announced that BillerudKorsnäs and the Norwegian forest owner group Viken Skog are forming a joint venture to explore the possibilities of working together to establish production of bleached chemi-thermomechanical pulp at Viken Skog's Follum mill in Hønefoss. A feasibility study about future pulp production at Follum will be initiated and is estimated to be completed during the first half of 2023. The intention is to establish a state-of-the-art production line for bleached chemi-thermomechanical pulp at the Follum mill with a capacity assumption of up to 200 ktonnes per year. The Follum mill already has much of the infrastructure needed to establish such a production line and is located in an area with competitive and sustainable wood supply and good transports to BillerudKorsnäs' board mills. If the project will proceed after the feasibility study is completed, the investment for BillerudKorsnäs is estimated to be in the range of NOK 600–800 million.

The Nomination Committee announced on 10 March 2022 that it will propose Magnus Nicolin and Florian Heiserer as new Board members at the Annual General Meeting in May 2022. The Nomination Committee further proposes re-election of the Board members Andrea Gisle Joosen, Bengt Hammar, Jan Svensson, Jan Åström and Victoria Van Camp, and the re-election of Jan Svensson as Chairman of the Board. Michael M.F. Kaufmann, Kristina Schauman and Tobias Auchli have declined re-election at the 2022 Annual General Meeting.

On 11 March 2022, a special meeting of Verso's shareholders was held, during which holders of the requisite majority of Verso's outstanding shares of common stock voted to adopt the merger agreement between BillerudKorsnäs and Verso, and to approve the transaction.

On 29 March 2022, all regulatory approvals required for BillerudKorsnäs' acquisition of Verso had been obtained. Thereby all conditions for completion of the transaction had been fulfilled.

On 31 March 2022, the acquisition of Verso for a purchase price of approximately USD 825 million in cash was completed, and Verso will be consolidated in BillerudKorsnäs from that date. The transaction was financed by bank loans, planned to be refinanced through the issuance of debt instruments and an equity rights issue during 2022. Effective 1 April 2022, Rob Kreizenbeck, Verso's SVP of Operations, assumes the position of President, North America in BillerudKorsnäs' Executive Management Team. It was also announced that BillerudKorsnäs intends to simplify its company name to "Billerud", which it will operate under in all markets, including the U.S. The Board of Directors will propose at the 2022 Annual General Meeting to amend the company's name to Billerud AB (publ) and the change will be successively implemented thereafter.

More information regarding the acquisition will be presented in the first quarterly report for 2022, since it is not practical possible to present full information in the annual report, due to the limited time available since the acquisition was finalized.

For information of the impact of the war in Ukraine on BillerudKorsnäs operations, see Risk and Risk management on page 65.

33 Investment commitments

Group

In 2021, the Group signed agreements on the future acquisition of property, plant and equipment for SEK 3 205 million (585). Of these commitments, it is expected that SEK 1 522 million (452) will be settled in 2022.

Parent company

The parent company has not entered into any agreements regarding future acquisitions of property, plant or equipment.

34 Pledged assets and contingent liabilities

SEKm	Group		Parent company	
	2021	2020	2021	2020
Pledged assets for own liabilities and provisions				
Pledged endowment insurance	–	–	51	34
Total pledged assets	0	0	51	34
Contingent liabilities				
Guarantee commitment, FPG/PRI	10	10	3	4
Other guarantees	143	139	115	110
Guarantees for associates	1	1	–	–
Guarantees for Group companies	–	–	324	345
Total contingent liabilities	154	150	442	459

Pledged endowment insurance of SEK 65 million (48) are accounted for with net amounts in the Group and are not disclosed as pledged in the table above for the Group.

The parent company's guarantee commitments for Group companies include BillerudKorsnäs Skog & Industri AB's PRI liability of 303 (317).

There are no indications that any pledged securities or contingent liabilities will lead to any outflow of resources.

35 Related parties

The parent company and the Group has related-party relationships with its subsidiaries and joint arrangements (see Note 16), and associated companies (Note 18). Board members, senior management and close family members to these persons, and companies that those persons have a significant influence over are considered as related parties.

Summary of related-party transactions

SEKm	Year	Sales of goods and services to related parties	Procurement of goods and services from related parties	Liabilities to related parties	Receivables from related parties
GROUP					
Relationship					
BSÖ Holding AB Group ¹	2021	91	330	120	8
Other associates and related parties	2021	–	58	–	15
BSÖ Holding AB Group ¹	2020	150	323	79	7
Other associates and related parties	2020	1	55	2	13
PARENT COMPANY					
Relationship					
Subsidiaries	2021	331	22	11 627	10 646
Subsidiaries	2020	382	58	10 174	11 819
Associates and other related parties	2021	–	–	–	13
Associates and other related parties	2020	–	–	–	13

¹ Includes BSÖ Holding AB classified as associated company and its subsidiary Bergvik Skog Öst AB.

Purchase of steam/electricity from Bomhus Energi AB as a joint arrangement amounted to SEK 317 million (261). These amount are not included in the table above.

Transactions with key individuals in executive positions

Salaries, remuneration and other benefits are accounted for in Notes 5 and 29.

36 Divestment of subsidiary

On 31 October 2021, BillerudKorsnäs divested the Beetham mill to the British investment firm Inspirit. The divestment resulted in a capital loss of SEK 123 million. The capital loss includes a positive effect of accumulated exchange rate differences of SEK 6 million. No value has been assessed to the Contingent consideration with a maximum value of GBP 2.4 million, dependent on Beetham's performance the coming 2 years after the transaction.

SEKm	2021
GROUP	
Divested assets and liabilities	
Non-current assets	60
Current assets	205
Total Assets	265
Non-current liabilities	4
Current liabilities	91
Total liabilities	95
Selling price	
Consideration, less selling costs	47
Deferred selling price	–18
Less: Cash in the divested business	–
Effect on cash and cash equivalents	29
Capital result	
Consideration, less selling costs	47
Assets sold	–265
Liabilities sold	95
Capital result	–123

37 Information about the parent company

BillerudKorsnäs AB is a Swedish limited liability company with registered office in Stockholm. The shares of the parent company are registered with NASDAQ Stockholm AB. The address of the head office is Box 703, SE-169 27 Solna, Sweden. The consolidated accounts for 2021 comprise the parent company, its subsidiaries and 50% of joint arrangements regarding Bomhus Energi AB, which together form the Group. The Group also includes owned participations in associates.

Signatures

The undersigned affirm that the consolidated accounts and the annual accounts, respectively, have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and generally accepted accounting practices and give a true and fair view of the financial position and results for the Group and parent company, respectively.

The directors' report for the Group and parent company, respectively, provides a true and fair view of the Group's and parent company's operations, financial position and performance, and describes material risks and uncertainties faced by the parent company and Group companies. The Annual and Sustainability Report and the consolidated financial statements were approved for publication by the Board on 7 April 2022.

The Annual Report also contains the Group's and Parent Company's statutory sustainability reporting in accordance with the Swedish Annual Accounts Act, Chapter 6, Section 11.

The consolidated statement of income and comprehensive income and consolidated balance sheet as well as the parent company's statement of comprehensive income and balance sheet will be subject to adoption by the Annual General Meeting of Shareholders on 10 May 2022.

Solna, 7 April 2022

Jan Åström
Chairman

Michael M. F. Kaufmann
Vice Chairman

Tobias Auchli
Member

Andrea Gisle Joosen
Member

Bengt Hammar
Member

Kristina Schauman
Member

Jan Åström
Member

Victoria Van Camp
Member

Nicklas Johansson
Member

Per Bertilsson
Member

Christoph Michalski
Chief Executive Officer

Our audit report was issued on 7 April 2022
KPMG AB

Ingrid Hornberg Román
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of BillerudKorsnäs AB (publ), corp. id 556025-5001

Translation of the Swedish original.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of BillerudKorsnäs AB (publ) for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 45–108 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects,

the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis of opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of goodwill

See disclosure 12 and accounting principles on pages 77– 83 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

Per 31 December 2021, the carrying value of goodwill on the Group's consolidated balance sheet is SEK 1 952 million. The Group's goodwill is primarily attributable to the product area Board.

Goodwill should annually be subject to at least one impairment test. The assessment of the carrying value is inherently complex and based on the Group's forecasts regarding internal and external conditions and plans. An example of such an assessment is the forecast of future cash flows, which is based, amongst other things, on assumptions about future business developments and market conditions. Another important assumption to evaluate is which discount rate to use in order to correctly reflect market estimates for the time value of money as well as the specific risks that the business is facing.

There is a risk that incorrect assumptions are used when determining the fair value, which could have significant impact on the results and on the financial position.

Response in the audit

We have evaluated whether the goodwill impairment test was performed in accordance with the prescribed accounting method for discounted cash flows.

Moreover, we have considered the reasonableness of the assumptions used by the Group in their future cashflow forecasts (such as predicted sales volume growth, EBITDA-margin developments, working capital and investments) as well as the discount rate used through evaluation of the Group's written documentation and forecasts.

An important part of our work has also been to analyse the Group's sensitivity analysis of their own valuation to assess how reasonable changes in the assumptions may impact the values.

Furthermore, we have evaluated the disclosures about goodwill and the goodwill impairment test that are included in the group consolidated accounts.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–44 and 112–131. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure

we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Auditor's audit of the administration and the proposed appropriations of profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of BillerudKorsnäs AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis of opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any mem-

ber of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consoli-

dated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for BillerudKorsnäs AB (publ) for year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report #SG37uYJboJzdgKY= has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 *Examination of the Esef report*. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of BillerudKorsnäs AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from

fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of BillerudKorsnäs AB (publ) by the general meeting of the shareholders on the 5 May 2021. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2015.

Stockholm 7 April 2022
KPMG AB

Ingrid Hornberg Román
Authorized Public Accountant

Sustainability data 2021

This sustainability report has been prepared in accordance with the GRI Standards 2016: Core option.

Scope

The sustainability report is included in this Annual and Sustainability Report 2021. The report covers all the companies in which BillerudKorsnäs has operational control, i.e. majority-owned companies in line with BillerudKorsnäs' Annual and Sustainability Report 2021.

The BillerudKorsnäs sustainability report is prepared in accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting, GRI Standards, and comprises pages 25–43, 64–68 and 112–120, and the GRI Appendix which is available at <http://billerudkorsnas.com/sustainability>. Sustainability reporting

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

Annual reporting

Sustainability reporting is done annually. The most recent sustainability report, the Annual and Sustainability Report 2020, was published in April 2021. The report also constitutes our reporting to the UN Global Compact, Communication on Progress.

Changes to reporting

There are no significant changes to reporting structure or GRI Standards alignment in 2021. Details to changes in disclosures are described next to the disclosure and/or in the GRI Appendix. The

divestment of Beetham in October 2021 have resulted in Beetham not being included in year-end environmental data. Beetham is included in safety, energy and GHG reporting until the divestment.

Target group

The primary target group of the report is investors. Other stakeholders such as customers, suppliers, employees and society will find their most essential questions answered in this report.

Assurance report

The Sustainability Report has been reviewed by KPMG, see auditors' report on page 121. [5](#)

Sustainability targets

Area / KPI	Base year ¹	Outcome 2019	Outcome 2020	Outcome 2021	Target 2021	Target 2022	Target 2024	Target 2030
Focus areas								
Accidents resulting in absence per million hours worked (own employees and contractors) ² , LTIFR	2013	7,4	7,7	6,4	✓	6,5	5,0	<1,5
Reduction of total greenhouse gas emissions from production and purchased energy ³ , %	2016	-3%	-10%	-13%	N/A	-	-	-59%
Reduced emissions of greenhouse gases from sources not owned or controlled by BillerudKorsnäs ⁴ , %	2016	-25%	-17%	-16%	N/A	-	-	-30%
Proportion of customers who consider that BillerudKorsnäs' work on sustainability creates value ⁵ , %	2016	77	77	84	✓	78	78	85
Sustainability Foundation								
Proportion of wood supply from Europe, %	2019	99%	99%	99,5%	✓	96%	96%	96%
No. of group-certified forest owners in BillerudKorsnäs' group certificates for FSC [®] and PEFC, no.	2013	191	213	226	✓	215	230	260
Proportion of purchase value covered by supplier assessment ⁶ , %	2014	79,8%	78,8%	83,3%	✓	77%	79%	83%
Transport of wood raw material and finished products, g CO ₂ eq/tonne km	2016	12,2	12,4	12,7	—	12,0	11,6	11,0
Proportion of women in total, %	2013	23,7%	23,8%	25,0%	✓	24%	25%	27%
Proportion of female managers, %	2013	23,9%	23,8%	26,7%	✓	24%	25%	27%
Energy consumption, MWh/tonne product	2013	5,3	5,3	5,1	✓	5,2	5,1	5,0
Emissions of fossil CO ₂ in the manufacturing process, kg/tonne product	2013	37,5	30,0	30,5	—	29	28	26
Number of weeks of work experience (internships, thesis and careers introduction)	2014	1 206	1 051	1 306	✓	1 200	1 200	1 300
Proportion of employees completed Code of Conduct training, %	2021	-	-	47	—	80%	95%	95%
Proportion of production units certified according to food safety standards, %	2019	100%	100%	100	✓	100%	100%	100%

1 Base year refers to the year in which the target began to be measured.

2 The target for LTIFR have been updated for to be yearly reduction of lost time injury frequency rate of 20–30% compared to previous year until we reach less than 1.5.

3 Direct emissions from own operations and indirect emissions from purchased energy.

4 Indirect emissions from purchasing goods and services, such as transport and chemicals.

5 The KPI is measured through our customer survey. The latest customer survey was performed in spring 2021.

6 Purchase value includes group purchasing and logistics but excludes Wood supply.

A supplier assessment is valid for a maximum of 3 years but normally only 1 year.

7 The Code of Conduct training was launched in December 2021.

Environmental statistics

	2021	2020	2019
Production (102-7)			
Board, paper and pulp, ktonnes	3 129	3 047	2 888
Materials used (301-1)			
Wood, thousand m ³ sub	10 100	10 351	9 480
Pulp, purchased externally, ktonnes	375	300	276
Pulp, purchased internally, ktonnes	148	160	164
Chemicals (renewable), ktonnes	74	74	68
Total renewable materials, ktonnes	10 697	10 885	9 988
Chemicals (non-renewable), ktonnes	407	420	373
Total materials used, ktonnes	11 105	11 306	10 360
Air emissions (305-7)			
Sulphur (S), tonnes	276	371	416
of which diffuse sources, tonnes	166	277	301
Nitrogen oxides (NOx), tonnes	2 891	3 050	2 905
Dust, tonnes	509	604	543
Water withdrawal (303-3)			
Surface water, million m ³	186	190	177
Groundwater, million m ³	0	0	0
Municipal water, million m ³	0.3	0.4	0.4
Total water withdrawal ¹ , million m ³	187	191	177

	2021	2020	2019
Emissions to water (303-4)			
Process water, million m ³	135	141	134
COD (chemical oxygen demand) ² , tonnes	27 156	28 249	28 236
TSS (total suspended solids), tonnes	3 830	3 078	2 914
Organically bound chlorine (AOX), tonnes	131	146	145
Nitrogen (N), tonnes	434	454	424
Phosphorus (P), tonnes	49	47	41
Waste (306-3)			
Process waste, tonnes	61 503	90 292	73 656
Hazardous waste, tonnes	1 803	1 201	851

¹ The water is used to wash pulp in several stages during manufacturing. In total, virtually all the process water is circulated and reused. How many times the process water is used varies, but according to our examples, it is used 30–50 times before being sent for biological treatment.

² COD is calculated from TOC.

Comments

The decrease in sulphur emissions can be attributed to measures and investments at multiple production units. Process waste returned to a lower level after a steep increase in 2020.

Energy consumption and production 2021, %



- Self-generated biofuels, 77.8
- Purchased biofuels, 10.9
- Net steam and electricity, purchased, 8.8
- Purchased fossil fuels, 2.5

	2021	2020	2019
Energy consumption (302-1)			
Solid biofuels, self-generated, GWh	2 081	2 068	2 231
Waste liquor, GWh	10 241	10 419	9 777
Raw tall oil, GWh	–	1	5
Other (e.g. soap, gas, turpentine, methanol), GWh	135	139	119
Total self-generated biofuels, GWh	12 457	12 627	12 132
Solid biofuels, purchased, GWh	832	759	622
Tar oil, GWh	916	875	872
Total purchased biofuels, GWh	1 748	1 633	1 494
Total biofuels, GWh	14 205	14 260	13 626
Heavy and light fuel oil, GWh	191	165	224
LPG, GWh	113	110	106
Natural gas, GWh	92	109	120
Total purchased fossil fuels, GWh	396	384	450
Total fuel consumption, GWh	14 602	14 644	14 076
Proportion fossil fuels used, %	2.7	2.6	3.2
Steam, bio-based, GWh	273	211	228
Steam, fossil-based, GWh	1	2	1
Hot water, GWh	23	18	17
Total purchased steam, hot water (GWh)	297	231	246
Sold primary energy, GWh	460	364	387
Sold secondary energy (waste heat), GWh	516	571	552
Total sold energy, GWh	976	935	939
Purchased electricity, GWh	1 953	1 981	1 806
Self-generated electricity, GWh	1 407	1 393	1 391
Sold electricity, GWh	55	52	54
Total electricity, GWh	3 305	3 322	3 143
Total energy consumption¹, GWh	16 008	16 121	15 367
Energy intensity MWh/tonne	5.12	5.29	5.32

¹ Use of electricity and energy minus fuel for self-generated electricity and sold energy.

Comments

BillerudKorsnäs used 2.7% fossil fuels in 2021, which is a small increase compared to the previous year. The increase is fully attributable to increase in fossil fuel oil whereas the decrease in natural gas is mainly explained by the divestment of Beetham in late 2021. The energy intensity improved during 2021 from 5.29 to 5.12 MWh/tonne.

	2021	2020	2019
Greenhouse gas emissions (305-1, 305-2, 305-3)			
Biogenic emissions, ktonnes CO ₂ ¹	4 635	4 937	4 743
Scope 1 – Direct emissions			
From biofuels, ktonnes CO ₂ eq ²	39	40	38
From fossil fuels, ktonnes CO ₂ ³	96	91	108
Total emissions scope 1, ktonnes CO₂eq	135	131	146
Scope 2 – Indirect emissions⁴			
Purchased electricity and steam (market based), ktonnes CO ₂ eq	3	10	7
Scope 3 – Indirect emissions			
Purchased goods (chemicals), ktonnes CO ₂ eq	251	256	228
Upstream transports, ktonnes CO ₂ eq	48	54	49
Business trips, air and rail, ktonnes CO ₂ eq	<1	<1	1
Car commuting, employees, ktonnes CO ₂ eq	4	4	4
Downstream transports, ktonnes CO ₂ eq	157	139	129
Total emissions scope 3	460	453	397
CO₂ Intensity, Scope 1+2 (305-4)			
From fossil fuels, kg CO ₂ /tonne ³	30.5	30.0	37.5
From biofuels, kg CO ₂ eq/tonne	12.5	13.0	13.0
From purchased electricity and energy, kg CO ₂ eq/tonne	0.9	3.4	2.3
Total emissions per tonne of product, kg CO₂eq/tonne	43.9	46.4	52.8

1 Bio-generated carbon dioxide only.

2 CO₂eq (nitrous and methane) from biofuels. Bio-generated carbon dioxide from bio-generated fuels is not included in Scope 1.

3 CO₂ reported under EU ETS only. The emission factor for fossil CO₂ is 76.2 kg CO₂/TJ.

4 Purchased electricity and steam (location based), ktonnes CO₂eq. 2021: 126, 2020: 103 and 2019: 109. Figures for 2019–2020 have been updated due to updated emission factors.

Comments

Absolute Scope 1 emissions increased slightly in 2021, mainly due to increased need for fossil fuel oil compared to last year. Scope 2 market based emissions decreased due to an improved emission factor for purchased steam.

Upstream transport emissions decreased due to a reduction of sea transports. Downstream transport emissions, on the other hand, increased due to increased volumes for oversea shipping.

Emissions from purchased chemicals have decreased slightly in 2021 due to a reduction in chemicals used.

Managed forest land

BillerudKorsnäs manages the forestry holding of Bergvik Skog Öst entailing almost 300 000 hectares of productive forest land in mid Sweden. The forestry management assignment includes all harvesting, forestry measures and all other practical issues related to the forest holding. BillerudKorsnäs also manages forest land for private smallholders in mid and north Sweden. Some of them have chosen to certify their forest according to PEFC and FSC® by becoming members of BillerudKorsnäs group certification. The group consists of 226 members and a total managed forest area of approximately 109 000 hectares of forest land. BillerudKorsnäs also manages our own forest, Marma Skog.

Forest owners and timber suppliers	Bergvik Skog Öst AB	Certified smallholders	Marma Skog
Forest land EU/FAO, ha	317 945	93 192	26 300
Low productive forest land set aside, ha	21 306	7 534	1 785
Productive area voluntary set aside, ha	21 065	6 611	6 600
Area left for nature conservation on harvest site, ha	19 271	8 949	3 000
Forest formally set aside, ha	2 222	–	2 667
Total area of forest set aside, %	20%	25%	53%

Financial statistics

Economic value distributed, per stakeholder, SEKm (201-1)

	2021	2020	2019
<i>Direct economic value generated:</i>			
Income	26 423	24 118	24 978
<i>Economic value distributed by:</i>			
Suppliers	–18 882	–17 915	–17 936
Investments in property, plant and equipment and non-current intangible assets	–1 526	–1 250	–2 868
Salaries and employee benefits	–3 873	–3 586	–3 650
Interest to lenders	–119	–127	–177
Dividend to shareholders	–890	–889	–889
Taxes paid ¹	–145	68	–121
Total	–25 435	–23 669	–25 641
At the company's disposal	988	419	–663

Paid tax by country, SEKm

	2021	2020	2019
Sweden ¹	–124	91	–91
Italy	–	–4	–14
China	–3	–7	–5
Latvia	–2	–1	–2
Lithuania	–	–1	–
Estonia	–	–	–
USA	–1	–3	–3
France	–2	–	–1
Netherlands	–1	–	–
Germany	–3	–	–1
United Kingdom	–2	–1	–1
Spain	–5	–5	–2
Finland	–	–	–
India	–	–	–1
Vietnam	–2	–1	–
	–145	68	–121

1 Includes net property tax of SEK 4 million (15) in 2021. In 2021, property tax of SEK 18 million was repaid relating to previous years. In Sweden the Swedish Tax Agency repaid preliminary tax of approximately SEK 190 million in 2020.

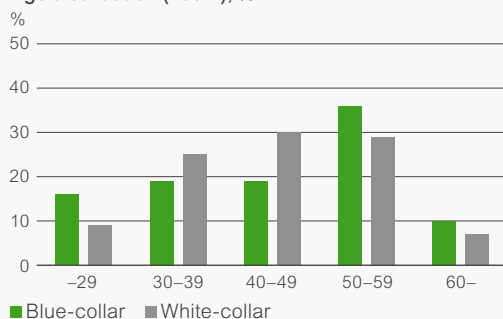
Of total Net sales in the Group of SEK 26 206 million, Net sales in legal entities registered in Sweden amount to SEK 22 438 million, Finland SEK 1 710 million, USA SEK 639 million, China SEK 591 million and UK SEK 409 million.

Of total operating profit of SEK 1 989 million, operating profit in legal entities registered in Sweden amount to SEK 2 189 million, Finland SEK –6 million, USA SEK 10 million, China SEK 18 million and UK SEK –6 million.

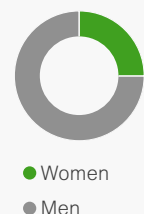
Employee statistics

Employee statistics 2021 (2020)

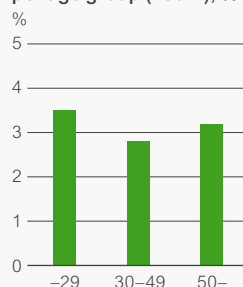
Age distribution (405-1), %



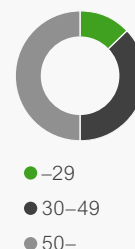
Proportion of employees (102-8), %



Proportion sick leave per age group (403-2), %



Proportion of total sick leave per age group (403-2), %



	Total	Sweden	Finland	United Kingdom	Baltic Region	Sales offices and other
Employees						
Average number of employees (102-8), no.	4 370 (4 468)	3 788 (3 850)	126 (127)	119 (134)	72 (73)	265 (284)
Employees at year-end ¹ , no.	4 197 (4 407)	3 766 (3 797)	112 (120)	– (133)	73 (73)	246 (284)
of whom women, %	25.0 (23.8)	23.2 (22.0)	17.0 (18.9)	– (11.2)	27.4 (27.4)	55.7 (55.3)
of whom blue-collar, %	54.5 (56.3)	57.5 (59.4)	66.1 (66.7)	– (63.9)	67.1 (83.6)	0.0 (0.0)
of whom white-collar, %	45.5 (43.7)	42.5 (40.6)	33.9 (33.3)	– (36.1)	32.9 (16.4)	100 (100)
Proportion of female managers ² , %	26.7 (23.8)	24.2 (23.7)	25.0 (30.0)	– (12.5)	37.5 (25.0)	47.6 (26.9)
Average age, years	45 (46)	45 (46)	45 (46)	– (46)	52 (51)	41 (42)
Sickness absence (403-1)						
Total sick leave as % of hours worked	3.4 (3.4)	3.4 (3.5)	4.9 (6.3)	5.3 (5.3)	6.7 (4.3)	1.1 (0.8)
Sick leave as proportion of hours worked, men %	3.3 (3.3)	3.2 (3.2)	5.2 (6.5)	5.6 (5.6)	7.3 (5.0)	0.6 (0.4)
Sick leave as proportion of hours worked, women %	3.7 (3.8)	4.1 (4.3)	3.9 (5.7)	2.2 (2.2)	5.3 (2.4)	1.4 (1.0)

1 90% of employees in the Group are covered by collective agreements (102-41).

2 33% of the Board of Directors are women. The age breakdown is 8% in the 30–50 age group and 92% over the age of 50. Deputies and employee representatives are included.

	2021			2020		
	Employees	Contractors	Total workforce	Employees	Contractors	Total workforce
Number of fatalities	0	0	0	0	2	2
Number of high-consequence work-related injuries	4	2	6	0	0	0
Number of LTI	48	18	66	51	31	82
Number of TRI	76	23	99	75	43	118
Million hours worked	8.1	2.2	10.3	8.3	2.3	10.6
LTIFR	5.9	8.3	6.4	6.1	13.7	7.7
TRIFR	9.4	10.6	9.6	9.0	19.0	11.1
Risk observations	4 813	517	5 330	–	–	–
Safety walks	666	–	666	–	–	–

Other employee disclosures

By the end of the year, a total of 87% of all BillerudKorsnäs employees were covered by some form of formal grouping, such as collaboration councils, safety committees or safety groups (403-1). 98% of employees had at least one performance review with their line manager (404-3). The employee turnover-rate was 9.9%, whereof 6.9% were voluntary. There were 412 new hires during 2021 and 32% of positions were filled by internal candidates. Training hours per FTE that is collected on group level amounted to 9.2 in 2021.

Comments

The production unit in Beetham was divested in October 2021 which impacts the comparison with previous year. Beetham is not included in year-end data but included in sick leave and safety data until the divestment. During 2020 BillerudKorsnäs implemented a new global system for employee and organisational data. This explains some of the increase in proportion of female managers when multiple systems were in use.

Sick leave was stable compared to last year. As previously, it is in the older group of employees, aged over 50, that have the highest reported sick leave and the age group 30–49 that has the lowest reported sick leave.

The age distribution for white and blue-collar workers is fairly similar, with the smallest proportion of employees among the youngest and oldest age groups. The compilation shows that there is a higher proportion of blue-collar than white-collar employees in the older groups, particularly in the 50–59 age group.

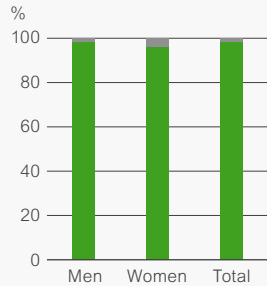
The accident rate (LTIFR) for own employees decreased slightly from 6.1 to 5.9 in 2021. There has been a lot of focus on safety initiatives such as improved procedures and safety culture at the production units.

The accident rate (LTIFR) for contractors however, had a steep improvement from 13.7 to 8.3 in 2021. Overall, the trend is moving in the right direction but our ambition is that contractor safety shall be on the same level as for own employees. Several initiatives are underway to work more focused with our contractors, with the goal of reducing the number of accidents.

From 2022, LTIFR have been supplemented with two leading KPI's relating to risk observations and safety walks. Baseline data have been established for 2021, that excludes Beetham for correct comparison.

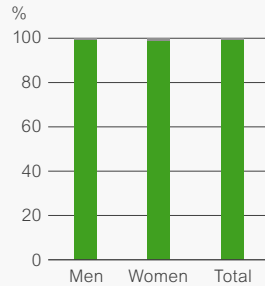
UN Global Compact

Employees' form of employment, (102-8) %



■ Fixed-term employment
■ Permanent employment

Employees' hours of work, (102-8) %



■ Part time
■ Full time

Equal pay analysis (405-2)

Corrected average pay, comparable posts, women/men %

Survey	1	2	3	4
White collar	102	94	–	86
Blue collar	99	99	98	–

Comments

The annual equal pay analysis covering the four Swedish legal entities have been conducted in an internal process based on a system from an external consultant. The analysis resulted in the adjustment of seven employees' salaries where the deviations did not have objective grounds. Objective grounds and objective causes in this analysis are period of employment, age and performance.

Since 2009 BillerudKorsnäs has been a signatory of the UN's responsible business initiative, Global Compact. This shows the world around us that we have taken a stand on the initiative, support its ten principles and are working for them together with many other large companies worldwide.



Framework for us

For BillerudKorsnäs the UN Global Compact serves as a framework for the entire business. Our Code of Conduct and steering documents are aligned with the UN Global Compact's the ten principles. This Annual and Sustainability Report in line with GRI Standards serves as part of the annual reporting – Communication on Progress – to Global Compact. Our reporting has qualified for Advanced level since 2014.

The UN's Development Goals

BillerudKorsnäs has evaluated its impact on UN's 17 global Sustainable Development Goals (SDG). We reached the conclusion that BillerudKorsnäs has the greatest opportunity to influence and contribute towards SDGs 8, 9, 12, 13, 14 and 15. More information is available on page 27. [↗](#)

External networks

BillerudKorsnäs is a member of a number of networks of various kinds to learn from, contribute towards and influence development in the forest industry, packaging and sustainability, but also for society as a whole. Working together produces results.

Selection of networks where BillerudKorsnäs is represented on the board, or helps to fund:

- Alliance for Beverage Cartons and the Environment (ACE) – European platform for beverage carton manufacturers and their carton suppliers on environmental issues affecting the industry.
- Asian Corrugated Carton Association (ACCA) – international organisation for the corrugated carton industry.
- Confederation of European Paper Industries (CEPI) – European industry organisation for the pulp and paper industry.
- CEPI Eurokraft – European organisation for producers of kraft paper for sacks and packaging.
- CEPI Cartonboard – European Association of Cartonboard Manufacturers.

- ECMA – European Carton Makers Association
- Energiforsk – network for Swedish energy research.
- European Federation of Corrugated Board Manufacturers (FEFCO) – European industry organisation for producers of corrugated board.
- EXTR:ACT – an organisation created by the companies in ACE working to increase the industry's recycling work.
- Global Recycling Alliance for Beverage Cartons and the Environment (GRACE) – collaboration on efficient collection and recycling solutions worldwide.
- Packbridge – European cluster with partners from the entire packaging value chain.
- Paper Province – company cluster for forest bioeconomy.
- Pro Carton – European Association of Carton and Cartonboard Manufacturers.
- Returkartong – materials company for paper packaging covered by producer responsibility in Sweden. Returkartong is one of the owners of FTI, the packaging and newspaper collection service.
- RISE Research Institutes of Sweden AB – state-owned company for Swedish industrial research institutions.
- Skogforsk – Swedish forest industry research organisation.
- SSG Standard Solutions Group – a knowledge centre that helps industry to be more efficient and safer in the field of asset management.
- Svenska FSC® – Sweden's initiative for the Forest Stewardship Council.
- Svenska PEFC – is part of the global Programme for the Endorsement of Forest Certification. PEFC is a global alliance of national forest certification systems
- The Swedish Forest Industries Federation – Swedish industry organisation for the pulp, paper and wood mechanical industry.
- Treesearch – a national research platform for new materials from forest raw material.
- Wallenberg Wood Science Center – a research centre in the new materials sector with the forest as a raw material.
- 4evergreen – industry alliance to boost the contribution of fibre-based packaging in a circular economy.

Policies and management systems

Framework for policies

BillerudKorsnäs' policy framework includes eight policies;

1. Governance Policy
2. Responsible Business Policy
3. Sustainability Policy
4. Communication, Branding & Information Policy
5. Finance Policy
6. People Policy
7. Operations & Quality Policy
8. Occupational Health & Safety Policy

Each policy has a policy owner who is responsible for implementing respective policy in the organisation. Each policy is supported by underlying group directives as well as processes and procedures.

Company-wide management systems

Today the majority of the production units have their own certificates for quality, the environment, traceability of wood raw material, energy, food safety and health and safety. Work is in progress to coordinate joint processes in management systems.

What was done in 2021:

- Quality (ISO 9001) and environment (ISO 14001). The focus during the year was to coordinate identified common processes regarding production sites and group level.
- Energy (ISO 50001). With regard to the energy management system, we focused on governance issues on group level.
- Food safety (FSSC 22000). Implementation work on new requirements in FSSC 22000 v 5.
- Forestry (FSC® FM/PEFC FM) and traceability (FSC® CoC/PEFC CoC). Developed and implemented new routines to fulfil the new FSC FM standard in Sweden. Initiated the process to transfer to a single site ISO 9001/14001 certificate that cover the whole Wood Supply scope

Development group

Work on management systems is coordinated by the management system development group. It includes representatives of each production unit, Wood Supply and central responsible officers at the Technology and ESQ, Operations unit. The group also follows up work on environmental and quality management. Other management systems and forest certification are followed up in competence-based groups.

External evaluation

BillerudKorsnäs is assessed continuously by numerous customers and analysts through surveys about performance and work methods. This is fully in line with our ambition to provide stakeholders with a solid basis for their evaluation of our business. Below are the major, public reviews carried out in 2021:

- Dow Jones Sustainability Index. BillerudKorsnäs was included in DJSI World as one of the world's 10% most sustainable companies.
- Sustainalytics. BillerudKorsnäs received the ESG Risk Rating Overall Score of 9.0 corresponding to the category "Negligible Risk". The score ranks in the 2nd percentile of all evaluated companies. (Jan 2022)
- CDP. BillerudKorsnäs received high scores when CDP evaluated the company on disclosure, awareness and management of climate, water and forest topics.
- EcoVadis. BillerudKorsnäs received the highest rating level in EcoVadis, thus continuing to be in the top of the companies being evaluated. BillerudKorsnäs was rated 'Platinum'.
- The UN Global Compact. In the 'Communication on Progress' report, which highlights progress in the work with the UN Global Compact, BillerudKorsnäs is classed as 'Advanced'.

Certificates at BillerudKorsnäs 2021¹

	ISO 9001	ISO 14001	ISO 50001	FSSC 22000/ ISO 22000	OHSAS 18001	FSC® FM/ PEFC FM	FSC® CoC/ PEFC CoC
Frövi	X	X	X	X			X
Gruvön	X	X	X	X			X
Gävle	X	X	X	X			X
Karlsborg	X	X	X	X			X
Skärblacka	X	X	X	X			X
Pietarsaari	X	X		X	X		X
Beetham ²	X	X		X	X		X
Forestry	X	X				X	X

¹ Today there are two differences in the company's certification. All the Swedish production units have energy management systems, but Pietarsaari do not. Pietarsaari instead carry health and safety certification, which the Swedish units do not. For the Swedish production units the motivation for introducing energy management systems was both financial and environmental, while the Swedish Work Environment Agency's regulations for systematic work environment efforts have been seen as sufficiently rigorous to attain ambitious work environment targets

² Beetham was divested 31 October 2021. Read more on page 46. [🔗](#)

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



Examples of reporting for external evaluation

External systems or initiatives	The focus of reporting
Global Reporting Initiative (GRI)	Sustainability Report
UN Global Compact	Sustainability Report
CDP	Three reports: Climate, Forests and Water
MSCI	Environmental, social and governance aspects
Environmental Product Declaration (EPD)	Environmental performance of products
EcoVadis	Working conditions, environment, supply chain
Sustainalytics	Environmental, social and governance aspects
Dow Jones Sustainability Index	Economic, environmental and social aspects

Materiality

BillerudKorsnäs performed a thorough materiality assessment in 2019 in conjunction with the strategy review. In 2020 and in 2021 updates have been made based on changes in stakeholder perceptions and simplification of topics assessed. In 2021, the rating for Forest management (including biodiversity) has increased.

In 2022, BillerudKorsnäs will update the materiality assessment based on changes in external perceptions, operational footprint and reporting frameworks. For more details on the materiality assessment process, read more in the annual and sustainability report 2019.



Climate-related Disclosures

The Task Force on Climate-related Financial Disclosures (TCFD) is an initiative under which companies can voluntarily opt to disclose how climate risks and opportunities may affect their profitability. By following the recommendations, BillerudKorsnäs get an opportunity to obtain useful data for our strategic choices, but also increase transparency so that investors can make a fair assessment of our long-term potential for profitable growth. While climate topics are highly prioritized within BillerudKorsnäs, we acknowledge that our reporting on climate-related risks and opportunities is not yet complete. Given the scale, unpredictability, and long-term nature of climate-related risks, the assessments and information provided will be updated over time.

Governance

Climate-related risks and opportunities are governed at overall level by the Board of Directors (BoD) and at an operational level by the CEO, Executive Management Team (EMT), Sustainability function and other staff. The BoD addresses, on an ongoing basis, strategic issues related to operations, investments, acquisitions, etc. that includes climate-related risks and opportunities. For example, the EMT and BoD has been involved in the development and approval of our Scope 1 and 2 road map. Read more about the road map at page 30. [↗](#)

Strategy

BillerudKorsnäs has identified several climate-related risks and opportunities that have an actual and potential impact on the company's business and strategy. Many of these are driven by the trends described on pages 11, [↗](#) such as new policy developments, increased market demand and more strict sustainability requirements. The most substantial risks are included in the Enterprise Risk Management process, which is based on an impact and likelihood rating scale. The three major climate-related transition and physical risks that can have significant impact on the company within the next 5–10 years, and beyond, are:

- *Availability and price of wood raw material:* Wood and pulp account for more than a third of our operating expenses. Transitional risks such as the growing interest in the forest as a source of raw material, EU policy development, and physical risks such as forest fires and increasing pest infections, affect the availability and thus the price of forest raw material.
- *Price of purchased electricity:* A continued ambitious climate policy in Sweden and at EU level will affect electricity prices, such as through the price of emission allowances.
- *Operational disruptions due to physical impact on our production units:* When the climate is changing we will see increased temperatures and frequency of severe weather events. Our operations may be subject to flooding, water shortages or other disturbances. If a

production unit is shut down for a long period of time it can impact BillerudKorsnäs' sales volume.

One significant opportunity has been identified:

- *Increased demand of products, driven by policy changes and consumer awareness:* Climate and energy policy in the coming decade will gradually be sharpened and favour companies that deliver bio-based products and/or comply with sustainable practices. Increasing demand can have a significant impact on sales volumes and/or profits.

The response to all above issues are further described in BillerudKorsnäs' Risk Management and Sensitivity Analysis, read more on pages 64–68. [↗](#)

To determine the resilience of BillerudKorsnäs' climate strategy, we have applied two RCP-scenarios from IPCC. The 2° scenario (RCP 2,6) is based on active climate politics while the 4° scenario (RCP 8,5) is based on business-as-usual. The assessment of financial implications performed in 2019 concluded that the opportunities exceeded the risks in both scenarios, due to increases in market potential. The demand for and cost of wood raw material is assumed to increase in a 2° scenario due to active climate politics (transitional risk), while in a 4° scenario, the effect is more uncertain – warmer temperatures can both lead to a longer forest growth season (opportunity) and increased risk of forest damage (physical risk).

Risk Management

The Sustainability Director and BillerudKorsnäs' Sustainability function are responsible for identifying transitional and physical risks and opportunities, and keeping the BoD and/or EMT informed about issues that may have a short- or long-term impact on the company. Major climate-related risks are assessed and included in the Enterprise Risk Management process at least annually, including input from the line organisations. Read more on pages 64–68. [↗](#) The impact and significance are estimated by using primary and secondary data. For example, the future cost of raw material in the different scenarios is calculated by using external market analysis combined with internal purchasing data and expertise.

A number of actions are ongoing and/or planned to mitigate significant risks. BillerudKorsnäs' BoD and EMT are continuously updated on the management of significant risks through relevant business areas or functions. The execution of activities in the Scope 1 and 2 road map is overseen by representatives from Technology, Operations and Sustainability. Read more on page 30. [↗](#) In addition, energy efficiency measures are identified and implemented by the production units and coordinated within Operations. Read more on page 39. [↗](#) To mitigate



The TCFD structures its recommendations around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets.

the risk related to availability and price of wood raw material, our business area Wood Supply focuses on value chain optimisation and long-term relationships. Read more on pages 23 and 34. [↗](#) We adapt our measures in managed forests to mitigate physical climate risks. E.g. through co-operating with contractors to minimize rutting damages due to changes in soil conditions and to utilize site adapted forestry to increase long-term pest resiliency. To meet the growing demand of sustainable packaging solutions, business area Commercial is working in close collaboration with customers and partners to develop innovative solutions that can capture new market potential. Read more on pages 14–19. [↗](#)

Metrics and Targets

On an overall level, one of the most meaningful targets and ways for BillerudKorsnäs to assess the resilience of our strategy is to follow-up on our climate target, which is aligned with the Paris Agreement and the 1.5 degree pathway, and approved by the Science-based Target initiative. The target covers Scope 1, 2 and 3 greenhouse gas emissions. Key metrics related to energy, innovation and product development are also used. Read more on page 112. [↗](#) In terms of external metrics, a number of historical and forward-looking indicators are used to monitor BillerudKorsnäs' business environment from a strategic and risk management perspective.

EU Taxonomy disclosure

The European Union have introduced the EU taxonomy as part of the action plan on financing sustainable growth. For 2021, BillerudKorsnäs is required to report on taxonomy eligibility for two of six environmental targets.

Identifying and assessing taxonomy eligible activities

Relevant economic activities for BillerudKorsnäs have been assessed based on the taxonomy regulation (EU 2020/852) and related delegated acts, hereafter "the taxonomy". BillerudKorsnäs' main economic activities, production of paper and board, are not included in the current version of the taxonomy. The threshold used for assessing relevant economic activities is that it generates external revenue, either accounted for as net sales or as cost reductions in the consolidated income statement. Internal consumption that does not generate external revenues has not been included in the taxonomy eligible economic activities. Economic activities related to climate change adaptation has not been deemed relevant due to not generating external revenues. The assessment identified four relevant economic activities described below.

In accordance with the requirements in the taxonomy, no conclusion on alignment to the technical screening criteria have been performed for 2021.

Accounting policy – denominator

Total turnover for the Group equals net sales in the consolidated income statement according to IFRS.

Total Capex, in accordance with the taxonomy definition, are Acquisitions, property, plant and equipment in consolidated statement of cash flows, and new leasing contracts of right of use assets in Note 15.

Total Opex, in accordance with the taxonomy definition, consists of the following items:

- Short term and low value leases according to Note 15, Right of use assets.
- Maintenance and Repair of Property, Plant and Equipment.

Forest management

The economic activity described in the taxonomy focuses mainly on forest owners. Only a small fraction of BillerudKorsnäs' wood supply comes from fully owned forests. However, for a share of the wood supply, BillerudKorsnäs have been engaged in and have had an influence over the forest management practices. The external revenue from this part of the wood supply is deemed relevant from a taxonomy

perspective. The external revenue includes sale of wood to saw-mills and other forestry companies as well as identified harvesting compensation and planning compensation, accounted for as a cost reduction in the consolidated Income Statement.

No opex and capex relating to the taxonomy definition of Forest management have been identified.

Production of heat/cool using waste heat & Cogeneration of heat/cool and power from bioenergy

BillerudKorsnäs' production units produce large amounts of steam and electricity. In total, more than 16 TWh of energy is used. Around 1 TWh of the energy production is sold to external parties in the form of district heating, steam, and electricity. At our production unit in Gävle there is a joint arrangement, Bomhus Energi AB, that supplies district heating to external parties. A share of the Group's district heating sold to external parties is based on waste heat from our production processes.

Turnover include 50% of total net sales of Bomhus Energi AB, accounted for as net sales in the consolidated accounts. Turnover also include sale of primary and secondary energy from the production units to external customers, accounted for as a production cost reduction in the consolidated Income Statement.

Opex is related to maintenance and repair in Bomhus Energi AB, of which 50% are included in the consolidated accounts. It has not been possible to separate other opex and capex related to the sale of primary and secondary energy from total opex and capex.

Freight rail transport

BillerudKorsnäs' fully owned subsidiary, Scandfibre AB, operates freight rail transports for own and other forestry industry companies' outbound transports. External turnover in Scandfibre AB, related to freight rail transport is included. Opex is the proportion of short term lease of railway carriages and repair of them, in relation to the external turnover and total turnover in Scandfibre AB. Capex is new Right of use assets in Scandfibre AB.

Proportion of turnover, capex and opex from products or services associated with Taxonomy-eligible economic activities

	Turnover	Capex	Opex
Total	26 206	1 658	1 240
Taxonomy eligible	1 303	3	128
Proportion of taxonomy eligible economic activities (%)	5%	0%	10%
Proportion of taxonomy non-eligible economic activities (%)	95%	100%	90%

Assurance report

Auditor's Limited Assurance Report on BillerudKorsnäs AB's Sustainability Report and statement regarding the Statutory Sustainability Report

To BillerudKorsnäs AB (publ)

Introduction

We have been engaged by the Board of Directors of BillerudKorsnäs AB (publ) to undertake a limited assurance engagement of BillerudKorsnäs' Sustainability Report for the year 2021. The sustainability report is accompanied by a separate GRI Index in English available on <http://billerudkorsnas.com/Sustainability/>. BillerudKorsnäs has defined the scopes of the Sustainability Report and the Statutory Sustainability Report on page 2 [↗](#) in this document.

Responsibilities of the Board of Directors and the Group Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on pages 112–116 [↗](#) in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our assignment is limited to the historical information that is presented and does not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information (revised). A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR12. The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of BillerudKorsnäs in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and the Group Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 7 April 2022

KPMG AB

Ingrid Hornberg Román

Authorized Public Accountant

Torbjörn Westman

Expert Member of FAR

Five-year summary and Alternative performance measures (APM)

In addition to the financial measures defined in IFRS, certain key figures, which qualify as alternative performance measures (APM) are presented to reflect the underlying business performance and enhance comparability from period to period. These APMs should not be considered as a substitute for measures in accordance with IFRS. In Note 6 items affecting comparability are presented, which also make it possible to adjust the result to better show the underlying business performance.

Summary income statement

SEKm	2021	2020	2019	2018	2017
Net sales	26 206	23 884	24 445	23 692	22 345
Other income and operating expenses (excluding depreciation, amortisation and impairment)	-22 305	-21 172	-21 615	-20 749	-18 585
EBITDA	3 901	2 712	2 830	2 943	3 760
EBITDA %, EBITDA divided by Net sales	15	11	12	12	17
Depreciation/amortisation	-1 912	-1 938	-1 744	-1 513	-1 519
Operating profit	1 989	774	1 086	1 430	2 241
Operating profit %, Operating profit divided by Net sales	8	3	4	6	10
Net financial items	-113	-95	179	-89	-138
Profit before tax	1 876	679	1 265	1 341	2 103
Tax	-391	-3	-254	-304	-465
Profit/loss from discontinued operations, net of tax	-	-16	5 709	-	-
Net profit	1 485	660	6 720	1 037	1 638

Operating cash flow after operative investments

SEKm, 31 December	2021	2020	2019	2018	2017
Operating surplus	3 932	2 406	2 674	3 219	3 650
Change in working capital	197	-53	-463	-267	241
Net financial items	-96	-105	217	-49	-103
Tax paid	-141	83	-109	-401	-472
Cash flow from operating activities	3 892	2 331	2 319	2 502	3 316
Operative investments	-1 526	-1 250	-2 868	-5 120	-4 196
Operating cash flow after operative investments	2 366	1 081	-549	-2 618	-880

Operating surplus

SEKm, 31 December	2021	2020	2019	2018	2017
Operating profit	1 989	774	1 086	1 430	2 241
Reversed depreciation	1 912	1 938	1 744	1 513	1 519
Share of profit/loss of associates	-89	-89	17	-12	7
Change in provision for pensions	-43	-48	-44	-43	-41
Change in other provisions	13	-36	-168	136	-90
Net result from electricity certificates and emission rights	20	-5	10	2	-1
Incentive programmes	7	6	6	10	10
Sale/Scrapping of fixed assets	-	-2	8	35	8
Revaluation of biological assets	-	-132	-	-2	-
Discontinued operations	-	-	15	-	-
Unified accounting principles regarding spare parts and consumables	-	-	-	177	-
Revaluation of current holding related to business combinations	-	-	-	-30	-
Capital gain/loss from sale of business	123	-	-	3	-5
Revaluation VindIn	-	-	-	-	2
Operating surplus	3 932	2 406	2 674	3 219	3 650

Key financial ratios

	2021	2020	2019	2018	2017
Margins					
EBITDA, %	15	11	12	12	17
Operating margin, %	8	3	4	6	10
Return (rolling 12 months)					
Return on capital employed, %	8	3	4	7	12
Return on equity, %	8	3	41	7	12
Capital structure at end of period					
Capital employed, SEKm	24 008	24 667	24 938	23 687	19 548
Working capital, SEKm	2 017	2 292	2 159	2 056	1 760
Equity, SEKm	20 041	19 294	19 462	14 355	13 811
Interest-bearing net debt, SEKm	3 968	5 373	5 476	9 333	5 737
Net debt/equity ratio, multiple	0.2	0.28	0.28	0.65	0.42
Interest-bearing net debt/EBITDA, multiple	1.0	2.0	1.9	3.2	1.5
Investments					
Investments in non-current assets, SEKm	1 526	1 252	2 926	5 142	4 261
Acquisitions, SEKm (2019 refer to Bergvik Skog Öst AB amounting to SEK 3 729 million and Paboco A/S SEK, 45 million. 2018 refer to Fastighets AB Marma Skog AB)	–	–	3 774	36	–
Other key figures					
Working capital as a percentage of net sales	9	11	8	8	9
Human Resources					
Average number of employees	4 370	4 468	4 596	4 502	4 395

	2021	2020	2019	2018	2017
Return on capital employed (ROCE), SEKm					
Operating profit	1 989	774	1 086	1 430	2 241
Average capital employed over 12 months	24 463	25 116	24 270	21 530	18 038
Return on capital employed, %	8	3	4	7	12
Return on Equity, SEKm					
Profit for the year	1 485	660	6 720	1 037	1 637
Average Equity over 12 months	19 558	19 152	16 270	13 968	13 338
Return on Equity, %	8	3	41	7	12
Net debt/equity ratio, multiple					
Interest-bearing net debt	3 968	5 373	5 476	9 333	5 737
Equity	20 041	19 294	19 462	14 355	13 811
Net debt/equity ratio	0.2	0.3	0.3	0.7	0.4
Interest-bearing net debt / EBITDA, multiple					
Interest-bearing net debt	3 968	5 373	5 476	9 333	5 737
EBITDA	3 901	2 712	2 830	2 943	3 760
Interest-bearing net debt / EBITDA	1.0	2.0	1.9	3.2	1.5
Working capital as percentage of net sales					
Average working capital	2 357	2 516	1 834	1 863	2 048
Net sales	26 206	23 884	24 445	23 692	22 345
Working capital as percentage of net sales, %	9	11	8	8	9

Capital employed

SEKm, 31 December	2021	2020	2019	2018	2017
Total assets	37 978	36 360	36 923	33 714	28 196
Accounts payable	–3 809	–3 129	–2 937	–3 825	–3 294
Other liabilities	–465	–333	–318	–376	–259
Accrued expenses and deferred income	–1 955	–1 356	–1 414	–1 323	–1 197
Tax liabilities	–12	–29	–10	–8	–72
Provisions	–194	–185	–222	–387	–250
Deferred tax liabilities	–3 962	–3 609	–3 614	–3 633	–3 392
Non-current receivables from associates (interest-bearing)	–15	–16	–20	–19	–16
Cash and cash equivalents	–3 558	–3 036	–3 450	–456	–168
Capital employed	24 008	24 667	24 938	23 687	19 548

Working capital

SEKm, 31 December	2021	2020	2019	2018	2017
Inventories	3 836	3 629	3 572	3 633	2 912
Accounts receivable	3 047	2 350	2 408	2 807	2 713
Other current receivables	827	713	537	902	617
Prepaid expenses and accrued income	534	389	313	215	267
Accounts payable	-3 809	-3 129	-2 937	-3 825	-3 294
Other current liabilities	-463	-304	-320	-353	-258
Accrued expenses and deferred income	-1 955	-1 356	-1 414	-1 323	-1 197
Working capital	2 017	2 292	2 159	2 056	1 760

Interest-bearing net debt

SEKm, 31 December	2021	2020	2019	2018	2017
Provisions for pensions	816	836	871	784	784
Non-current interest-bearing liabilities	4 655	6 435	7 349	7 130	3 586
Non-current lease liabilities	169	170	144	-	-
Current interest-bearing liabilities	1 790	889	493	1 894	1 551
Current lease liability	111	95	89	-	-
Non-current receivables from associates (interest-bearing)	-15	-16	-20	-19	-16
Cash and cash equivalents	-3 558	-3 036	-3 450	-456	-168
Interest-bearing net debt	3 968	5 373	5 476	9 333	5 737

EBITDA and Adjusted EBITDA

SEKm	2021	2020	2019	2018	2017
Operating profit	1 989	774	1 086	1 430	2 241
Depreciation and impairment of non-current assets	1 912	1 938	1 744	1 513	1 519
EBITDA	3 901	2 712	2 830	2 943	3 760
Items affecting comparability ¹	177	-9	1	533	90
Adjusted EBITDA	4 078	2 703	2 831	3 476	3 850

Adjusted operating profit

SEKm	2021	2020	2019	2018	2017
Operating profit	1 989	774	1 086	1 430	2 241
Items affecting comparability ¹	177	-9	1	591	150
Adjusted operating profit	2 166	765	1 087	2 021	2 391

Adjusted earnings per share

SEK	2021	2020	2019	2018	2017
Profit attributed to owners of the parent company, SEKm	1 485	660	6 720	1 037	1 638
Items affecting comparability, attributed to owners of the parent company, SEKm	177	-5	-5 708	461	117
Adjusted profit attributed to owners of the parent company, SEKm	1 662	655	1 012	1 498	1 755
Weighted number of outstanding shares, thousands	206 858	206 816	206 761	206 962	207 114
Adjusted earnings per share	8.03	3.17	4.89	7.24	8.48

Adjusted return on capital employed (ROCE)

SEKm	2021	2020	2019	2018	2017
Adjusted Operating profit	2 166	765	1 087	2 021	2 391
Average capital employed over 12 months	24 463	25 116	24 270	21 530	18 038
Adjusted Return on capital employed, %	9	3	4	9	13

Interest-bearing net debt/Adjusted EBITDA

multiple	2021	2020	2019	2018	2017
Interest-bearing net debt	3 968	5 373	5 476	9 333	5 737
Adjusted EBITDA	4 078	2 703	2 831	3 476	3 850
Interest-bearing net debt / Adjusted EBITDA	1.0	2.0	1.9	2.7	1.5

¹ See note 6 for items affecting comparability

² Includes adjustment for discontinued operations in 2019.

Quarterly data

BillrudKorsnäs' net sales and operating profit/loss by product areas are presented below. The results of the product areas are reported excluding the effects of currency hedging and excluding the effect on profit/loss of the translation of trade receivables in foreign currency and currency effects in connection with payments. These effects are reported separately in the item 'Currency hedging etc.' The portion of the currency exposure that relates to changes in invoicing rates is included in the product area's profit/loss.

Quarterly net sales per product area and for the Group

SEKm	2021					2020				
	Full year	Q4 -21	Q3 -21	Q2 -21	Q1 -21	Full year	Q4 -20	Q3 -20	Q2 -20	Q1 -20
Product area Board	14 852	3 762	3 663	3 642	3 785	13 600	3 370	3 059	3 571	3 600
Product area Paper	8 127	2 138	2 047	2 039	1 903	7 576	1 777	1 835	1 940	2 024
Solutions & Other	2 950	757	725	772	696	2 750	667	637	722	724
Currency hedging, etc.	277	31	59	51	136	-42	-11	30	-77	16
Total Group	26 206	6 688	6 494	6 504	6 520	23 884	5 803	5 561	6 156	6 364

Quarterly EBITDA per product area and for the Group

SEKm	2021					2020				
	Full year	Q4 -21	Q3 -21	Q2 -21	Q1 -21	Full year	Q4 -20	Q3 -20	Q2 -20	Q1 -20
Product area Board	2 748	809	678	556	705	1 855	481	266	571	537
Product area Paper	1 388	346	414	365	263	1 035	165	241	323	306
Solutions & Other	-512	-288	-34	-89	-101	-136	6	33	-83	-92
Currency hedging, etc.	277	31	59	51	136	-42	-11	30	-76	15
Total Group	3 901	898	1 117	883	1 003	2 712	641	570	735	766

Quarterly EBITDA margin per product area and for the Group

%	2021					2020				
	Full year	Q4 -21	Q3 -21	Q2 -21	Q1 -21	Full year	Q4 -20	Q3 -20	Q2 -20	Q1 -20
Product area Board	19	22	19	15	19	14	14	9	16	15
Product area Paper	17	16	20	18	14	14	9	13	17	15
Group	15	13	17	14	15	11	11	10	12	12

Adjsted quarterly EBITDA, including maintenance shutdowns, per product area and for the Group

SEKm	2021					2020				
	Full year	Q4 -21	Q3 -21	Q2 -21	Q1 -21	Full year	Q4 -20	Q3 -20	Q2 -20	Q1 -20
Product area Board	3 262	954	859	744	705	2 330	645	577	571	537
Product area Paper	1 654	485	525	381	263	1 254	296	329	323	306
Solutions & Other	-335	-111	-34	-89	-101	-145	-67	33	-44	-67
Currency hedging, etc.	277	31	59	51	136	-42	-11	30	-76	15
Total Group	4 858	1 359	1 409	1 087	1 003	3 397	863	969	774	791
Costs for maint. Shutdowns	-780	-284	-292	-204	-	-694	-295	-399	-	-
Items affecting comparability	-177	-177	-	-	-	9	73	-	-39	-25
EBITDA	3 901	898	1 117	883	1 003	2 712	641	570	735	766

Adjusted quarterly EBITDA margin, excluding maintenance shutdowns, per product area and for the Group

%	2021					2020				
	Full year	Q4 -21	Q3 -21	Q2 -21	Q1 -21	Full year	Q4 -20	Q3 -20	Q2 -20	Q1 -20
Product area Board	22	25	23	20	19	17	19	19	16	15
Product area Paper	20	23	26	19	14	17	17	18	17	15
Group	19	20	22	17	15	14	15	17	13	12

Quarterly operating profit/loss per product area and for the Group

SEKm	2021					2020				
	Full year	Q4 -21	Q3 -21	Q2 -21	Q1 -21	Full year	Q4 -20	Q3 -20	Q2 -20	Q1 -20
Product area Board	1 451	486	354	231	380	516	149	-67	233	201
Product area Paper	906	224	293	244	145	558	51	120	202	185
Solutions & Other	-645	-323	-67	-122	-133	-258	-26	3	-113	-122
Currency hedging, etc.	277	31	59	51	136	-42	-11	30	-77	16
Total Group	1 989	418	639	404	528	774	163	86	245	280

Quarterly operating margin per product area and for the Group

%	2021					2020				
	Full year	Q4 -21	Q3 -21	Q2 -21	Q1 -21	Full year	Q4 -20	Q3 -20	Q2 -20	Q1 -20
Product area Board	10	13	10	6	10	4	4	-2	7	6
Product area Paper	11	10	14	12	8	7	3	7	10	9
Group	8	6	10	6	8	3	3	2	4	4

Quarterly sales volumes per product area

ktonnes	2021					2020				
	Full year	Q4 -21	Q3 -21	Q2 -21	Q1 -21	Full year	Q4 -20	Q3 -20	Q2 -20	Q1 -20
Product area Board	1 917	456	466	474	521	1 842	460	419	472	491
Product area Paper	960	231	229	245	255	946	227	238	231	250
Total Group	2 877	687	695	719	776	2 788	687	657	703	741

The share

BillerudKorsnäs shares have been publicly listed since 2001 and are traded on the Large Cap list of Nasdaq Stockholm. The shares are included in the raw materials sector under the ticker symbol BILL.

Share capital

On 31 December 2021, the share capital totalled SEK 1 537 642 792, represented by 208 219 834 shares. Each share, with the exception of the company's repurchased shares, entitles the holder to one vote and an equal right in the company's capital and dividend.

Treasury shares

In 2021 BillerudKorsnäs allocated 38 875 shares in accordance with a long-term incentive programme approved by the 2018 AGM. On 31 December 2021, the company's holdings of treasury shares totalled 1 349 047 shares, corresponding to approximately 0.65% of the total number of shares. The number of shares on the market totalled 206 870 787 on 31 December 2021.

Share price performance

The share price rose by 17% during the year, compared with an increase of 35% in the Stockholm stock exchange, OMX Stockholm PI. The sector index OMX Stockholm Industrial Materials PI increased by 15% over the same period.

BillerudKorsnäs shares closed at SEK 170.70 at year-end 2021, corresponding to a market capitalisation of around SEK 35.5 billion. The highest closing price during the year was SEK 196.55 on 16 November, while the lowest was SEK 142.50 on 11 January.

Turnover

Around 119 million shares were traded in 2021, corresponding to a value of approximately SEK 20 billion. The average daily trading turnover was approximately 470 000 shares, corresponding to a value of around SEK 80 million. On average, about 2 500 trades were made each trading day.

Ownership structure

On 31 December 2021, BillerudKorsnäs had 98 053 shareholders, compared with 96 409 at year-end 2020. Swedish ownership accounted for around 60%, roughly two-thirds of which were legal entities and one-third private individuals. The largest foreign ownership was in Austria, the US and the UK.

At year-end, the five largest owners AMF Pension and funds, FRAPAG Beteiligungsholding AG, Swedbank Robur funds, Fourth Swedish National Pension Fund and Schroders owned a total of 40.7% of shares on the market. Total holdings of the ten largest shareholders amounted to 52.3% of shares on the market.

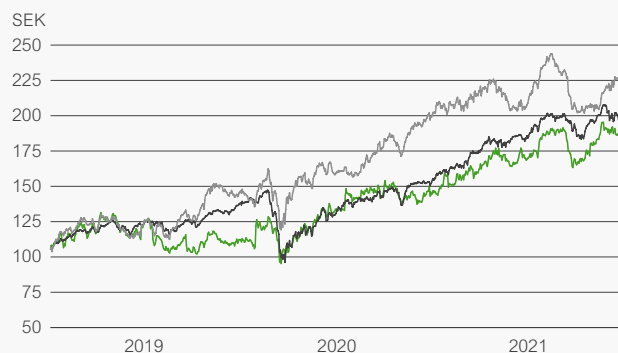
Dividend

BillerudKorsnäs' dividend policy states a dividend to shareholders amounting to at least 50% of the net profit. The dividend will depend, for example, on BillerudKorsnäs' level of profits, its financial position and its future development opportunities. For 2021, BillerudKorsnäs' Board of Directors proposes an ordinary dividend of SEK 4.30 per share. The proposed dividend corresponds to approximately 60% of net profit for 2021.

Distribution of shares at 31 December 2021

Registered number of shares	208 219 834
Repurchased shares in Company treasury	-1 349 047
Shares on the market	206 870 787

Share price performance 2019–2021



— BillerudKorsnäs
— OMX Stockholm PI
— OMX Stockholm Industrial Materials PI

Shareholder categories of shares on the market, %



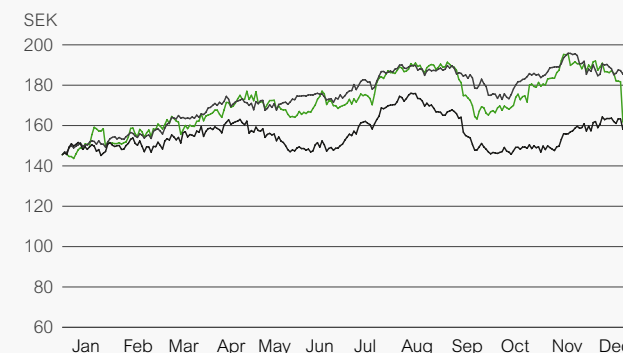
- Foreign shareholders, 39.9
- Swedish mutual funds, 25.4
- Swedish individuals incl. closely held companies, 20.9
- Swedish institutions, 13.8

Geographical ownership distribution of total number of shares, %



- Sweden, 60.4
- Austria, 12.0
- USA, 8.9
- United Kingdom, 4.5
- Norway, 1.7
- Finland, 0.9
- Switzerland, 0.8
- Other, 10.8

Share price performance 2021



— BillerudKorsnäs
— OMX Stockholm PI
— OMX Stockholm Industrial Materials PI

Number of shares on the market

	2021	2020	2019	2018	2017
Average number of shares	206 858 356	206 815 793	206 761 223	206 962 008	207 113 788
Average number of shares after dilution	207 153 264	207 116 876	206 991 854	207 292 671	207 455 852
Number of shares at end of period	206 870 787	206 831 912	206 789 722	206 700 643	206 956 668
Number of shares at end of period after dilution	207 165 695	207 132 995	207 020 403	207 031 306	207 298 732

Ownership structure¹

Shareholding	No. of shares	%	No. of owners	%
1–100	1 601 987	0.8%	33 421	34.1%
101–500	13 155 356	6.3%	51 632	52.6%
501–10 000	20 069 270	9.6%	12 549	12.8%
10 001–100 000	9 750 647	4.7%	377	0.4%
100 001–	146 256 443	70.2%	74	0.1%
Anonymous ownership	17 386 131	8.4%	N/A	N/A
Total	208 219 834	100%	98 053	100%

¹ Including the company's own bought-back shares (1 387 922).

Key figures per share

SEK per share, unless stated otherwise	2021	2020	2019	2018	2017
Earnings	7.18	3.19	32.50	5.01	7.91
Diluted earnings	7.17	3.19	32.47	5.00	7.90
Dividend (for each financial year), actual	4.30 ¹	4.30	4.30	4.30	4.30
Dividend as % of					
– share price (dividend yield)	2.5	3.0	3.9	4.1	3.1
– profit	60	135	13	86	54
– Equity (closing balance)	4.4	4.6	4.6	6.2	6.4
Cash flow from operating activities	18.82	11.27	11.22	12.09	16.01
Shareholders' equity	96.87	93.28	94.11	69.45	66.74
Diluted equity	96.74	93.15	94.01	69.34	66.63
Share price/closing balance of equity, %	176	156	118	152	211
P/E ratio, multiple	23.8	45.6	3.4	21.1	17.8
EV/EBITDA, multiple	10.1	13.1	10.0	10.6	9.3
Share price (closing price, last trading day)	170.70	145.55	110.65	105.50	140.50

Key figures for 2019 affected by profit from discontinued operations of SEK 27.61 per share.

¹ Board's proposal.

The 10 largest shareholders

Shareholder	No. of shares	Share of votes, %
AMF Pension & Funds	25 904 250	12.5
FRAPAG Beteiligungsholding AG	25 000 000	12.1
Swedbank Robur Funds	13 541 785	6.5
Fourth Swedish National Pension Fund	13 175 767	6.4
Schroders	6 538 982	3.2
Vanguard	5 854 700	2.8
Handelsbanken Funds	5 491 642	2.7
Alecta Pension Insurance	5 008 986	2.4
Blackrock	4 426 402	2.1
Folksam	3 192 864	1.5
Total top 10 shareholders	108 135 378	52.3

Analysts covering BillerudKorsnäs

Company	Analyst
ABG Sundal Collier	Martin Melbye
Carnegie	Robin Santavirta
Citigroup	Ephrem Ravi
Danske Bank	Oskar Lindström
DNB	Johannes Grunselius
Handelsbanken	Christian Kopfer
Jefferies	Cole Hathorn
Nordea	Harri Taittonen
Pareto	Axel Persson
SEB	Linus Larsson
UBS	Mikael Doepel

Key figure definitions

Result

EBITDA

Operating profit before depreciation and amortisation (EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation). EBITDA is a measure of operating performance. It is a profit measure that is close to the operating cash flow.

Adjusted EBITDA

EBITDA adjusted for items affecting comparability.

Adjusted Operating profit

Operating profit adjusted for items affecting comparability.

Adjusted key figures

Adjusted key figures on EBITDA, Operating profit, Return on capital employed and Earnings per share provide a better understanding of the underlying business performance and enhance comparability from period to period, when the effect of items affecting comparability are adjusted for. Items affecting comparability can include additional project costs for major projects, major restructuring/write-downs, litigations, specific impact due to strategic decisions, and significant earnings effects from acquisition and disposals.

Margins

EBITDA, %

EBITDA as a percentage of net sales. The measure is used in business review as well as for benchmarking with peer companies.

Adjusted EBITDA, %

Adjusted EBITDA as a percentage of net sales. The measure is used in business review as well as for benchmarking with peer companies. Adjusted EBITDA is used for a better understanding of the underlying business performance.

Operating margin

Operating profit as a percentage of net sales. Operating margin shows the percentage of revenue remaining as operating profit after deducting all operating expenses. The measure is used in business review as well as for benchmarking with peer companies.

Return

Return on equity

Profit calculated over 12 months, attributable to owners of the parent company, as a percentage of average shareholders' equity calculated per quarter, attributable to owners of the parent company. The measure represents total profitability compared to the equity invested by the parent company's shareholders.

Return on capital employed (ROCE)

Operating profit calculated over 12 months as a percentage of average capital employed calculated per quarter. The return on capital employed is a measure that shows how effectively net operating assets total are

used in order to generate return in the operating business. The measure takes capital invested in the operating activities into account and is used in business review and benchmarking with peer companies.

Capital structure

Capital employed

Total assets less accounts payable, other liabilities, accrued expenses and deferred income, tax liabilities, provisions, deferred tax liabilities, non-current receivables from associates (interest-bearing) and cash and cash equivalents. The measure is used to quantify the net total assets used in the operating business, and is used as a component in measuring operating profitability.

Equity

Equity at the end of the period.

Interest-bearing net debt

Provisions for pensions and interest-bearing liabilities (including leasing liabilities) less interest-bearing assets. The measure is used to quantify the debt financing, taken the amount of financial assets into account. The measure is used as a component in measuring financial risk.

Interest-bearing net debt / EBITDA

Interest bearing net debt at the end of the period divided by EBITDA for the last twelve months. The measure shows the size of the interest-bearing net debt compared to the repayment capacity. A higher (lower) ratio indicates a higher (lower) risk.

Interest-bearing net debt / Adjusted EBITDA

Interest bearing net debt at the end of the period divided by adjusted EBITDA for the last twelve months.

Net debt/equity ratio

Interest-bearing net debt divided by equity. The ratio shows the mix between interest-bearing net debt and equity financing. A higher ratio means higher financial leverage and may have positive effects on return on equity, but imply a higher financial risk.

Working capital

Inventories, accounts receivables, other current receivables and pre-paid expenses and accrued income less accounts payables, other current operating liabilities and accrued expenses and deferred income. The measure shows the amount of current net assets that is tied up in the business. Together with non-current assets, working capital constitutes the operating capital employed to generate operating returns.

Working capital as percentage of net sales

Average working capital for the period, divided by annualized net sales. Working capital in relation to net sales shows how effectively the working capital is used. A lower percentage means less capital is tied up to generate a given amount of revenue, and an increased ability to internally finance growth and return to shareholders

Cash flow

Operating surplus

Operating surplus reflect the operating profit adjusted for items that do not impact cash and shows the cash generation in the business.

Operating cash flow after operative investments

Cash flow from the operating activities, including investments in property, plant and equipment, and intangible assets. The measure shows cash flow generated in the operating business, which provides the amount of cash flows available to repay debt, acquire and invest in other businesses and pay dividends to the shareholders.

Per share data¹

Cash flow from operating activities per share

Cash flow from operating activities divided by the average number of shares on the market during the period.

Diluted Earnings per share

Profit for the period, attributable to owners of the parent, divided by the average number of shares in the market after estimated participation in the incentive programs.

Diluted equity per share

Equity at the end of the period, attributable to owners of the parent company, divided by the number of shares on the market at the end of the period plus the effect of estimated participation in the incentive programs.

Earnings per share

Profit for the period, attributable to owners of the parent, divided by the average number of shares in the market.

Equity per share

Equity at the end of the period, attributable to owners of the parent company, divided by the number of shares on the market at the end of the period.

Adjusted earnings per share

Earnings per share adjusted for items affecting comparability after tax attributable to owners of the parent company. The measure is used to show a better understanding of the underlying business performance and enhance comparability from period to period.

EV/EBITDA

Market capitalisation plus interest-bearing net debt, divided by operating profit before depreciation, amortization and impairment losses (EBITDA).

PIE-ratio

Share price at year-end divided by earnings per share.

¹ For number of shares, see section "The share" on page 127.

Shareholder information, key dates and contact persons

Annual General Meeting

The Annual General Meeting of BillerudKorsnäs will be held on Tuesday 10 May 2022 at 15:00 CET at Norra Latin, Stockholm Conference Centre, Drottninggatan 71, Stockholm.

In addition to physical participation, shareholders have the opportunity of postal voting in advance. Postal voting is done by using a postal voting form, which is available on BillerudKorsnäs' website. The completed and signed form must be received by Euroclear Sweden AB no later than Wednesday 4 May 2022.

Notice of the 2022 Annual General Meeting is posted on the company's website www.billerudkorsnas.com.

Notification of attendance

Shareholders wishing to attend the Annual General Meeting must be registered in the shareholders' register maintained by Euroclear AB as of Monday 2 May 2022 and must notify the company of their participation not later than Wednesday 4 May 2022.

Notification of attendance can be made by telephone on +46 8 402 90 82, at www.billerudkorsnas.com/register or by post to BillerudKorsnäs AB, Årsstämman, c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden.

To be able to participate at the meeting, shareholders whose shares are registered in the name of a nominee must request that their own names are temporarily registered in the shareholders' register kept by Euroclear. This procedure, referred to as voting right registration, must be completed by Monday 2 May 2022, which means that shareholders must inform the nominee well before this date.

Due to the COVID-19 pandemic, BillerudKorsnäs encourages shareholders to consider the possibility to, instead of personally attending the annual general meeting, attend by the help of a proxy holder. More information regarding voting by post, as well as proxy services can be found on BillerudKorsnäs website.

Financial information

All financial information, including the Annual and Sustainability report for 2021, is available in both Swedish and English on BillerudKorsnäs' website www.billerudkorsnas.com.

Interim reports

January–March 2022	5 May 2022
January–June 2022	20 July 2022
January–September 2022	25 October 2022

Contact persons



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The BillerudKorsnäs Annual and Sustainability Report 2021 was produced in collaboration with Springtime-Intellecta.

Photos: BillerudKorsnäs Image bank, Jacob Nilsson, Maja Allegren and Maria Fäldt.



We challenge
conventional
packaging for
a sustainable
future

This is BillerudKorsnäs

BillerudKorsnäs is one of the world's leading suppliers of high-quality, packaging materials made from natural cellulose fibre. Our wood raw material comes from sustainable managed forests and manufacturing takes place at resource-efficient, integrated production units.

Our customers are packaging manufacturers, brand owners and large retail and supermarket chains. Through close collaboration with customers and partners all over the world, we are able to offer a customised and broad product portfolio that features a high degree of innovation.

Demand is driven by global megatrends, particularly rising urbanisation, a greater focus on sustainability and changing consumption patterns. Consumer segments, primarily food and beverages, account for most of sales. While Europe is the core market, BillerudKorsnäs is gradually strengthening its presence in the leading growth markets.

Smart packaging solutions using paper or board from BillerudKorsnäs reduce the impact on the climate, cut the use of resources along the whole value chain and contribute to a sustainable future.



BILLERUDKORSNÄS

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