

ANNUAL AND SUSTAINABILITY REPORT

20
22



BILLERUD



PAGE 3

This is Billerud

2022 in brief	4
Key events	5
CEO's statement	6
Global trends	8
Strategy	10
Targets and target fulfilment	12
Our business	14
Board product area	16
Paper product area	19

PAGE 22

Sustainability

Introduction	23
Safety first	24
Climate impact	26
Materials for the future	29
Value chain	31
Sustainable wood supply	32
Responsible supply chain	34
Engaging workplaces	36
Resource-efficient production	38
Community engagement	40
Responsible business	42



PAGE 45

Directors' report

Directors' report	46
Corporate governance in Billerud	53
Remuneration at Billerud	58
Internal control over financial reporting	61
Group Management Team	63
Board of Directors	65
Risks and risk management	67

PAGE 72

Financial statements

Consolidated financial statements	72
Consolidated notes	76
Parent company financial statements	107
Parent company notes	111
Signatures	119
Auditor's report	120



PAGE 124

Sustainability notes and additional information

Sustainability notes	124
Assurance report	153
Five-year summary and alternative performance measures (APM)	154
Quarterly data	158
The share	160
Key figures – definitions and purpose	162
Shareholder information	164
Addresses	165

The 2022 Annual and Sustainability Report

Billerud integrates financial, sustainability and corporate governance information in a joint report. The statutory annual report, which includes the Directors' report and financial statements, can be found on pages 45–119. The sustainability report comprises pages 23–44, 67–71 and 124–152, is prepared in accordance with the Global Reporting Initiative (GRI) guidelines, GRI Standards, and is externally assured. Sustainability reporting also includes the statutory sustainability report under Chapter 6, Section 11 of the Annual Accounts Act.

This is Billerud

Billerud provides paper and packaging materials that challenge conventional packaging for a sustainable future. We are a world-leading company in superior paper and packaging products made of virgin fibre. We are passionately committed to sustainability, quality and customer value.



Net sales 2022 by region

- Europe, 48%
- America, 34%
- Asia, 14%
- Others, 4%



Net sales 2022 by product category

- Graphic paper, 20%
- Liquid packaging board, 20%
- Kraft and speciality paper, 13%
- Containerboard, 13%
- Sack paper, 9%
- Cartonboard, 8%
- Market pulp, 8%
- Others, 9%

Record financial performance

Billerud's financial performance in 2022 was excellent.

Organic and currency-neutral net sales grew by 16%, supported by strong demand and higher prices for all our products. Net sales grew by 63% with the inclusion of the North American operations (formerly Verso), which was acquired on 31 March 2022. The total sales volume of board and paper was around 3.6 million tonnes.

The company's earnings in 2022 were all-time high, mainly due to the acquisition of Verso. The result was also strengthened

by increased prices and an improved mix, which more than offset higher costs for raw materials, energy and logistics. The mix improvement was primarily a result of the ramp-up of high-quality, coated board production at Gruvön. The EBITDA margin was 19%.

Billerud delivered on its roadmap to reduce CO₂ emissions for its European operations, but the company's total carbon footprint increased with the acquired North American operations. For the European manufacturing, the emissions of fossil CO₂ declined by 9% to 27.7 kg/tonne product.

Key figures

	2022 ¹	2021	2020	2019	2018
Net sales, SEKm	42,590	26,206	23,884	24,445	23,692
EBITDA, SEKm	8,167	3,901	2,712	2,830	2,943
EBITDA margin, %	19	15	11	12	12
Operating profit, SEKm	5,687	1,989	774	1,086	1,430
Operating margin, %	13	8	3	4	6
Capital employed, SEKm	33,834	24,008	24,667	24,938	23,687
Return on capital employed, %	18	8	3	4	7
Profit/loss before tax, SEKm	5,873	1,876	679	1,265	1,341
Profit for the year, SEKm	4,590	1,485	660	6,720 ³	1,037
Earnings per share, SEK	20.13	7.18	3.19	32.50 ³	5.01
Dividend per share, SEK	7.50 ²	4.30	4.30	8.60 ⁴	4.30
Cash flow from operating activities, SEKm	6,829	3,892	2,331	2,319	2,502
Investments in tangible and intangible assets, SEKm	3,330	1,526	1,250	2,868	5,120
Interest-bearing net debt/EBITDA, multiple	0.6	1.0	2.0	1.9	3.2
Average number of employees	5,525	4,370	4,468	4,596	4,502
Fossil CO ₂ in production, kg/tonne product	119	30.5	30.0	37.5	38.1
Accident rate for employees (LTIFR)	5.4	5.9	6.1	7.4	7.3

¹ Including Billerud North America (formerly Verso) from 1 April 2022.

² The Board of Directors proposes an ordinary dividend of SEK 5.50 and an extraordinary dividend of SEK 2.00.

³ Including profit from discontinued operations of SEK 5,709 million, corresponding to SEK 27.61 per share.

⁴ Whereof an ordinary dividend of SEK 4.30 and an extraordinary dividend of SEK 4.30.

42.6

Net sales (SEK bn)

8.2

EBITDA (SEK bn)

16%

Organic and currency-neutral growth

19%

EBITDA margin

3.6

Sales volumes
(million tonnes)

27.7

Fossil CO₂ in European production
(kg/tonne product)

6,100

Number of employees,
approx as of 31 December 2022

Big steps forward in line with our strategy

Joint venture with Viken Skog

In March, Billerud and the Norwegian forest owner group Viken Skog initiated the formation of a joint venture to explore the possibilities of together establishing production of bleached chemi-thermomechanical pulp (BCTMP) at Viken Skog's Follum mill in Norway.

We plan to establish a state-of-the-art production line for BCTMP with a capacity assumption of 200 ktonnes per year. The pre-feasibility study on this project is ongoing and will be completed in the third quarter of 2023.

The Follum mill has much of the infrastructure needed for such a production line and is located in an area with competitive wood supply and good transports to Billerud's board mills.



Expansion to North America

The acquisition of Verso on 31 March 2022 marked the starting point for Billerud's profitable growth journey in North America. Billerud North America has a strong presence in this market as a quality and cost leading producer of graphic and speciality paper. Our operations are strategically located near major packaging converters and cost-effective supplies of fresh wood fibre.

We aim to capture the market potential of a growing demand for high quality packaging materials made of virgin fibres, driven by the increasing sustainability awareness among North American packaging manufacturers, brand owners and consumers.

We plan to create one of the most cost-efficient and sustainable production platforms in the industry by converting the Escanaba mill into a state-of-the-art paperboard production facility, while maintaining our current position as a quality and cost leader in speciality and coated paper.

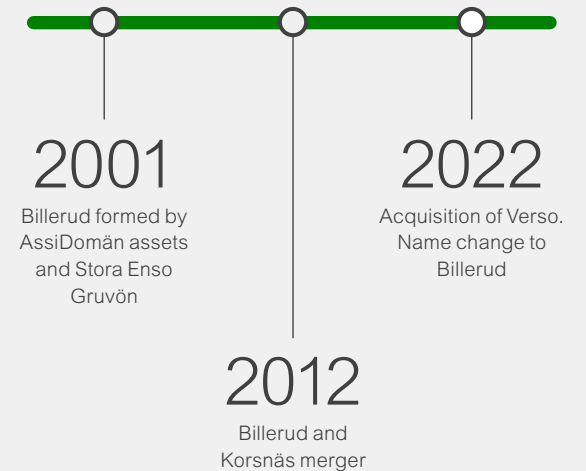
A concept study in the spring verified the technical feasibility of the planned conversion and included an environmental investigation. In the second half of 2022, we started a pre-feasibility study about our transformation programme in the USA. The pre-feasibility study is ongoing and is expected to be completed during the first half of 2023.



Name change

In October, the company simplified its name to Billerud to cater to its international customers. Previously and since the merger between Billerud and Korsnäs ten years ago, the company name was BillerudKorsnäs. The name change to Billerud marked the acceleration of the company's international expansion in sustainable packaging materials.

Milestones in Billerud's history



A milestone year with record financial results

In 2022, we delivered a record financial performance and advanced our growth plans for cartonboard. Among the notable highlights for Billerud was our entry into North America.

Billerud's net sales increased to SEK 42.6 billion and the organic and currency-neutral sales growth was 16%. The Group's EBITDA margin improved to 19%. Earnings per share increased to more than SEK 20, substantially supported by our newly acquired North American operations. The Board of Directors proposes an ordinary dividend of SEK 5.50 per share and an extraordinary dividend of SEK 2.00 per share.

Market conditions were strong for most of the year, with improved market prices across categories and customers building up inventory in the aftermath of the COVID-19 pandemic. Consequences of the war in Ukraine caused higher costs for wood, energy and chemicals, particularly in Europe, which we were able to offset by way of price rises and mix improvements. During the fourth quarter we started to meet more normalised

market conditions. The market conditions for most product categories weakened at the end of the year, driven by customer destocking and expectations of an economic slowdown.

Successful acquisition and integration

The acquisition of Verso marked the start of Billerud's growth journey in North America. Verso was renamed Billerud North America upon completion of the acquisition at the end of March 2022 and has since then been successfully integrated into the company. The Billerud Group has become a larger, more international and diversified company, with around 1,700 more employees, three more mills and a strong US customer base. Our North American operations, consisting mainly of three production facilities in Michigan and Wisconsin for the production and sheeting of graphic and speciality paper, delivered



strong earnings and cash flow. We also changed our company name from BillerudKorsnäs to the internationally more viable Billerud.

Advanced plans for capacity growth

Billerud has a clear growth agenda for cartonboard in North America. We have the right product portfolio and know-how to take an active part in shifting the US packaging market towards stronger and thinner board materials with better sustainability specifications. North America is a growing board market with limited domestic capacity for the type of cartonboard that we produce. We are intensifying our sales activities in the US and during 2022 our cartonboard sales in North America, with deliveries from Europe, more than doubled compared to the previous year.

We are currently running two strategic projects to support our international

cartonboard expansion. The first project aims to convert at least one paper machine in Escanaba to a cartonboard machine. The second project is our intention to start producing bleached chemi-thermomechanical pulp (BCTMP), which is a key ingredient for our cartonboard material, in Norway together with the forest association Viken Skog.

In terms of investment decisions, we will first turn to the project in the USA. We are making progress in getting the business, the products and the Escanaba mill ready for the transformation and technical options are being analysed. By the time we plan to start board production at the Escanaba mill, our target is to have sales of over 200 ktonnes cartonboard in the US, to ensure a rapid commercial ramp-up. Our employees support these plans and a sizable investment support from the State of Michigan has been approved for our planned transformation

of the mill. The current CO₂/tonne gap between our European and US mills represents a major potential. With our know-how we plan to drastically reduce Escanaba's fossil emissions as part of the transformation project. This will make us a cost and CO₂ footprint leader in the US market.

The project in Norway is also progressing. Part of our partnership with Viken Skog involves a long-term supply agreement that will ensure availability of cost-competitive pulp and pulpwood. A potential investment decision for this project is planned for later in 2023.

Strong financial position and resilience

Billerud is in a good position to embark on capacity investments over the coming years. Our financial position is strong. The proceeds from the rights issue carried out in 2022 were used to

“Over 40% of our sales are material for the packaging of food and beverages, which has proven to be a very resilient segment.”

repay debt raised to finance the acquisition of Verso. At year-end the net debt to EBITDA ratio was as low as 0.6.

In terms of the business' sensitivity to cyclical economic fluctuations and inflation, over 40% of the Group's sales are attributed to material for the packaging of food and beverages, which has proven to be a very resilient segment. We have a more diversified geographic exposure than before and in the North American graphic paper market we have a cost-leading position which provides long-term advantages.

Sustainability is the driving force

Sustainability is not only an integral part of our business model, it is the driving force that is boosting the demand for our renewable and recyclable materials which replace fossil alternatives. We support the UN's Global Compact and adapt our strategies to societal and environmental trends and regulations. We use wood fibres efficiently and source from responsibly managed and growing forests. During 2023 we will update the Group's science-based targets, including our newly acquired North American operations, with a commitment to reach net zero emissions by 2050 at the latest.

We are also investigating bioenergy carbon capture and storage (Bio-CCS) opportunities.

Our foremost priority is the health and safety of individuals. To bring down the injury rate in our manufacturing facilities we are increasing the number of risk observations, safety walks and key safety performance audits.

Efficiency improvements

At the end of the year, we closed the cost and efficiency programme that has been running for the past three years and which delivered structural savings amounting to SEK 270 million in 2022. We are now taking the next step to advance efficiency by launching a new three-year efficiency enhancement programme. This programme entails efficiency initiatives across functions predominantly in our European operations. For us to safeguard productivity and competitiveness we must streamline our ways of working and business processes. We know that we have room for improvement in, for example, mix and inventory management and shortened delivery times. The target for the efficiency enhancement programme is an EBITDA uplift of SEK 1.5 billion by

the end of 2025. For 2023 we estimate that these initiatives will have a positive impact of SEK 400 million.

Outlook

In 2023, we see more challenging market conditions than last year for most product categories and continued cost inflation, particularly in Europe. The geopolitical and macroeconomic environment remains uncertain. To mitigate the negative effects, we are continuously focusing on price and mix management. In parallel, we will continue to execute on our strategic agenda that will create profitable growth opportunities for Billerud for the next ten years and beyond.

I would like to thank our shareholders, customers, employees, and all other stakeholders for your support in 2022, and am looking forward to a successful 2023.



Christoph Michalski
President and CEO



The trends affecting our industry

Several global trends are having an impact on the paper and packaging industry. This applies particularly to demographics which are increasing the demand for packaging, and the sustainability focus that is generating a shift away from plastics to paper products. Billerud has identified five key trends affecting our industry and offering opportunities for growth.

1 A need for higher sustainability and circularity

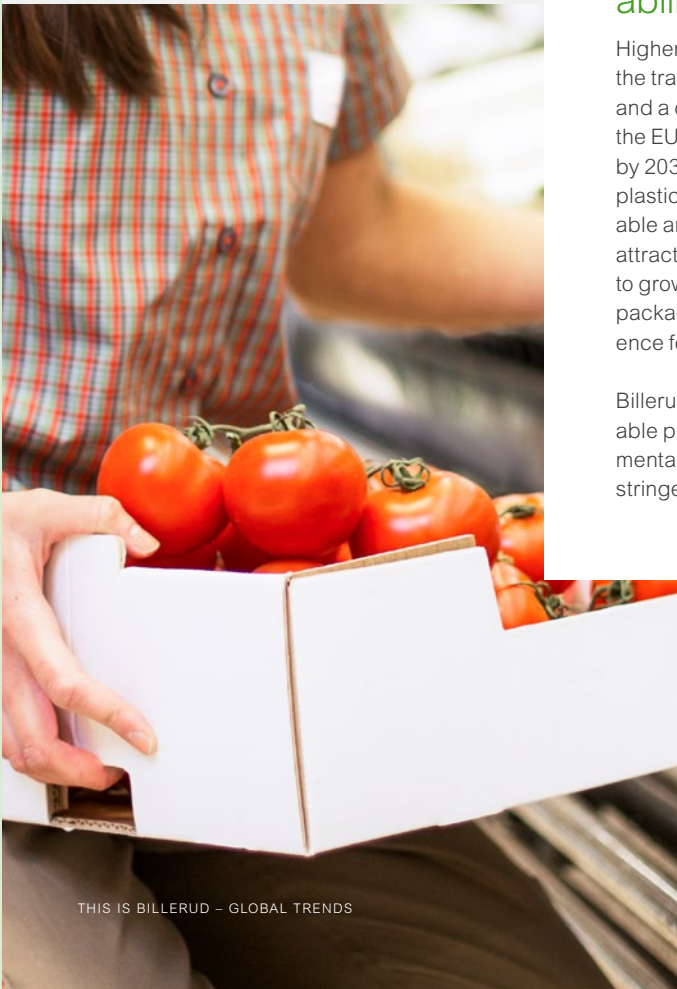
Higher demands for sustainability are driving the transition towards a carbon neutral society and a circular economy. Initiatives such as the EU goal to reduce CO₂ emissions by 55% by 2030 and a global commitment to replace plastic, have made our fibre-based, renewable and recyclable products increasingly attractive. Paperboard packaging is expected to grow more than plastic, glass and metal packaging as many consumers show a preference for fossil-free alternatives.

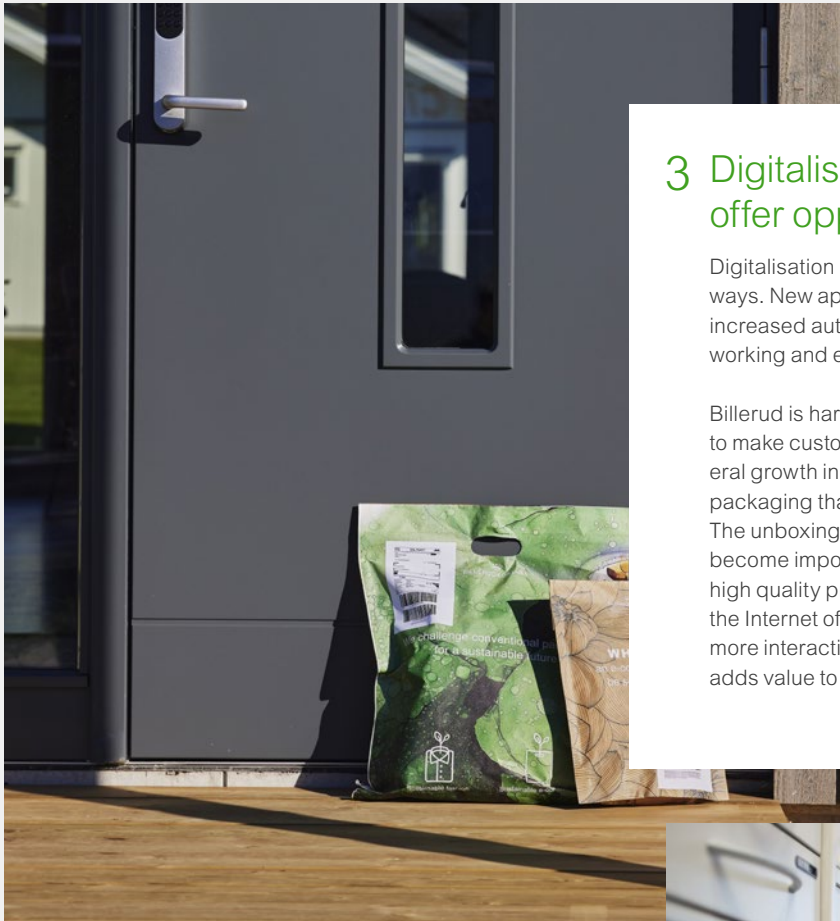
Billerud can supply customers with sustainable products, certifications and the environmental data they require to meet increasingly stringent environmental targets.

2 Urbanisation is increasing demand for packaged goods

The urbanisation trend continues with a growing proportion of the world's population moving from rural areas into cities. With urbanisation comes greater demand for stay-fresh food and drinks packaging. A growing middle-class, especially in emerging markets, has the means to spend more on products with attractive packaging.

Billerud is in an ideal position to capture opportunities related to this trend with our premium packaging offering, that is not only attractive and effective, but also renewable and recyclable to minimise climate impact.

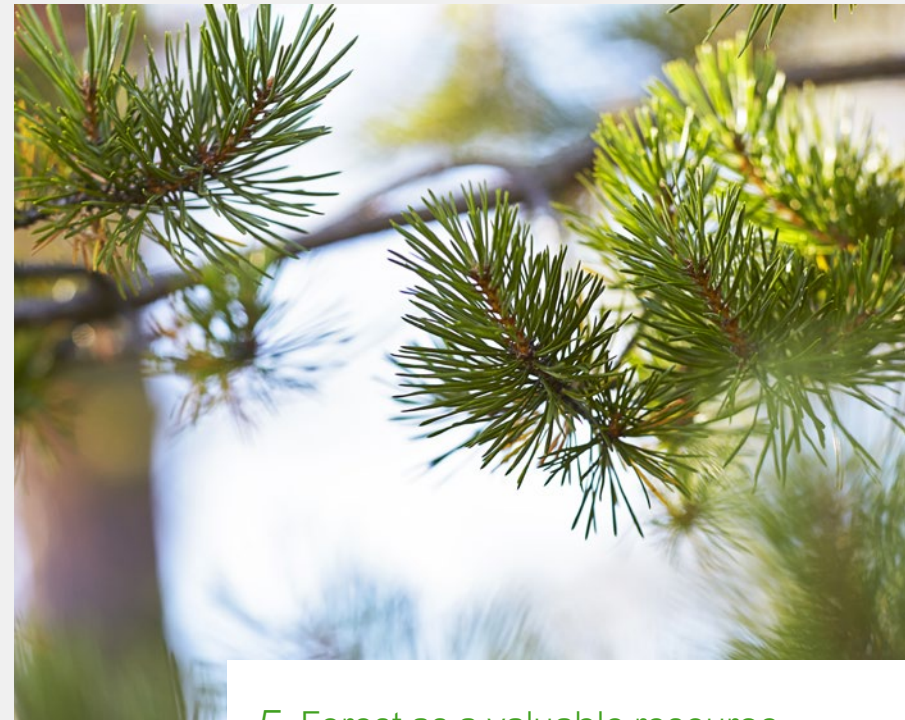




3 Digitalisation and e-commerce offer opportunities

Digitalisation is affecting our industry in multiple ways. New applications provide opportunities for increased automation of systems and new ways of working and engaging in customer relationships.

Billerud is harmonising and digitalising its processes to make customer purchases more efficient. The general growth in e-commerce has boosted demand for packaging that is durable, easy to use and attractive. The unboxing trend, popular among influencers, has become important for many brands and requires high quality premium cartonboard. QR codes and the Internet of Things are making it possible to design more interactive and innovative packaging, which adds value to primary packaging.



4 Increased focus on health and safety

There is a greater focus on health and safety today that was further fuelled by the COVID-19 pandemic. The pandemic has also raised consumer awareness over issues such as a safe and sustainable food supply. Proper packaging serves many important health and safety functions including to protect, ensure long shelf life, and prevent food waste. Packaging for food, beverages and pharmaceuticals must be designed for hygienic handling and the packaging itself must be taint-free and not affect the packaged contents.

Billerud uses only fresh fibre, which is highly suitable for such applications.



5 Forest as a valuable resource

The forest is a valuable resource not only for the fresh fibre used in paper and packaging, but for many other products, such as wood for construction or furniture. The forest is also a resource for biodiversity and carbon absorption. As the need for forest resources increases, it is important to use this valuable resource as wisely and efficiently as possible and continue to promote recycling and reuse. The cascading principle, described in the recent EU Forest Strategy for 2030 document, aims to achieve this.

Billerud's products contribute to the recycling process and we source from sustainably managed forests. This will help ensure the constant regeneration of forests and supply.

Billerud is well positioned for growth. Current megatrends support a growing demand for sustainable packaging materials from renewable virgin fibres. Our products are of high quality, recyclable, reusable and made in a sustainable way. Our mission is to challenge conventional packaging for a sustainable future.

A strategy for growth in packaging

Mission

We challenge conventional packaging for a sustainable future

Main goals

Safety first. Zero lost time injuries

Deliver sustainable profitable growth in packaging materials

Our strategy provides a clear direction to profitable and sustainable revenue growth. Since the strategy was first presented in November 2021, major accomplishments have been made. In 2022, Billerud's sales grew substantially, both organically and through the acquisition of Verso, and the profitability improved. The expansion to North America and our strategic choices will enable further profitable growth to 2030 and beyond.

Our foremost priority is the health and safety of our employees. Safety is a mindset and a culture, and we are continuously working on health and safety issues to reduce the injury rate among both our employees and our contractors.

Commercial

Our strategy focuses on attractive markets with good growth opportunities as well as product segments where we have strong capabilities to compete. Our

focus is mainly on the board and liquid packaging segments where we see the most opportunities for future growth. In our paper segments, including sack and kraft paper, we will strive to improve the mix through value-added applications and innovation.

Europe is our home market where we are well established in all segments. North America will become our main growth region for the next ten years. We have identified a growing market need in virgin fibre containerboard and cartonboard, where the domestic supply is static. In Asia and other regions, we aim to grow with the market in selected applications.

Through our innovation work we are introducing new applications that meet the rising demand for sustainable alternatives to fossil-based plastics, aluminium and glass packaging.

Operations

We continue to focus on efficiency improvements throughout our operations. We are optimising production across our mills resulting in higher volumes and an improved product mix.

We have made several investments at our Gruvön mill, where we are ramping up the KM7 board machine to provide higher volumes of coated board products. The machine is expected to be fully ramped up by 2025.

The acquisition of Verso in 2022 provides a significant opportunity for growth in the cartonboard market. A transformation project is underway to convert at least one paper machine into state-of-the-art cartonboard production and to drastically reduce our fossil CO₂ footprint. In addition, we will maintain our position as a quality and cost leader in speciality and graphic paper. This

business transformation will result in additional capacity and a more profitable production mix and forms the basis for our future profitable growth in the region.

Wood supply

We source wood from sustainably managed forests. For our operations in Europe over 70% of the wood comes from private forest owners and forest companies in Sweden. While there is good availability of wood in the country, competition for this natural resource is rising due to increased demand from different industries and regulatory changes for forest management.

We recognise the need to maintain and create new long-term partnerships and optimise fibre consumption. We build competitive fibre availability through our current sources of supply and develop alternative sources outside our current sourcing regions. We are also developing a supply chain that is lean, green and flexible to secure availability of quality wood fibre.

We have initiated a long-term partnership with Norwegian forest owner group Viken Skog to establish the production of bleached chemi-thermomechanical pulp in Norway. The new production line is intended to be developed at the Follum mill, which is situated in an area that offers a competitive and sustainable supply of wood in relative proximity to our mills.

Our operations in the USA are in close proximity to an abundant and cost effective supply of wood raw material.

Foundations for success

Our success is based on three foundations: sustainability, our people and our culture.

Sustainability

All our activities are underpinned by our ambitions for sustainability. We have a roadmap to reduce our CO₂ emissions according to science-based targets. This is well developed and has progressed in our European facilities. We will now start this work in our North American facilities as well. All our wood raw material is responsibly sourced, and we are working towards a fossil-free supply chain.

People

Our people are critical for the company's success and continued competitiveness. Ensuring that we have the right people with the right skills in place and strong succession planning will be crucial in our ability to execute our strategy. We put a lot of emphasis on continuous training both in skills and sustainable leadership.

Our corporate culture is aligned with our strategy and founded on the Billerud values: Place the Customer in the Centre, Dare to Innovate, Lead the Change and Care for Each Other.

One Billerud

As Billerud has grown from many different mergers and acquisitions, our systems and processes are not always efficiently aligned. We are currently reviewing our ways of working, systems and processes, to create "One Billerud". This common way of working will make us a more efficient company and a better supplier to our customers.

Our strategic choices

Commercial



Paperboard

Drive the powerhouse in Europe and deliver growth ambition in North America



Liquid packaging board
Long-term profitable growth with select customers



Sack and kraft paper
Improve mix by growing share of target applications



Innovation
Step up impact led innovation

Operations



Improve efficiency to best in class across all mills with one operating framework



Accelerate KM7 to capacity and release true potential across the three board mills



Develop and execute the transformation in North America



Build factory of the future pilot in Norway

Wood supply



Optimise fibre consumption



Build long-term partnerships



Secure competitive fibre availability



Develop lean, green and flexible wood supply chain

Targets and target fulfilment

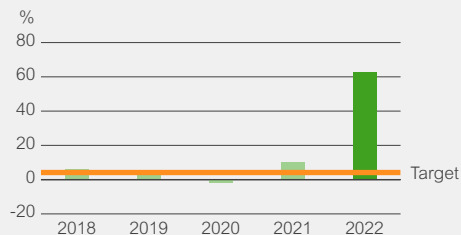
Billerud has financial targets for growth and profitability, coupled with principles governing the company's indebtedness and dividends to shareholders. Three key targets, linked to the climate footprint, safety and customer experience, support our proactive sustainability work.

Financial targets

Net sales growth

TARGET 3-4%
OUTCOME 63%

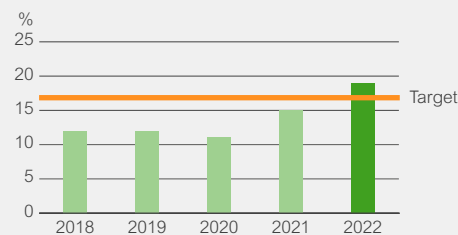
The target is for net sales to increase by 3–4% per year. This target was greatly exceeded in 2022 as net sales increased by 63%, mainly due to the acquisition of Verso. The organic and currency-neutral net sales growth was 16%.



EBITDA margin

TARGET >17%
OUTCOME 19%

The target is an EBITDA margin above 17%. This was achieved in 2022 as the EBITDA margin was 19%. The improved margin was mainly a result of higher sales prices and an improved product mix.

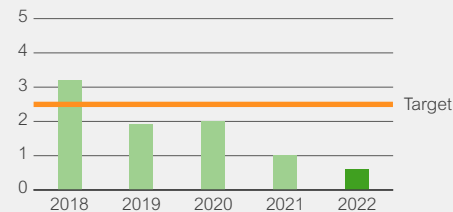


Financial principles

Interest-bearing net debt/EBITDA

TARGET <2.5
OUTCOME 0.6

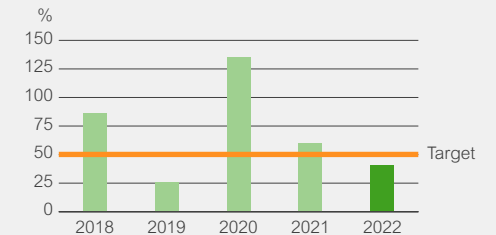
Net interest-bearing debt in relation to EBITDA should be less than 2.5. Proceeds from the rights issue in June 2022 were used to repay loans, and debts were further reduced later in the year. At the end of 2022, the ratio was 0.6, well below the target level.



Dividend

TARGET >50%
OUTCOME 41%

The policy is to issue a dividend to shareholders of more than 50% of the net profit. The proposed dividend for 2022 of SEK 7.50 per share, comprising an ordinary dividend of SEK 5.50 and an extraordinary dividend of SEK 2.00, corresponds to 41% of the net profit for the year.



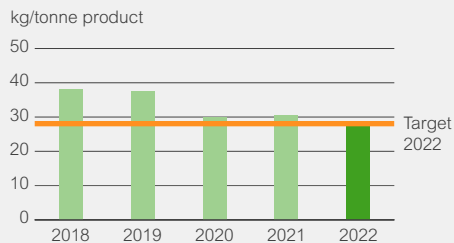


Key sustainability targets

Fossil CO₂ in European production

TARGET 2022 **<28** OUTCOME **27.7**

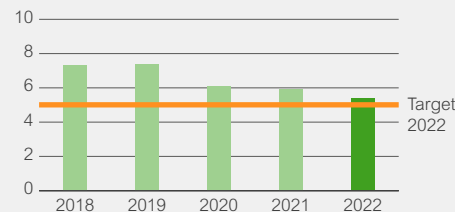
The 2022 target for emissions of fossil CO₂ in the manufacturing process was less than 28 kg/ tonne product. The target was reached as the outcome was 27.7 kg/tonne product in Europe. Billerud's total carbon footprint increased however by the acquisition of operations in North America.



Workplace safety

TARGET 2022 **<5** OUTCOME **5.4**

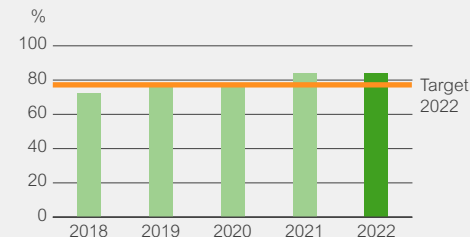
The number of accidents per million work hours (LTIFR) for employees in the Group was 5.4 in 2022. The target for the year of less than 5 was not reached. Further efforts are needed to improve safety and our vision is zero injuries.



Sustainability value for customers

TARGET 2022 **>78%** OUTCOME **84%**

The goal is for customers to consider that Billerud's work on sustainability creates value. The 2022 target was reached as 84% in the latest customer survey consider that our sustainability work creates value.



Our business

Sustainability is at the core of our business. Our production is in ten locations on two continents where responsibly managed wood is close at hand. We make materials from renewable virgin fibres. Our products are used for the packaging of food and consumer goods, industrial use and printed communication. People all over the world depend on our materials.



Our business model



Sustainability at the core

Billerud makes high-quality paper and packaging materials from virgin fibre that supports a circular economy. Our strategy focuses on attractive markets and product segments where we have strong abilities to compete. Sustainability is at the core of our business model.

New trees are planted

When harvested, the whole trees are used for different purposes and certain parts of the trees are used in our production. We source the upper part of trees and woodchips from sustainably managed forests to make pulp, paper and paperboard. We take responsibility for ensuring that the wood come from forests that are managed with respect for their importance to biodiversity and societies. For every harvested tree, new trees are planted, and growing forests absorb more carbon dioxide than standing forests.

Integrated mills and green energy

Billerud's production facilities are located in Sweden, the USA and Finland, close to the raw material. All facilities except the converting facility in the US are operationally integrated mills that produce both paper or board as well as pulp. In our manufacturing process, green energy is generated and used mainly in our own processes. We also supply district heating and byproducts that are used to produce biofuels.

Global sales of renewable materials

Our customers are primarily packaging manufacturers, but also merchants, commercial printers and publishers. Brand owners are key stakeholders as they set the requirements on the quality, safety, printability and sustainability of the material. Our materials are delivered to customers in over 100 countries. Our liquid packaging board alone is estimated to amount to more than 100 billion liquid carton packages per year. The products we provide are biodegradable and can replace materials with a larger carbon footprint. As we develop and launch new applications, more fossil-based packaging can be replaced.

Sustainable value chain

When our material has been used, it can be recycled many times and made into recycled fibre board, before finally being used for energy production. Our business flow and products form the basis of a sustainable value chain.

Board product area

The Board product area includes liquid packaging board, containerboard and cartonboard, which are mainly used to produce packaging for food, beverage and consumer products. We are expanding our operations to meet the growth in demand for sustainable board products.

The market and our position

The market for board made of virgin fibre is growing as demand for sustainable packaging of consumer products, food and ecommerce increases. In Europe, Billerud has a well-established position from which the company can grow in all segments. North America will, however, be our main growth region for the next ten years, as we plan to expand our cartonboard business in this market.

Billerud is one of the leading suppliers of liquid packaging board used for packaging beverages and liquid foods. We are the global leader when it comes to liquid packaging board for long-life ambient packaging (packaging at room temperature). The ten largest material manufacturers and converters account for about 80-90% of total capacity in the relatively consolidated liquid packaging board industry.

We are a niche supplier of containerboard, where we offer semi-chemical fluting and premium kraftliners. Billerud can claim the world's strongest fluting, which makes it ideal for packaging fragile or heavy products. We are one of the leading European producers of coated and uncoated white kraftliners, which offer customers excellent print surfaces and high strength.

We have a very competitive cartonboard offering to the highest-value segments. Many brand owners want strong and light packaging with excellent design opportunities related to formability, print surfaces and colour reproduction, which are properties that our materials meet. Billerud's cartonboard sales have increased sharply over several years. Our strongest market position, based on capacity, is in Europe, but during the past couple of years we have introduced products from our CrownBoard range on the North American market.



Liquid packaging board

Liquid packaging board is used for packaging beverages and liquid foods, including milk, juice and preserved foods. Billerud's liquid board protects and preserves the contents, is stable and can satisfy most printing requirements. Billerud has 60 years of experience of developing liquid packaging board.

Billerud's position

- #1 Liquid packaging board, long-life ambient packaging, globally
- #2 Liquid packaging board, all types of packaging, globally

Applications

- Milk
- Juice
- Sports drinks
- Smoothies
- Preserved foods such as chopped tomatoes, beans and sauces

Containerboard

Containerboard comprises fluting and liner products. 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.

Billerud's position

- #2 Semi-chemical fluting, Europe
- #5 White kraftliner, Europe

Applications

- Fruit and vegetables
- Exclusive drinks
- Beauty and healthcare products
- Confectionary
- Heavy components for the automotive industry
- White goods and electronics
- Secondary or store packaging for consumer goods

Cartonboard

Billerud's cartonboard allows for unique designs and graphics, print quality, flexibility and moisture resistance. It is often used for consumer products where the packaging is part of the brand's image, such as for exclusive drinks, beauty and healthcare products.

Billerud's position

- #5 Cartonboard, Europe

Applications

- Premium drinks
- Cosmetics
- Confectionary
- Pharmaceutical and healthcare
- Food
- Other beverage

The year 2022

Net sales in the Board product area increased by 21% to SEK 17,912 million. The currency-neutral net sales grew by 15% as a result of increased sales prices and an improved product mix with a higher share of cartonboard and coated products. Sales volumes decreased slightly.

EBITDA in the Board product area increased to SEK 3,262 million, corresponding to an EBITDA margin of 18%. The result was positively impacted by the increased sales and negatively affected by higher input costs.

The production ramp-up of the KM7 board machine at Gruvön continued in 2022. Its volumes of coated board products, with higher sales values, increased gradually, while its output of cup stock and uncoated liners was phased out.

The largest product category on this machine during the year was liquid packaging board, which has been certified by all major customers. KM7 has a maximum capacity of 550,000 tonnes per year and is expected to be fully ramped-up by 2025.

The project to build a new recovery boiler at the Frövi mill proceeded as planned during the year. In April 2022, the assembly phase started and by the third quarter half of all activities to be completed before the project is finished were achieved. At the end of January 2023, the completion rate was around 70%. The next step will be to install utility equipment and test the piping. The new recovery boiler is projected to be in operation by the end of 2023. This investment will reduce emissions and provide opportunities for enhanced

energy efficiency, improved availability and flexibility.

Billerud increased its marketing and sales activities in the North American market, with a focus on its CrownBoard product portfolio. The cartonboard sales volume in North America more than doubled in 2022 and our offering is being well received by brand owners and packaging manufacturers.

We plan to expand our cartonboard business in North America, initially with deliveries from the Frövi and Gruvön mills in Sweden. After the planned conversion of at least one paper machine to state-of-the-art paperboard production at the Escanaba mill, we will be able to provide domestic supply of these materials to the North American packaging market.

Key figures

SEKm	2022	2021
Net sales	17,912	14,852
of which liquid packaging board	8,591	7,850
of which containerboard	5,480	4,366
of which cartonboard	3,509	2,228
Operating expenses, net	-14,650	-12,104
EBITDA	3,262	2,748
<i>EBITDA margin</i>	18%	19%
Operating profit/loss	1,973	1,451
<i>Operating margin</i>	11%	10%
Sales volumes, ktonnes	1,889	1,917

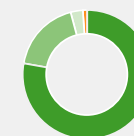


The new recovery boiler at Frövi will be 63 meters high.



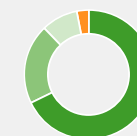
Sales by product category, %

- Liquid packaging board, 48
- Containerboard, 31
- Cartonboard, 19
- Other, 2



Net sales by market segment, %

- Food & beverages, 78
- Consumer & luxury goods, 18
- Industrial, 3
- Medical & hygiene, 1



Net sales by region, %

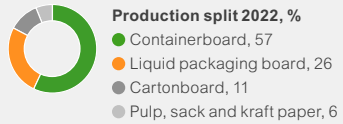
- Europe, 68
- Asia, 20
- America, 9
- Other, 3

Board mills



Gruvön, Sweden

The mill in Gruvön produces mainly liner, fluting, liquid packaging board, cartonboard and formable paper. Since it was brought on stream in 2019, the newest KM7 board machine has increased the mill's paperboard production capacity. The Gruvön mill has a development centre with packaging optimisation expertise.

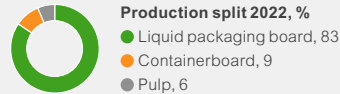


870,000
tonnes per year capacity
Around 750 employees



Gävle, Sweden

The Gävle mill produces liquid packaging board and white top kraftliner. Each day the plant produces material for around 200 million single-portion drink packages, which means that a quarter of the portioned drinks in the world use liquid packaging board made by Billerud in Gävle.

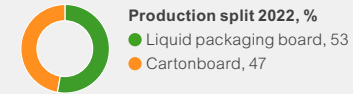


755,000
tonnes per year capacity
Around 680 employees



Frövi/Rockhammar, Sweden

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



500,000
tonnes per year capacity
Around 530 employees



A quarter of the portioned drinks in the world use liquid packaging board made by Billerud.

Paper product area

The Paper product area expanded in 2022 with the acquisition of Verso in North America. Today, in addition to sack and kraft papers, the product area comprises graphic and specialty papers and market pulp. We will continue to target high-margin applications.

The market and our position

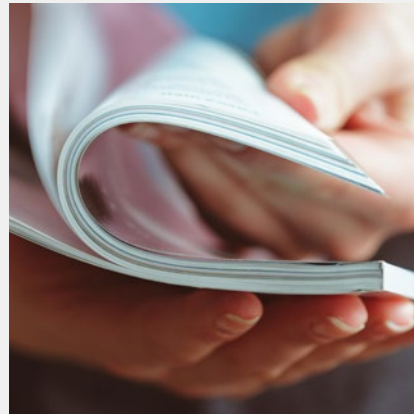
With the acquisition of Verso, we entered a new product category – graphic paper, which comprises coated freesheet (CFS) and coated groundwood paper (CGW), also known as coated mechanical paper. Billerud is a quality and cost leader of graphic paper in North America.

While we expect the demand for graphic paper to decline in the long term, we will continue to serve this market for many years to come. We are planning, however, to convert some graphic paper capacity in North America to board manufacturing.

Billerud North America also offers market pulp and specialty paper, used for consumer and industrial products. The specialty paper market in North America is characterised by growth and high competition. Billerud has a leading position in labels in North America.

Within the kraft paper market, we are among the ten largest players, with a focus on Europe. Increasing demand for sustainable packaging solutions is driving the demand for kraft paper, which is expected to continue its long-term growth. We have a particularly strong position in the machine glazed (MG) paper segment which is a niche segment of the kraft paper market.

Billerud is also a large manufacturer of sack paper. While we are one of many players in the global market for brown sack papers, primarily used for cement, we have a very strong position in the white sack paper market in Europe. Demand for sack paper is growing long term, driven in part by urbanisation and real estate investments. Greater environmental awareness is a consistent driving force, with sack paper offering major advantages over non-biodegradable materials.



Graphic paper

Graphic paper is used for all kinds of print communication. Billerud's graphic papers – coated freesheet (CFS) and coated groundwood (CGW) – are used mainly in upscale catalogues, brochures, magazines and a variety of other marketing and commercial applications.

Billerud's position

#2 Graphic papers, North America

Applications

- Direct mail
- Commercial printing
- High-end catalogues
- Magazines and brochures
- Books

Kraft & speciality paper

Kraft and speciality paper are used when there are high demands for strength, printability, pressure sensitivity, purity and/or flexibility. Billerud's kraft papers are used for the packaging of dry foods, carrier bags and medical packaging, for example. Our speciality papers include pressure sensitive labels and other top layers of label constructions, and release liners used for the backing of laminations and for hygiene products.

Billerud's position

#6 Kraft paper, globally

#2 MG paper, globally

#3 Pressure sensitive speciality paper, North America

Applications

- Dry foods such as flour, sugar and grain
- Carrier and bread bags
- Medical packaging
- Flexible and formable packaging
- Steel interleaving
- Greaseproof paper
- Release liners for the backing of laminations and hygiene products
- Pressure sensitive labels

Sack paper

Durable and strong paper that is used for sacks containing building materials, industrial minerals, chemicals and food for both humans and animals. Billerud's sack paper ensures that sacks are strong enough to protect the contents and be filled without splitting or generating dust, which contributes to a clean and healthy work environment.

Billerud's position

#4 Sack paper, globally

Applications

- Cement and other building materials
- Industrial minerals
- Chemicals
- Animal feed and dry foods

The year 2022

Net sales in the Paper product area amounted to SEK 21,509 million, an increase of 165%, mainly due to the acquisition of Verso. Billerud North America had sales volumes of 834 ktonnes and net sales of SEK 11,460 million during the period 1 April–31 December 2022. The Beetham mill, which was divested on 31 October 2021, had net sales of SEK 409 million in 2021. The organic and currency-neutral net sales growth in 2022 was 21%, driven by higher prices for all products. The sales volumes for comparable operations were stable.

EBITDA in the Paper product area increased to SEK 5,325 million, corresponding to an EBITDA margin of 25%. Billerud North America contributed an EBITDA of SEK 2,342 million. The profit improvement was also a result of higher

sales prices, which more than compensated for higher input costs.

During the first two quarters, the paper production at Pietarsaari ran at lower capacity due to a strike at UPM's pulp mill, which supplies the operation with pulp, purified water, steam and compressed air.

A major upgrade was carried out at the Quinnesec mill during the third quarter. The improvements will increase the annual pulp capacity and enable the production of more premium paper grades. These improvements are expected to have a positive earnings impact of around SEK 70-100 million in 2023.

Sales of Billerud's Xpression E-Com, a kraft paper that is specifically designed for e-commerce bags, grew during the year, and the material Xpression E-Com

AutoPack was launched to cater to automated e-commerce packaging.

Billerud introduced Xpression Wrap, a new application for strong kraft paper that can replace plastic shrink film for the wrapping of beverage cans. Switching from plastic to paper wrapping saves energy and is neutral in terms of production efficiency.

Billerud also launched Performance White Barrier, a new coated sack paper that replaces the plastic barrier which is usually found in paper sacks. This material can be recycled as paper, has a printable surface, the same high quality as our previous sack paper, and a more sustainable footprint. It can be used for the packaging of a variety of powdered goods, such as animal feed, building materials, minerals and dry food.



Performance White Barrier makes paper sacks without plastic film possible.

Key figures

SEKm	2022	2021
Net sales	21,509	8,127
of which graphic paper	8,632	–
of which kraft and speciality paper	5,580	3,511
of which sack paper	3,858	2,726
of which market pulp	3,394	1,855
Operating expenses, net	-16,184	-6,739
EBITDA	5,325	1,388
<i>EBITDA margin</i>	25%	17%
Operating profit/loss	4,290	906
<i>Operating margin</i>	20%	11%
Sales volumes, ktonnes	1,704	960



Sales by product category, %

- Graphic paper, 40
- Kraft and speciality paper, 26
- Sack paper, 18
- Market pulp, 16



Net sales by market segment, %

- Print & publishing, 40
- Industrial, 36
- Consumer & luxury goods, 12
- Food & beverages, 10
- Medical & hygiene, 2



Net sales by region, %

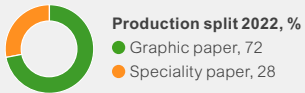
- America, 59
- Europe, 28
- Asia, 8
- Other, 5

Paper mills



Escanaba, USA

The mill in Escanaba produces graphic papers for commercial printing and marketing applications as well as speciality papers used in label and converting applications. The production facility has, among other equipment, a pulp mill, a refiner mechanical pulp mill and three paper machines.

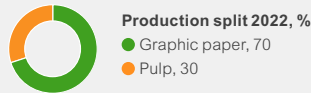


660,000
tonnes per year capacity
Around 830 employees



Quinnesec, USA

The Quinnesec mill produces graphic paper, market pulp and speciality paper. The production facility has one paper machine and a pulp dryer and is a fully integrated mill. Established in 1985, it was initially started to produce pulp and began making paper in 1990.

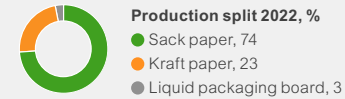


430,000
tonnes per year paper capacity
and 210,000 tonnes per year
pulp capacity
Around 430 employees



Pietarsaari, Finland

The manufacturing 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 110 employees



Skärblacksa, Sweden

The Skärblacksa mill produces high-quality machine glazed (MG) kraft paper, brown sack paper, fluting and market pulp. The mill is a world-leading MG centre. It has two laboratories with expertise in barriers and various types of sealing systems for the development of packaging for food and medical products.



460,000
tonnes per year capacity
Around 620 employees



Karlsborg, Sweden

The Karlsborg mill produces sack paper and kraft paper, as well as 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 370 employees



Wisconsin Rapids, USA

The Wisconsin Rapids converting facility converts own manufactured rolls of paper into folio and digital sheets. The facility has seven state-of-the-art sheeters. Paper production at the mill is idled.

320,000
tonnes sheeting per year
capacity
Around 130 employees

Sustainability

Billerud is passionate about sustainability, our customers and their business. We believe all aspects of packaging can be improved, and that we can create a better tomorrow by taking action today.



Billerud's international presence continues to increase with sustainability as a primary focus. We continue the transition to a climate-neutral and circular future based on renewable and recyclable raw material.

Uniquely positioned to contribute to a circular and sustainable future

Billerud is on a journey towards building a future where lighter, stronger, more durable and sustainable packaging is the natural choice. Sustainability is in our essence and runs through our entire value chain and the way we do business. It starts with our firm belief that primary fibres from sustainably managed forests make for some of the best performing packaging materials. Together with our customers, we transform these materials into packaging solutions that are not only sustainable, but also create value in the form of outstanding product performance, consumer attraction and optimised total cost efficiency.

Sustainability is at the core of everything we do

Billerud's proactive sustainability work over many years has given us a leading position and sustainability is central for our long-term journey in North America. We are conducting a comprehensive analysis of the North American conditions from a sustainability perspective

in order to set common baselines and goals during 2023. We are, for example, working on new science-based targets for the whole company. By learning from each other, finding common ways of working and integrating our operations, we will be able to become even more sustainable. For 2022, we report target fulfilment for our European operations in every sustainability chapter. The targets forward are presented on page 134.

Areas where we can make the biggest difference

Safety remains the number one priority for Billerud and constitutes, together with the climate impact and materials for the future, the three areas that are strategically vital for our future competitiveness. With the support of a sustainability foundation, that incorporates those aspects that are fundamental to our sustainability work, our ambition is to continue a sustainable transition by maximising the positive and minimising negative impacts along our value chain.

Leading position in the DJSI

For the sixth year in a row, Billerud was listed on the Dow Jones Sustainability World Index among the 10% most sustainable companies in Containers & Packaging, based on the S&P Global Corporate Sustainability Assessment.

Our contribution to the 2030 Agenda



We have picked out six of the SDGs in the 2030 Agenda within which our greatest impact is found and where we can contribute the most. Read more on page 142.

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



Safety is Billerud’s number one priority. The aim of our systematic work on safety is to achieve zero injuries, as well as more stable production and improved product quality.

Safety first

No one’s health or safety should be put at risk by going to work. Putting safety first is both a promise and a way of taking a stand with the goal of shaping an injury-free work environment. Systematic work on safety produces ripple effects in the form of motivated employees, stable production, and higher product quality. Creating safe workplaces is essential for sustainable and profitable operations and thus a strategic priority for the company.

Steps towards an injury-free work environment

Our systematic work to develop leadership, competencies, behaviours, and processes has resulted in a long-term trend with a decreasing number of

injuries. In 2022 however, there was a slight increase in the number of lost time injuries in our European operations. We continue our systematic improvement work with safety and are aware that change takes time.

For 2022, the Lost Time Injury Frequency Rate (LTIFR) for employees and contractors in our European operations amounted to 7.3 (6.4), which means that we did not reach our target. The LTIFR for employees increased slightly compared to the previous year, while the injury rate for contractors decreased somewhat. In our North American operations, the total LTIFR for our employees amounted to 1.1 during 2022.

Our aim for zero injuries remains, and our journey towards a LTIFR under 1.5 as a first step is challenging but achievable looking some years ahead.

Everything starts with an orderly approach

We all have a shared responsibility for fostering a safety culture that promotes individual responsibility, caring, intervening, and speaking out. The basis for such a safety culture is to prevent and minimise risks, strengthen the role of leadership and create a mindset in everyone about their own responsibility to always put safety first.

Preventive work starts with an orderly approach and the help of standards, routines and instructions that specify how to perform the tasks in a safe way. As an important step in 2022, we started the process of evaluating our European mills according to ISO 45001 that will be followed by an implementation of the standard. Our ambition is that all our European mills will be certified within a few years.

Target outcome

Definition	Target 2022	Outcome
Injury rate, own employees and contractors, LTIFR ¹	5.0	7.3

¹Target and outcome apply to the European operations.



On the right path with the help of risk observations

Risk observations is one initiative that could contribute to injury-free operations. This is about taking joint responsibility to see, act and report a risk before an incident or accident occurs. It requires proactive behaviour, and all employees and contractors are encouraged to identify and report unsafe situations or actions. In 2022, the average number of risk observations reported per employee in the European operations was 1.8, which adds up to just over 7,400 reports in total. The target going forward is to increase the number of risk observations reported per person year by year. For 2023 we are aiming for at least 3.6 risk observations per employee on average, in the European operations.

Visible leadership is a key

Leadership and engagement are crucial for building a solid safety culture. Raising managers' competence with systematic work on safety is central, but their presence and visibility in the daily work is also of great importance. Therefore, we followed up on safety walks by the management team at every mill in 2022 to engage in direct dialogue with employees and contractors on the importance of safety in their daily work.

The ambition for 2022 for our European operations was that each senior executive would conduct at least 30 safety walks spread over the year, which resulted in each manager completing an average of three safety walks a month. In total, 1,619 safety walks were carried out during 2022. For 2023, we will keep this ambition to focus on safety walks carried out by each manager.

Managers in the North American operations are responsible for conducting at least one Key Safety Performance Audit (KSPA) every month, based on a high risk task, to verify that a life-critical safety policy is followed. In 2022, a total of 687 KSAs were carried out.

Continued focus on building a safety culture with our contractors

All contractors must respect and follow Billerud's procedures for a safe workplace, and in recent years we have taken important steps when it comes to coordinating procedures and behaviours for safe workplaces with contractors. This is resulting in a decreasing injury rate. However, we need to further clarify the expectations and demands we have on contractors, as well as follow up and act when shortcomings are found.

Billerud strives to ensure that everyone working on our premises receives adequate safety training. In the European operations the contractors are already obliged to report all injuries, incidents and observed risks and this information is included in reporting and follow-up. In the North American operations, we have begun to map and collect data about the injury frequency for contractors and they will likewise be required to report risk observations, and work injuries.

Fatal accident in Latvia

In 2022, there was a fatal accident of a person who worked as a subcontractor for one of Billerud's logging contractors in Latvia. Billerud is acting on the learnings from this event to prevent similar accidents from occurring. One action is investing in machines for mechanical harvesting in order to reduce the use of manual labour when felling trees.

Billerud has also increased the quality of its controls of forest contractors and subcontractors with regard to occupational health and safety. We have used professionals with extensive safety training and practical experience and have run practical training sessions in the forest. This training covers safety requirements and also demonstrations

of best practices in challenging harvesting situations. 29 subcontractors (57% of total subcontractors) participated in the training. We are planning to continue and develop these training sessions.

We have also increased the number of field controls of forest contractors and subcontractors, from 12 audits in 2021 to 39 audits in 2022.

Billerud wants to contribute to reducing global warming. We are doing this by working to reduce our climate footprint throughout our value chain and by offering sustainable packaging solutions that enable our customers to reduce their carbon footprint as well.

Climate impact

Our ambitious climate targets and the development of high-performance, recyclable materials based on renewable fresh fibre, help us contribute to reducing global warming. Our efforts are mainly related to significantly cutting emissions from our own operations as well as indirect emissions from purchased energy and the purchase of goods and services. Billerud's science-based targets (SBTs) guide us in our work and indicate that we are moving in the right direction. The outcome for 2022 showed an improvement in Scope 1 and 2, partly due to the divestment of Beetham.

We are working on new SBTs that include our North American operations. We will set a new baseline and our Scope 3 will be more comprehensive.

Roadmap towards fossil-free operations

Even though Billerud is largely fossil-free in our European operations, we continue with our efforts to eliminate the remaining fossil CO₂ emissions.

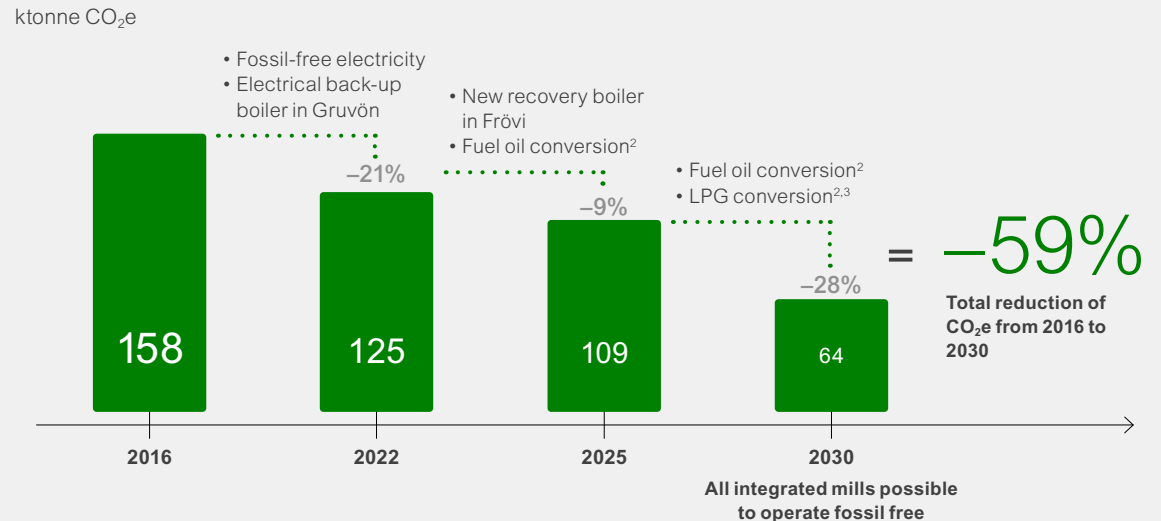
Billerud's roadmap for Scope 1 and 2 emissions from our European operations is part of the company's strategy.

Target outcome

Definition	Outcome 2022	Target 2030
Science-based targets: Reduction in total emissions in Scope 1 and 2, % ¹	-21	-59
Science-Based Targets: Reduction in total emissions in Scope 3, % ¹	-12	-30

¹Target and outcome apply to the European operations.

Roadmap to reach our Scope 1 & 2¹ science-based targets 2030 in Europe



It also includes an interim goal for the first mill to run on a fossil-free production process by 2025 and for all integrated mills to be able to reach the same fossil-free status by 2030.

Central to our work is to identify substitutes for fossil fuel oil and LPG and at the same time invest in process equipment

to handle the different characteristics of bio-based alternatives.

One example is the investment in a new recovery boiler for the production unit at Frövi that is designed for higher energy efficiency and operations with fossil-free oil. Another example of our work to phase out fossil fuels from production is the

¹ Scope 1 and 2: Direct emissions from own operations and indirect emissions from purchased energy.

² Investment decision not finalised.

³ LPG: liquefied petroleum gas.

installation of a new electrical back-up steam boiler at Gruvön. The boiler became operational in 2022 and it contributes with a reduction of 8,000-9,000 tonnes of CO₂e per year compared with 2020 levels.

Collaboration through the supply chain is crucial

During the year our roadmap for Scope 3 emissions from our European operations was adopted with a focus on transports and the use of chemicals. As these emissions are outside our direct control, they require extensive cooperation with suppliers and other partners. It will be important for the work going forward to urge our suppliers to reduce their emissions by setting ambitious emissions targets. It is also crucial to support them with basic knowledge on climate change mitigation as we have identified that while some suppliers are advanced in the work to reduce their CO₂e emissions, others have just begun. Read more about our transition to a fossil-free fleet on page 35.

Plan for North American operations

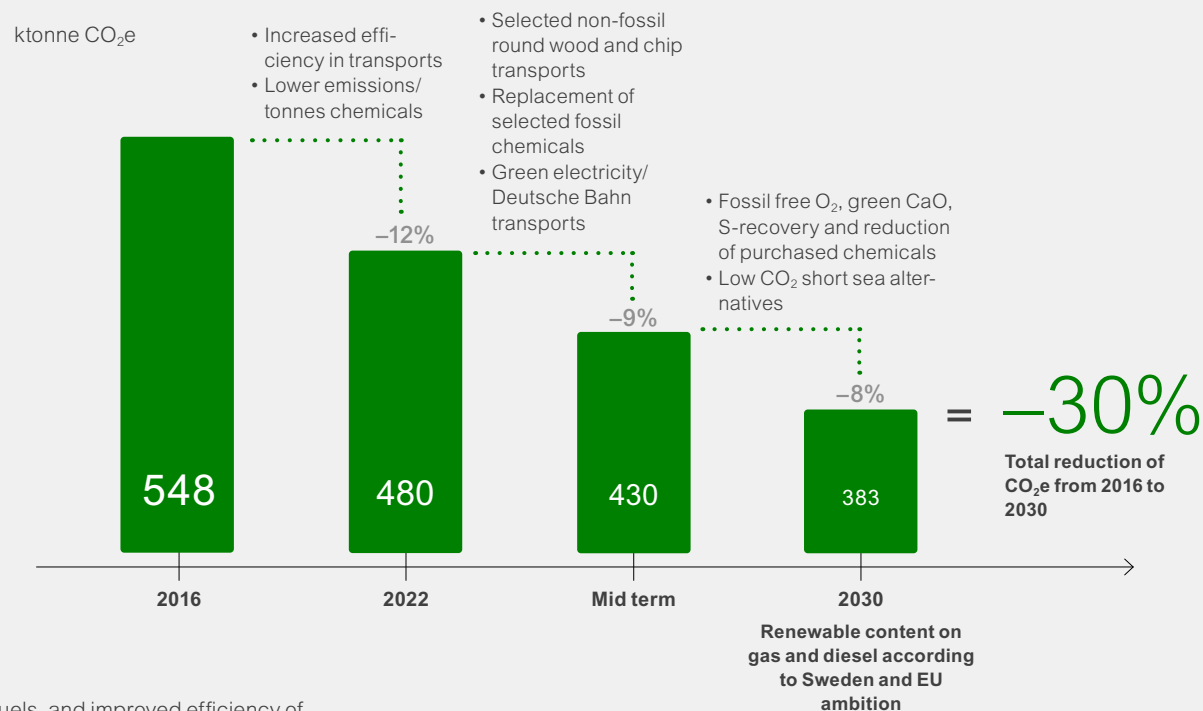
The dependence on fossil fuels such as oil and gas is considerably greater at our North American operations. However, our ambition for these operations is to

become best in class in North America and eventually reach the same low levels of fossil fuel usage as in European mills. We will thereby contribute to our ambitious climate targets and enable customers to reduce their climate footprint to an even greater extent.

In 2022, as we initiated preparations for the transformation towards cartonboard at the Escanaba mill, we also created an ambitious roadmap. Its long-term goal is to achieve a carbon footprint at the mill that is as close as possible to the footprint at our European operations. The changes along the roadmap involve fuel mix changes, energy efficiency projects and several other actions. As a first action to significantly reduce the CO₂e emissions related to purchased energy, we immediately began scaling up the purchase of CO₂e Emission Free Energy Credits (EFECs) with the target of covering 100% of our purchased electricity by 2024.

The energy efficiency projects that will be implemented during 2023, such as the recovery of warm water, will also contribute to reducing CO₂e emissions. Other identified actions going forward involve replacing fossil fuels with biofuel, improved use of internally generated

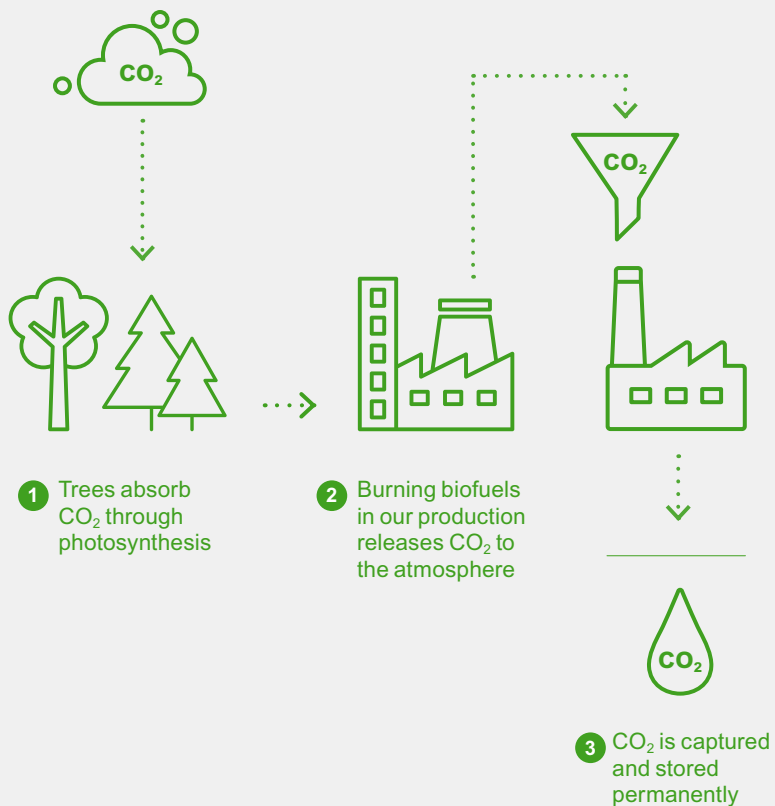
Roadmap to reach our Scope 3¹ science-based targets 2030 in Europe



biofuels, and improved efficiency of both the recovery boiler, waste fuel boilers and the lime kiln.

¹ Scope 3: Indirect emissions from upstream transports, purchased chemicals, downstream transports.

Vision for the future: Carbon Capture and Storage from biogenic sources



Carbon capture technology

Regardless of where the carbon dioxide emissions come from, we will do everything we can to reduce them. We aim to develop solutions that reduce biogenic carbon dioxide emissions in addition to fossil carbon dioxide emissions. One promising technology is Bioenergy Carbon Capture and Storage (Bio-CCS).

Bio-CCS means that carbon dioxide from biogenic sources is captured, transported and stored permanently instead of being released into the atmosphere. The source of the biofuel, for example forest residues and wood chips, serves as a carbon sink during its growth. When the biofuel is burned, the carbon dioxide is released and returns to the atmosphere. The carbon dioxide is then absorbed into new biomass in a closed cycle. Emissions of carbon dioxide from sustainably produced biofuels are therefore considered carbon neutral. By separating the carbon dioxide from flue gases from combustion of sustainably produced biofuels and storing it geologically, negative carbon dioxide emissions can be created. Bio-CCS enables the reduction of carbon dioxide, functioning like a “CO₂ vacuum” cleaner.

With our large proportion of biogenic carbon dioxide emissions, we have the possibility of reducing carbon dioxide from the atmosphere by implementing this technology. We could be part of

solving one of the biggest global challenges of our times, to mitigate global warming. Bio-CCS is an interesting technology worth looking into further.



Olav Breivik, the Chairman of the Board at Viken Skog, Jan Christian Vestre, the Minister of Trade and Industry of Norway, Jonas Gahr Støre, the Prime Minister of Norway and Christoph Michalski, the President and CEO of Billerud.

Ambition to build a BCTMP and biogas plant in Follum

In a joint venture with Viken Skog, Billerud aims to leverage a unique brownfield site for BCTMP production in Follum, Norway. The site has the potential to generate new sustainable revenue streams due to good infrastructure, location and 100% fossil-free energy. In addition to BCTMP and biogas production, there will also be an opportunity to work with carbon capture. The plans and work in Follum will continue during 2023.



Billerud is advancing the technological development of sustainable packaging material that fits into a circular economy. Our high-performance materials create value by enabling our customers to use less material in their packaging, save costs and reduce their carbon footprint.

Materials for the future

Target outcome

Definition	Target 2022	Outcome 2022
Proportion of customers who consider that Billerud's work on sustainability creates added value, % ¹	78	84

¹Results of customer survey from 2021. Target and outcome apply to the European operations.

We work to make future packaging recyclable, renewable and 100% fossil free. Thanks to Billerud's deep industry know-how and production expertise, we can develop sustainable packaging materials without compromising product performance.

We have a proud history of bringing innovations to market while constantly adding sustainable value by, for example, enabling customers to use less packaging, cut costs and reduce their carbon footprint. This is something that 84% of our customers appreciate, according to our latest customer survey 2021. This means that we reached our target which was 78%. Together with our customers, we continue to work towards a future where lighter, stronger, more durable, and sustainable packaging is no longer an exception, but the natural choice.

An ongoing transition to a circular economy

As one of the main building blocks of the EU Green Deal, the circular economy action plan paves the way to ensure that 85% of all paper and board is recycled by 2030. This means that the packaging must either be recyclable or compostable, which starts in material design and production and ends in the recycling stage. Billerud's product assortment is 100% recyclable according to the external recyclability method PTS. Read more on page 30.

Billerud is involved in 4evergreen, a European alliance that seeks to optimise the circularity of fibre-based packaging. 4evergreen primarily addresses packaging designers, helping them design new paper-based packaging solutions that can be collected, sorted, and recycled at scale. The goal is to increase the overall recycling rate to 90% by 2030

and exceed the legally binding recycling target.

During the last years, the alliance has worked intensively to develop a new international standard for global application. The result is the Recyclability Evaluation Protocol, a common method for evaluating a product's recyclability and it includes, among other things, parameters such as coarse and fine rejects and contamination.

As the amount of packaging placed on the market increases it will be necessary to ensure that, for example, secondary raw materials produced are suitable for use in product applications with more demanding requirements, enabling a more circular economy. The distinct characteristics of the material used within products are preserved or recovered to maximise their potential to be used as secondary raw materials in the circular economy.



Next generation of high-performance materials

We believe in challenging ourselves and our customers for continuous improvement, knowing that all aspects of packaging can always be improved. We have a common innovation process for all materials that is designed to drive transparency in projects and the innovation portfolio, to help us prioritise and strengthen the commercial focus.

Recyclability is a high priority on our innovation agenda, which is in line with stricter legislation and increased customer demands. The development of more advanced barriers is another key area and our deep expertise in how certain packaging materials interact with food, is critical to guarantee food safety.

In the area of material performance, we are working to be as resource efficient

as possible by improving or maintaining material characteristics such as strength, without increasing the amount of raw material. This generates sustainable values for our customers, such as less waste, lower costs due to lighter weight, and a reduced CO₂ footprint.

Strategical partnerships

For many years, Billerud has been involved in the Swedish Treesearch, a collaboration platform which researches new materials from the forest, and the national industrial research institute RISE. Within the framework of Paboco®, which is a joint venture between Billerud and the bottle manufacturer ALPLA, the development of a recyclable and degradable paper bottle is underway for, among other things, carbonated drinks. The first generation of a Paboco standard bottle has unique haptic, up to 65% plastic reduction and a separable

barrier for the recycling stream. A next generation is under development with additional and upgraded features such as being fully bio-based and compatible with the paper recycling stream.

Billerud's dialogues 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).

Environmental performance of products

Customers' knowledge and interest in detailed environmental assessments is constantly increasing. Billerud uses life cycle assessments (LCAs) and environmental product declarations (EPDs) when evaluating the environmental

performance of products. We are also working to further develop a digital tool for calculating the environmental performance of packaging. The current tool is used in a few business areas today, but in 2023 the tool will be able to cover a larger proportion of products.

New recyclability target

In the EU there will be increased focus on high quality recycling to increase recycling rates due to upcoming, stricter EU packaging legislation related to the need for more circularity. The most optimal scenario is if products are renewable, biobased, healthy, reused, recycled or, when needed, compostable.

Billerud has therefore been working intensively over the last year to map the recyclability of our product portfolio in Europe. The result was that all our European packaging materials are recy-

clable according to the PTS method. We also set a new target on recyclability of our portfolio in 2022. See page 134.

Our product development is focused on an ecodesign approach to support the circular economy, low climate impact initiatives and high product safety, so each new product developed in our technical development centres will be either reusable, recyclable or compostable. Our plan is to start undertake a full review of the recyclability of our products from the mills in North America next year.

Billerud works actively to maximise positive impacts 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.

Our responsibility and influence throughout the value chain

1 Wood fibres ●●○

The forest meets many needs. Our production units transform raw material equivalent to 15 million m³ of pulp wood into packaging and paper material every year.

Our impact:

- Direct and indirect impact on biodiversity and the forest's social and cultural assets. This is considered in our forest management and wood supply.
- 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 Procurement ●●○

Billerud purchases wood raw material, transport, chemicals, energy, materials and services, mainly in OECD countries.

Our impact:

- Indirect impact on environment, working conditions, human rights and fair

Capacity to influence:

●○● Low ●●○ Medium ●●● High

business practices in the supply chain, which is taken into account through supplier assessments.

- We focus on collaboration and development to reach established climate targets.

3 Incoming and outgoing transport ●●○

Billerud's transports mainly comprise incoming transport of raw materials to the production units and outgoing transport of products to customers from the production units.

Our impact:

- Indirect impact through greenhouse gas emissions from transport suppliers, which is handled through collaboration and development to reach established targets.

4 Operations ●●●

We have around 6,100 employees in more than 13 countries. Billerud's production units account for the company's most significant direct impact from its production of pulp, paper and board.

Our impact:

- Direct impact on our employees' workday. Our highest priority is to provide a safe workplace with fair working conditions and respect for human rights.
- Direct impact through the production units' emissions to air and water, water usage and waste.
- Direct impact through energy consumption and use of materials, such as chemicals, in production.
- Direct and indirect impact on local communities.

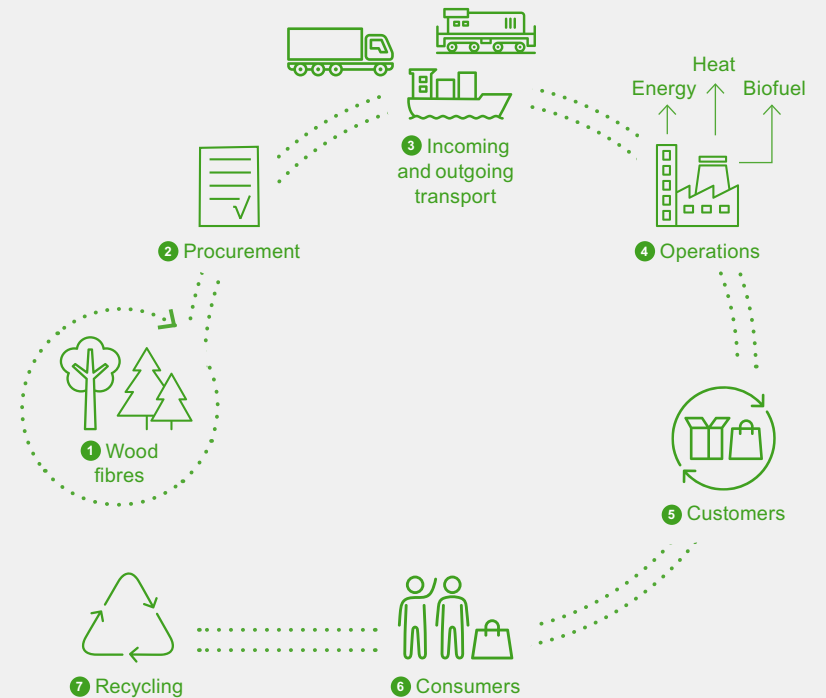
Billerud proactively manages our impact from operations through management systems, policy commitments and steering documents. We continuously work with monitoring and evaluations.

5 Customers ●●○

Billerud's customers are in the international paper and packaging market and comprise packaging manufacturers and brand owners.

Our impact:

- Giving customers an opportunity to reduce their climate footprint by



replacing fossil-based material with paper from forest raw material. High-quality packaging materials also contribute to a secure and sustainable food supply.

- We are working proactively with customers on product development and innovation.

6 Consumers ●●○

Consumers encounter Billerud's materials practically everywhere – on the store shelf, in the frozen foods aisle, in the fridge and on the move.

Our impact:

- Packaging and paper materials 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 ●●○

Billerud's recyclable products are based on renewable material. Paper fibres can be sent for material recovery many times, after which they are used to produce energy. Constant input of primary fibre is necessary to keep the recycling loop going.

Our impact:

- Enabling the transition to a circular economy based on renewable and recycled raw materials through for example collaboration in global networks.



Sustainable forestry means managing forests in which raw materials are harvested to benefit society, while preserving the social and biological assets of forests. Replacing finite, often fossil resources, is integral for moving towards a circular, sustainable society.

Sustainable wood supply

Target outcome

Definition	Target 2022	Outcome
Proportion of wood supply from Europe, % ¹	96	99.3
No. of group-certified forest owners (FSC® and PEFC), no. ¹	230	223

¹Target and outcome apply to the European operations.

Renewable raw materials from responsibly managed forests are Billerud's most important resource and we strive to source our raw material from forests as close to our mills as possible. During 2022, the proportion of wood supply from European countries to our European operations was 99.3% (99.0%) which means that we reached our target. More than 75% of the wood fibre used by our European operations originates from Swedish forests and the rest mainly from Norway, Finland, and the Baltic countries. Billerud's North American operations mainly source from the surrounding area in Michigan and Wisconsin, and to a lesser extent from Canada.

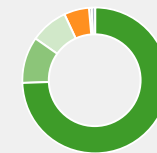
In 2022, Billerud purchased wood raw material equivalent to approximately 15 million cubic metres, of which around 11.5 million cubic metres was for our European operations and around 3.5 million cubic metres was for our North American operations.

Long-term sourcing partnerships

Billerud sees a close collaboration with the key stakeholders in the wood business as key to building a stable wood supply and achieving sustainable improvements. Our long-term relationships with forestry companies, forest owners and sawmills enable us to meet demands for the supply of sustainable, cost-efficient fibres and sustainable forestry.

Around 75% of Billerud's fibre volume in Europe is supplied by around 90 sawmills, forest owner associations and large forest companies, based on supply agreements. Around 25% of the fibre volume in Europe is harvested by our own forestry organisation on the lands of smaller forest owners and Bergvik Skog Öst, with which we have a long-term agreement to purchase 1 million cubic metres annually. The forestry holding of Bergvik Skog Öst that we manage comprises approximately 300,000

Fibre origin, 2022, %



Europe

- Sweden, 75.1
- Norway, 10.1
- Finland, 8.3
- Baltic region, 5.7
- Denmark, 0.1
- Other¹, 0.7



North America

- USA, 91
- Canada, 9

¹ Brazil, USA, Uruguay, Canada, Russia. 0.1% of our wood supply in 2022 originated from Russia. This was bought in the beginning of 2022 before the war in the Ukraine.

hectares of productive forest land in central Sweden. The forest management assignment includes all harvesting, forestry measures and other practical issues related to the forest holding.

In North America, about half of the fibre volume is based on long-term contracts (normally 2-5 years) and half is purchased on the open market.

Certifications guaranteeing sustainable forestry

The wood raw material we use in our operations originates from responsibly managed forests. We are third-party certified to chain of custody standards set by the Forest Stewardship Council^{®1} (FSC[®]), Programme for the Endorsement of Forest Certification² (PEFC), and in North America, the Sustainable Forestry Initiative[®] (SFI[®]). Billerud's due diligence system ensures that all purchases follow the procedures set out by FSC Controlled Wood, Controlled Sources in PEFC Chain of Custody and comply with the EUTR and US Lacey Act timber legislations.

Certified forest owners

We work actively to increase the proportion of certified raw material and invite private forest owners in Sweden to join Billerud's FSC and PEFC Group certification programme. Forest certification is advantageous for private forest owners as it provides a structure and third-party confirmation of sustainable forestry, leading to a more favourable price on the market.

Our target is to increase the number of Group-certified private forest owners

every year, based on established targets. At the end of 2022, the number of private forest owners certified through Billerud totalled 223 (226), covering an area of productive forest of approximately 104,400 hectares. During the year, Billerud certified 14 new forest owners. Unfortunately, others left the programme and we did not meet our target of having 230 Group-certified forest owners in 2022. In order to encourage new forest owners to join, we are launching a new concept to increase the amount of certified forest owners in the programme.

Sustainable forestry to preserve and enhance biodiversity

Sustainable forestry in areas where there is zero deforestation and a continuously growing standing stock, means that we safeguard biodiversity and, at the same time, are able to extract renewable raw materials. Billerud acts as a forest manager and provides forest management assistance to many Swedish forest owners. We strive to continuously improve our management techniques and offer training activities to enhance landowner awareness. In 2023 we will, for example, offer forest owners harvesting methods in line with the objectives for Continuous cover forestry³ and Closer-to-nature forestry⁴.

In our forest management we take measures to protect valuable habitats so that naturally occurring plants and animals can continue to live in the forest landscape. We carefully follow up our work to protect, preserve and enhance biodiversity. Some important basic actions are:

- After harvest, new forest must be established. This is often done by planting trees but also by natural regeneration of new trees.
- When harvesting, all dead wood is left. High stumps are created to recreate more dead wood in the forest, that many insects, fungi, and small animals need to survive.
- Clearing and thinning operations are well-planned to give trees that remain more room to grow.
- To protect the biodiversity around watercourses and other nearby sensitive biotopes, "buffer zones" are created.
- Deciduous trees are encouraged, which assists animals and other wildlife, and can also help forests withstand storms better.
- In Billerud Forest management and in Sweden in total about 25-30% of the forest landscape is exempted from forest activities.
- Conservation burning is carried out to promote fire-dependent biodiversity.

¹ FSC-C004906, FSC-C020000, FSC-C108771, FSC-C108782, FSC-C014984, FSC-C023846

² PEFC/05-33-114, PEFC/05-23-68, PEFC/05-31-78, PEFC/05-33-136, PEFC/05-33-135, PEFC/05-33-137, PEFC/29-31-92

³ An approach to sustainable forestry whereby forest stands are maintained in a permanently irregular structure, which is created and sustained through the selection and harvesting of individual trees.

⁴ A concept proposed in the EU Forest Strategy for 2030. The aim is to improve the conservation values in European forest management.



Strong commitment to endangered species

Billerud's biodiversity ambitions are also reflected in our partnership with the Swedish Society for Nature Conservation, and our financial support to protect the white-backed woodpecker. The project, which Billerud has supported for many years, involves releasing birds into forests, feeding, and measures to improve habitats in Swedish forests. As part of this project, targeted forest conservation measures are carried out to improve the habitat of the woodpecker in selected geographical areas.

We also support better conditions for the pool frog and have studied how the frog lives and what type of habitat it needs. Among the findings are the importance of paying attention to corridors between the specific habitats, and when restoring habitats for the endangered frog many other species also benefit. For example, 35 out of Sweden's 57 species of dragonflies have been found in the pool frog's habitat.

Responsible procurement is one of the cornerstones of Billerud’s supply chain activities. It is crucial for us to have sustainable suppliers who are aware of our expectations and requirements on their sustainability performance. By signing our Supplier Code of Conduct, suppliers show their commitment to join us on our sustainability journey.

Responsible supply chain

Our main procurement activities for the European operations are gathered into one function: Procurement & Wood Supply. In addition, there is Managed Packaging which is present mainly in Asia. Billerud applies supplier assessments in all these areas. The conducted supplier assessments showed no significant risk or evidence of child labour, forced labour or lack of freedom of association. Consequently, no supplier agreement was terminated as a result of the findings in the annual supplier assessment. We have also initiated the work to evaluate our suppliers in the North American

organisation, which will continue during 2023.

In recent years, Billerud’s supply chains have been strained due to external changes. 2022 was demanding as the supply chains were still recovering from the COVID-19 pandemic and due to sanctions against Russia, high energy prices and cost inflation. Despite the challenges, Billerud maintained supplies with no significant impact on our operations.

Suppliers for Procurement & Wood Supply

Billerud works extensively to assess our suppliers based on requirements for environmental, ethical and social responsibility. The majority of the sourcing in Procurement & Wood Supply takes place in OECD countries and primarily concerns raw materials, maintenance materials and services for the production at our mills.

Purchases of direct material, such as chemicals, are critical from a supply and sustainability perspective and are therefore prioritised in supplier assessments. We use EcoVadis as a third-party solution to assess our suppliers’ sustainability performance. Each supplier is assessed on an annual basis with a focus on environment, labour law and human rights, ethics, and anti-corruption. A survey is adapted to the supplier’s number of employees, geographical location and sector. In addition, we evaluate the supplier’s approach to sustainable procurement, and how they work with sustainability among their

Target outcome

Definition	Target 2022	Outcome
Proportion of purchase value covered by supplier assessments ^{1,2} , %	79	87
Transport of wood raw material and finished products ² , g CO ₂ eq/tonne km	11.6	12.9

¹Purchase value includes Group purchasing and logistics but excludes wood supply.

²Target and outcome apply to the European operations.

subcontractors and sub-suppliers. The suppliers must also be able to substantiate their answers with documentation. The proportion of the purchasing value for this category, assessed during 2022, amounts to 87% (97). In 2022, a total of 399 (382) suppliers were assessed, all of which were approved. 38 (40) suppliers were ordered to carry out improvement measures before the next assessment, which is fewer than in the previous year.

All wood raw material is controlled under international standards. Read more on page 32.

Evaluation of logistics partners

Evaluations of the logistics companies that manage inbound transports of wood raw material and outbound transports are conducted via tailored supplier assessments that cover health and safety, working conditions and the environment. Assessments of transporters of wood raw material did not show any significant deviations in 2022. As far as outgoing transport is concerned, suppliers responsible for 84 % (83) of the procurement volume were assessed, and no significant deviations were shown during 2022.

Supplier assessments in Managed Packaging

Billerud Managed Packaging provides optimised packaging solutions for global brands manufacturing products in Asia. Managed Packaging's operations build on a strong supplier network with

the aim of developing close, long-term supplier relationships. The basis for this partnership is Billerud's Supplier Code of Conduct, which establishes the requirements and expectations on suppliers. Compliance with the Supplier Code of Conduct is monitored regularly 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 2022 we ran two supplier workshops. Additionally, in coordination with our customers, we conducted five custom training classes with suppliers.

In 2022, Managed Packaging directly ran 31 audits. An additional 16 audits were recognised from qualified third parties or conducted by brand owners for a total of 47 audits. Two of these audits were for prospective suppliers, one of which had a zero-tolerance item that was cleared. Two of our active supplier audits identified zero-tolerance findings related to excessive overtime which were subsequently cleared. A number of other deviations, such as insufficient personal protective equipment and handling of hazardous waste, were also identified.

Overall, 62% of the 2022 audit findings were resolved. No supplier terminations were executed due to refusals.

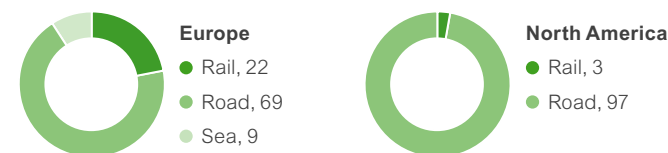
Implementation of supplier assessments in North America

We started a review of our North American supply chain in late 2022 to secure a common process for the Supplier Code of Conduct and supplier assessments, and integration of our operations and targets. The Supplier Code of Conduct and supplier assessments will be implemented in North America in 2023.

A commitment from our suppliers to join us

Sustainable and responsible procurement is a part of our sustainability promise and our Supplier Code of Conduct outlines our expectations and requirements on suppliers. The updated version, valid as of 1 October 2022, is being incorporated into new contracts or signed as a separate document with suppliers who have long-term contracts with us. We have also set a common target: 95% of our supplier spend, over applicable threshold values, with signed Supplier Code of Conduct documents by the end of 2025. Read more on page 43.

Transport to production units, 2022, %



Transport from production units, 2022, %



The transition to a fossil-free fleet is the way forward

The majority of Billerud's inbound transports of wood raw material are mainly by road. For outbound transport, Billerud has greater opportunities to steer towards fossil-free alternatives as transport from the mills to our customers is well suited for rail.

An important step in the direction to reach our target is to increase the proportion of outbound land transports by rail to 75% by 2030. In 2022, 70.4% (67.3) of the outgoing land transports from our European mills travelled by rail. Together with carriers, we are pushing for the transition to a fossil-free fleet and will continue to actively choose the mode of transport and monitor developments in technology and fuel, railway expansion and the electrification of roads.

Our 2022 outcomes for greenhouse gas emissions from transport to and from our European operations amounted to 12.9 (12.7) g per tonne km in total. The emissions to and from our North American operations amounted to 57.9 g per tonne km in total.

It is the skills, experiences and engagement of Billerud's leaders and employees that pave the way for value creation and continued competitiveness. What unites us is a common commitment to create a sustainable contribution for future generations.

Engaging workplaces

Billerud's employees are our most valuable asset. It is through their competence and skills that we are able to reach our targets. Retaining competent and experienced people at the same time as we attract new talent is therefore business critical. As an employer, we work to create safe and healthy workplaces that are characterised by professionalism, inclusion, development opportunities and good leadership – a workplace where every employee is given the chance to contribute to a more sustainable future.

Inclusion and diversity drive innovative outcomes

We strive towards greater diversity, and offering a workplace where all employ-

ees have the same opportunities is a matter of course for us. Having a diverse workforce in terms of gender, age, religion, sexual orientation, nationality, and ethnicity, brings important viewpoints to Billerud.

We also consider diversity to be about those characteristics that each employee has acquired in the form of experience and education, and these too are important aspects in our work to develop innovative products and new ways of catering to our customers. By working with inclusion, we aim to create workplaces where any individual or group feels welcomed, respected, supported and valued.

Recruitment beyond our traditional networks

Billerud has been working for many years to achieve a better gender balance with targets to increase the proportion of female people managers as well as the overall proportion of female employees within the company. We recruit from a wide pool of talent that extends beyond our traditional networks to achieve better diversity and also ensure that we find the person most competent for the position. We are actively searching and reaching out to women on LinkedIn, use inclusive job announcements, have female representation in employer branding advertisements and collaborate with external partners such as Womengineer – a foundation that encourages young women to become engineers. In addition, we have diversity targets when recruiting summer workers and trainees.

Moreover, we work actively to adapt working conditions, for example with the help of ergonomic lifting aids or work clothes, and to ensure the participation of both women and men when engaging with external contacts at, for example, schools and universities. We train new

Target outcome

Definition	Target 2022	Outcome
Proportion of female employees in total, % ¹	25.5	24.2
Proportion of female people managers, % ¹	27.5	27.3

¹Target and outcome apply to the European operations.



managers on diversity, conduct salary analyses, and have action plans for equal pay and against discrimination and harassment. We also encourage an ongoing discussion in everyday life around these issues, for example by organising diversity and inclusion workshops and training.

In 2022, the proportion of female employees was 24.2% (25.0) at our European operations, while the proportion of female managers was 27.3% (26.7). This means that we did not manage to reach our targets, even though we increased the share of female managers. For Billerud North America, the proportion of female employees was 16.7% and 24.3% for female people managers.

Our first employee survey as one Billerud

All employees were invited to participate in the 2022 employee survey. With a response frequency of 79% (65% for the employees in our North American organisation and 85% for the employees in our European organisation), the survey provides a good picture of our strengths as an employer and important insights in areas that we need to develop and work on in the future. It was gratifying to see a strong result on engagement and that our index for Billerud's sustainable leadership (SLI) continued to increase to 80 for all employees in the survey. For the

European operations, the result was 81, compared to 78 in 2021. A slightly lower result for the employee Net Promoter Score (eNPS) prompted a deeper analysis to better understand how Billerud is perceived as a workplace and to identify improvement activities.

Sustainable leaders and employees

Our Sustainable Leadership training was carried out for the first time at our North American operations in the autumn and will continue to be rolled out to all leaders in North America during 2023 and 2024. In addition to sustainable leadership, we need a sustainable workforce and throughout the year we worked with the Sustainable Employees programme, which will be implemented in 2023.

One of the key enablers for the Sustainable Employees programme was the launch of a common learning platform which will provide the technical foundation for creating a Billerud learning ecosystem. The Sustainable Employees programme aims to provide each employee with the best possible conditions to develop, perform and contribute to our business, while continuing to develop in their current role or take the next step in their career with us.

Strategy for business-critical skills

Strengthening our role as an employer is one important part of our strategy to ensure we have the right talent and skills. Ensuring that existing and potential employees feel they have good opportunities for an interesting future at Billerud will help us meet the skills supply challenges. Billerud's clear mission and contribution to a sustainable future strengthens our brand and our assets. It is important to continue to increase awareness of Billerud as an employer and to attract and recruit new talent.

As a part of our integration process with the new North American organisation, we worked to rebrand Billerud's internal and external websites and define a common way to engage in social media as one Billerud. These efforts will hopefully contribute to retaining current employees and attracting new talent to our operations in both Europe and North America. In addition, we continuously work to strengthen our presence at fairs and events and in relevant digital recruitment channels.

We also produce specially targeted skills development programmes. As production skills are crucial, we have established a technical trainee programme for about twenty participants with the aim of attracting and developing the relevant expertise for our mills in Sweden.



Proportion of employees per country, 2022, %

- Sweden, 65
- USA, 28
- Finland, 2
- Other, 5

During the year, we also started a new trainee programme within Wood Supply with seven participants in order to secure long-term competence in important positions within our forestry operations. We continuously work on targeted initiatives to develop existing employees. For example, managers set Individual Development Plans together with their employees to ensure development and growth for all our employees. We provide training as needed, for example intercultural training was given to employees involved in the integration work between the operations in Europe and North America, to help streamline both processes and collaboration.

Awards 2022



Academic Work/YPAI

Top 100 most attractive company fourth year in a row.



Awarded by Karriärföretag

For the fourth time, Billerud was named Karriärföretag (Career Company) and considered to be an attractive employer for young potentials.



4potentials

Billerud was ranked #33, moving up 15 places since January 2022.



Awarded by Young Professional

Billerud is among the top 100 most attractive companies.

Stable production and using resources effectively are two of the most important factors in minimising emissions to air and water from our mills. At the same time, we are working to phase out fossil fuels, increase our energy efficiency, and minimise our water usage.

Resource-efficient production

Billerud uses raw material from responsibly managed forests in a production process that is largely powered by biofuels and results in sustainable packaging and materials. These operations are thus subject to environmental permits. The production process gives rise to emissions to air and water, as well as noise and waste generation. In addition, raw materials such as chemicals and energy are consumed, and the inbound and outbound transportation has an indirect environmental impact.

The third-party certified environmental management system provides structured working methods to comply with official requirements and legislations

and are well implemented throughout the organisation. Besides the production permits with limits on emission levels the Swedish mills are also bound to comply with the EU legislation with decided BAT-AEL (Associated Emission Level), corresponding to mills with best available technique. Those levels will be updated regularly to sharpen the emission limits.

Our approach to minimising our environmental impact

Our efforts to minimise the negative environmental impact are based on systematic work for constant improvements and investments in new technologies, with the goal to run efficient operations

with consideration for the surrounding environment and the local community. To support our daily environmental and energy work, both an environmental network and an energy network have been set up in our European mills in which environmental and energy managers and engineers from all mills participate. The networks meet regularly to share insights and exchange knowledge, and report to the Executive Vice President Operations.

Water

We are committed to minimising our water usage and our impact on water quality. Billerud's mills are located close to waterways which helps us to utilise the surface water without exerting a significant impact on the flow of the water. Apart from the surface water there is a minor usage of municipal and groundwater. By 2022 the total outcome was 0.1% and 0.4%

Wastewater represents most of the water usage in the mills. It is purified in on-site water treatment plants and then

returned to the recipient. Water is also used as coolant water in the process. By 2030 our ambition is to have significantly reduced our water usage, with the aim to reduce the wastewater flow to the water treatment plant. This will result in a positive impact on the function of the treatment plant, with potential to further reduce emissions of organic matters and nutrients. During 2023 we plan to assess and prioritise activities and the investments needed in the European mills to commit to a common goal.

Circularity and waste

In our production we strive continuously for circularity. The cellulose fibre in the digester is extracted using cooking chemicals. The used cooking liquor contains inactive chemicals as well as fibre residues. When incinerating the concentrated cooking liquor in the recovery boiler we recover the chemicals and get most of our energy need from the fibre residues. Bio- and fibre-sludges are separated from the wastewater and are either incinerated for energy recovery, utilised as construction material or

for soil improvement. The integrated production units in North America also deposit part of their sludge.

Billerud is committed to the waste hierarchy not the least in our production process. Some examples of how we work with waste and waste recovery include using the bark from wood logs in biofuel boilers to produce energy, and using ashes as nutrients in forestry or as construction material. For more information, please see page 127.

Billerud's production process occasionally gives rise to noise and odours in the surrounding area. Also, transports to and from the mills together with our employees travelling to and from work also affects the local environment. Billerud strives to make a positive impact on the communities in which we operate, and by offering a range of channels and forums our aim is to pursue a constant dialogue with local communities and residents. For more information about

Target outcome

Definition	Target 2022	Outcome
Energy consumption, MWh/tonne product, % ¹	5.1	5.3
Emissions of fossil CO ₂ in the manufacturing process, kg/tonne product ¹	28.0	27.7

¹Target and outcome apply to the European operations.

our community engagement, please see pages 40-41.

An energy-intensive production requires continuous improvements

Due to Russia's war on the Ukraine the European energy prices have increased and the energy market has become more volatile. Our production is energy intensive and although the risk of a power shortage at peak power consumption is extremely low, the risk has increased slightly in Europe due to the war. Billerud's mills in Sweden are generally considered to be of societal importance, delivering for example district heating, and will not be shut off in the event of rolling blackouts in Sweden.

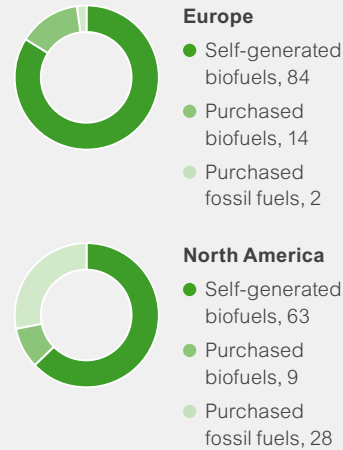
In our European operations, we generate 43% of our electricity need internally, and all electricity, produced in-house or purchased, is covered by fossil-free guarantees of origin.

In our North American operations, up to 67% of our electricity consumption is self-generated. For Billerud in total, 90% of the fuel mix comes from biofuels (both self-generated and purchased), and 10% is natural gas and other fossil fuels. We work continuously to increase the overall energy efficiency of our facilities

and to find new ways to further increase the amount of energy produced from renewable resources. Billerud invests a significant sum each year in projects and maintenance that increase energy efficiency. During 2022 Billerud earmarked SEK 20 million to energy efficiency measures. For example, to better utilise waste heat we allocated money to invest in a new heat exchanger and piping in Skärblacka. In Gruvön, we allocated money to invest in three new pumps that are more efficient and better dimensioned for the current workload.

In 2022, Billerud's energy consumption amounted to 5.3 (5.1) MWh/tonne product in Europe, which means that we did not reach our target which was 5.1 for 2022. The emissions of fossil CO₂ in the manufacturing process amounted to 27.7 (30.5) kg/tonne product for the European operations. We reached our target for 2022 and the reduction compared to last year is related to the divestment of Beetham 2021.

Use of fuel, 2022, %



Carbon Capture possibilities

In a project together with Luleå University of Technology in Sweden, Billerud is investigating ways to store captured biogenic CO₂ in bedrock. A suitable type of bedrock has been discovered directly beneath the site of Karlsborg mill.

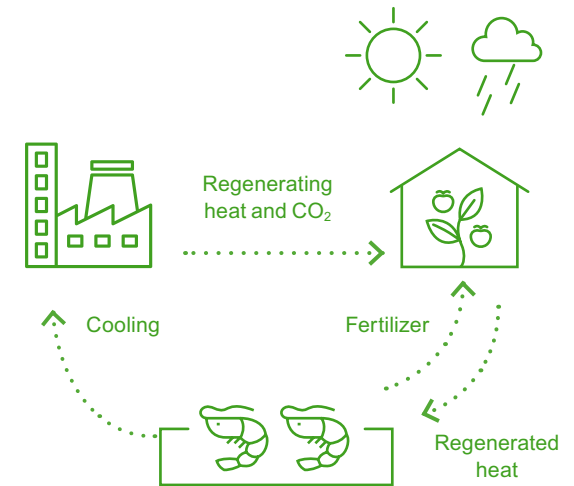
In the project a new technology is used that involves using the residues that arise in our process to capture carbon dioxide from flue gas from the chimneys.

The same geographical conditions exist at several pulp and paper sites in Sweden, so if the new solution works, there are great opportunities to expand its usage.

Excess heat contributes to the production of tomatoes and giant prawns

A collaboration between WA3RM, Billerud, Linde Energi and Lindesberg municipality is underway to recover excess heat from Billerud's operations in Frövi. The energy will be used to grow around 8,000 tonnes of tomatoes and 4,000 tonnes of giant prawns per year on an industrial scale.

The project called WTL Frövi (Waste To Life) is expected to begin in the spring of 2024. In addition to providing beneficial sustainability effects, WTL Frövi will also contribute to increasing Sweden's degree of food self-sufficiency. The project in Frövi is the first of a series planned in Scandinavia.





Billerud is a significant business partner and employer, and we strive to make a positive impact on the communities in which we operate, through both local and global collaboration.

Community engagement

Billerud's business employs more than one in 10 of the people who work in our industry in Sweden. It makes us the largest private employer in four of the five municipalities in which our Swedish production units are located. Approximately 75% of our employees live in the municipality where their workplace is situated. This gives Billerud 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 for domestic heating. In 2022 Billerud in Sweden sold a total of 925 (976) GWh, which is equiv-

alent to the amount of energy needed to heat approximately 46,500 (49,000) houses.

Engagement and dialogue with local communities

Billerud engages with the local community and supports local initiatives and sporting activities. We pursue a constant dialogue with these communities and 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 meetings. Opinions and questions from local residents are documented in internal systems and followed up to determine relevance,

Target outcome

Definition	Target 2022	Outcome
Number of weeks of work experience ¹	1,200	935

¹Target and outcome apply to European operations.



continued dialogue and the need for a solution or course of action. During the year, 80 (65) questions were received from local residents in both Europe and North America, a majority of which concerned odour.

Consultation for responsible forestry

Reindeer herding representatives are consulted within the framework of responsible forestry. In 2022, there were 2 (3) consultations carried out with regard to the land managed by Billerud. No incidents concerning violations of the rights of indigenous peoples were identified in 2022. Billerud 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. We also work jointly with other actors on the harvesting of forests held by smaller private owners.

Proactive work creates jobs

Billerud takes a proactive and long-term approach to job creation. In addition to our own job initiatives we engage in external efforts, including the government work experience programmes Teknicsprånget and Jobbsprånget in

Sweden. Teknicsprånget 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 foreign academics to make the most of their skills and ease their entry into the Swedish labour market. In 2022, a total of 89 (101) interns completed work placements, together with 18 (18) students doing their degree projects with us in Europe. This amounted to 935 (1,306) weeks of work experience in total in Europe. In North America we had 406 weeks of experience during 2022.

Commitment to improve recycling and reduce plastic pollution

Through the GRACE network, Billerud drives recycling issues at a global level, with a focus on how to improve recycling systems for liquid packaging board in various countries. Billerud works on similar issues within the EU and through our involvement in EXTR:ACT. Since 2020, Billerud 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.

Support to Ukraine through UNHCR

Billerud strongly condemns Russia's war in Ukraine and our thoughts are with all those suffering. In 2022, Billerud donated SEK 5 million to the UN Refugee Agency UNHCR to support the relief efforts of Ukrainian refugees.

UNHCR has since the start of the war reached out with emergency aid such as blankets and sleeping bags, and cash support for people to buy essentials such as medicines.

UNHCR has sent aid convoys with emergency provisions for people in the hardest hit areas and has provided sleeping places and safe collection points along the escape routes. The contributions to UNHCR have also been used for food, clothing and building materials as well as assistance with information and transport at border crossings.

United Way Campaign – yet another success

The annual United Way Campaign was yet another success this year thanks to the generosity of the employees at Billerud.

United Way is an international network of over 1,800 local nonprofit fundraising affiliates that seek to improve the health, education, and economic mobility of every person in every community they serve.

Every year, Billerud North America hosts a campaign at each of its locations, including the corporate office, to raise money for the United Way affiliate representing the area for each location. Throughout the campaign, various contests and events are held as fundraisers such as a chili cook offs and silent auctions.

With company and employee contributions combined the total amount raised for our 2022 United Way Campaign was about USD 158,000.

Billerud seeks to act responsibly in every part of the value chain and to run our business according to sound business principles, in compliance with applicable laws, regulations and international standards. We aim to use our influence as a company to improve and strengthen responsible business.

Responsible business

Responsible business is crucial for the success of Billerud. Our Group-wide framework for steering documents outlines the hierarchy for steering documents, decision mandates and mechanisms to identify and handle risks and deficiencies. The framework comprises Billerud's Code of Conduct, Group Policies, Group Directives, Processes, Procedures, and Other supporting documents.

Guidelines and expectations outlined in our Code of Conduct

Billerud's Code of Conduct and core values – Place the Customer in the Centre, Dare to Innovate, Lead the Change and Care for Each Other – provide basic guidelines on sound business practices and responsible business and apply to everyone working with or for Billerud. The Code of Conduct establishes a foundation for how to behave towards each other and with our stakeholders. Based on international standards, the Code of Conduct establishes, for

example, that we shall always place safety first, respect human rights, have zero tolerance for corruption and take responsibility for reducing our environmental impact.

Training in our Code of Conduct takes place regularly to build knowledge and raise awareness in the organisation about the Code of Conduct. As part of the integration of Verso, the Code of Conduct was rolled out with Billerud North America in 2022. The general level of knowledge regarding the Code of Conduct is something that we also follow up on in the employee survey. In order to provide tools to make our Code of Conduct even more relevant in our daily work, we initiated work on a new "dilemma library" for leaders during the year that contains examples of ethically questionable situations for continued discussions about how to act. By the end of 2022, 91% of employees in our European operations had completed training in the Code of Conduct, and

Target outcome

Definition	Target 2022	Outcome
Proportion of production units certified in line with food safety standards ¹ , %	100	100
Proportion of employees who completed the Code of Conduct e-learning course ¹ , %	95	91

¹Target and outcome apply to the European operations.



all employees in our North American operations had completed the training. A total of 94% of our employees globally had completed the Code of Conduct e-learning by the end of 2022.

We launched an updated Supplier Code of Conduct, valid for the whole Group from October 1, that specifies the requirements and expectations on our suppliers and certain other third parties. Examples of the subjects covered in the Supplier Code of Conduct are, general compliance with laws and regulations, business integrity, human rights and labour rights, health and safety, environment, and the reporting of non-compliance. We expect our suppliers to comply with and, as applicable, sign the Supplier Code of Conduct, and we also encourage them to establish and apply corresponding codes of conduct or written policy statements and procedures for their own suppliers. The launch of the new Supplier Code of Conduct was followed by various communication and awareness activities. Our aim is to cover 95% of our supplier spend (over applicable threshold values) with signed Supplier Code of Conduct documents by the end of 2025 and we will monitor the rate of implementation.

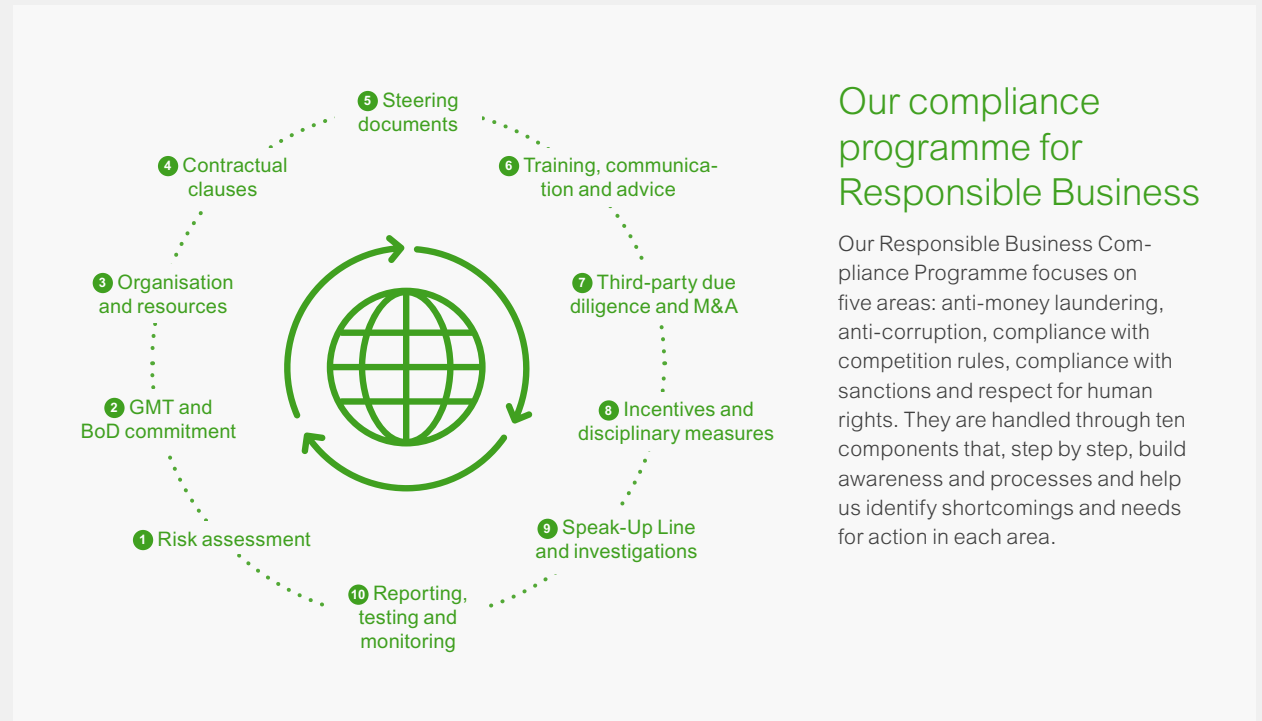
Billerud's Code of Conduct and Supplier Code of Conduct are available on the intranet and external website in several languages. Read more about our supply chain on pages 34-35.

A compliance programme aimed at reducing our business risks

Billerud's Responsible Business Compliance programme seeks to strengthen responsible business practices, increase our employees' awareness and knowledge, and reduce the Group's business risks that come with the complexity of a growing international value chain, the regulatory landscape and the external environment in general. Our work consists of continuous risk assessments and procedures for due diligence, training, monitoring and reporting, and is integrated into business processes within Billerud.

A key aspect of the work on identifying and handling increased risks through business relationships is being well-informed about business partners. We analyse high-risk markets based on the degree of corruption, sanctions, human rights violations and/or lack of transparency, and this forms the basis for possible additional requirements we place on business partners through, for example, contracts. Over the year we initiated work on increasing integration, automation, and digitalisation in our third-party management system.

As part of our efforts to integrate our new North American operations into one company, we integrated the Group Policy framework in 2022 and implemented our Group Responsible Business Policy. Our North American operations are



Our compliance programme for Responsible Business

Our Responsible Business Compliance Programme focuses 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, build awareness and processes and help us identify shortcomings and needs for action in each area.

now integrated in our ongoing work and continuous improvements.

Over the year there has been an extra focus on sanctions compliance given increasing sanctions enforcements following Russia's invasion of Ukraine. Billerud complies with applicable sanctions and regulations and suspended all sales to Russia, and the limited, indirect supply of wood originating from Russia was cut off. We have also been working on increasing awareness of sanctions

compliance through training and communication of our sanction compliance requirements to our suppliers, key trading houses and distributors with binding commitments and dialogue.

Proactive work on training initiatives

Billerud's employees and selected third parties who are exposed to higher risk in responsible business areas are trained regularly in line with a set training plan.

About 131 people completed e-learning in anti-corruption and about 99 people completed e-learning in compliance with competition law in 2022. Additionally, training was carried out for more than 217 employees on responsible business, focusing on "Know Your Business Partner" including sanctions compliance. Supplementary e-learning in anti-corruption and anti-trust will be rolled out in the North American operations during 2023.



Speak-Up Line

Suspected malpractice, such as corruption, financial fraud, breach of competition law and material breaches of our Code of Conduct and policies, can be reported via Billerud's Speak-Up Line. Reports can be made anonymously, and this whistleblower channel is accessible via the intranet and the external website and translated into several local languages. Awareness of the Speak-Up Line among our employees is also followed-up in our employee survey.

A total of 13 (17) cases were handled using the Speak-Up Line (including Billerud North America for the period 1 April – 31 December 2022) in 2022. While some cases were operational feedback in the form of cases for HR and Operations, other cases were related to Responsible Business (including gifts & hospitality). After investigation, disciplinary/corrective action was taken in one of these cases. All cases during 2022 have been closed. 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 2022, 14 (19) cases concerning discrimination or harassment 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 2022, nor was any legal action taken against the company regarding anti-competitive behaviour, cartels, or monopolies. There were no incidents registered regarding breaches of customer privacy during the year.

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 Billerud. Billerud's 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, Billerud

follows 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 Billerud's products are safe under intended conditions of use.

Billerud has recently initiated the process for certification for Food Safety and Quality at the three mills in North America. The objective is to be certified in the beginning of 2025.

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.



Directors' report

The Directors' report provides an overview of the business, its results and financial position. This part of the annual report also contains information on corporate governance and risk management.

The Board and CEO of Billerud AB (publ), corporate identity number 556025-5001, herewith submit the annual report and consolidated annual accounts for the 2022 financial year.

Figures for the previous year are stated in brackets.

Directors' report

This English version is a translation of the Swedish original.

Operations

Billerud offers packaging materials made from natural cellulose fibre and innovative packaging solutions. We are a leading producer of high-quality board and paper with deep knowledge of primary fibre-based materials and optimally designed packaging. Billerud's packaging materials are manufactured in ten production facilities in Sweden, Finland and in US. In addition to board and paper, Billerud sells fibre pulp that is not used in its own production. Billerud's main market is in Europe, but the Group is continuing to expand to other regions and has a strategy for growth in North America.

Billerud has three operating segments: Board product area, Paper product area and Solutions & Other.

The Board product area includes the manufacturing and sales of liquid packaging board, cartonboard and containerboard, which are mainly used to produce packaging for food and beverages as well as consumer and luxury goods.

The Paper product area includes the manufacturing and sales of graphic paper, kraft and speciality paper, sack paper and market pulp. Billerud's papers are mainly used for printing and publishing, industrial applications, and for the packaging of food and consumer products.

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, idled assets, income from sale of business, items affecting comparability, 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.

Financial targets

To support Billerud's 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 2022 increased by 63% to SEK 42,590 million (26,206). The increase was mainly in the Paper product area and was primarily due to the acquisition of Verso on 31 March 2022. Billerud North America (formerly Verso) had net sales of SEK 11,460 million during the period 1 April–31 December 2022. Net sales excluding currency

Sales volumes by operating segment

Ktonnes	2022	2021
Board product area	1,889	1,917
Paper product area	1,704	960
Total	3,594	2,877

Net sales by operating segment

SEKm	2022	2021
Board product area	17,912	14,852
Paper product area	21,509	8,127
Solutions & Other	3,266	2,950
Currency hedging, etc.	–97	277
Total	42,590	26,206

Net sales by geographic market

SEKm	2022	2021
US	12,716	712
Sweden	4,061	3,955
Germany	3,619	3,122
China	2,309	2,589
Italy	2,180	1,698
Spain	1,831	1,523
United Kingdom	1,552	1,358
France	1,404	1,060
Turkey	962	763
The Netherlands	726	699
Rest of Europe	4,309	3,658
Rest of the world	6,921	5,069
Total	42,590	26,206

effects, acquisitions and divestments grew by 16%, mainly due to higher prices in all product categories.

EBITDA improved to SEK 8,167 million (3,901), mainly due to the acquisition of Verso. Billerud North America had an EBITDA of SEK 2,342 million. The result was in addition strengthened by higher prices and an improved mix, which offset higher costs for raw materials.

Adjusted EBITDA was SEK 8,219 million (4,078) and included the negative result of a revaluation of biological assets in the associated company BSÖ Holding AB Group of SEK –52 million classified as an item affecting comparability. Items affecting comparability in 2021 totalling SEK –177 million included a negative result from the divestment of Beetham of SEK 123 million, costs related to the acquisition of Verso 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. See note 6 for information about items affecting comparability.

The EBITDA margin for 2022 was 19% (15) and the adjusted EBITDA margin was also 19% (16).

Net financial items totalled SEK 186 million (–113). The calculated tax was SEK –1,283 million (–391).

Net profit for the year totalled SEK 4,590 million (1,485) and the return on equity was 18% (8).

Return on capital employed was 18% (8).

For 2022, the Board of Directors proposes an ordinary dividend of SEK 5.50 per share (4.30) and an extraordinary dividend of SEK 2.00 per share (–). The dividend proposal of a share dividend of SEK 7.50 per share corresponds to approximately 41% of the Group's net profit.

Key events 2022

The building of a new recovery boiler at Frövi proceeded as planned during the year. In the second quarter the assembly phase started and in the third quarter 50% of all activities to be completed before the project is finished were achieved. The new recovery boiler is planned to be in operation by the end of 2023.

Billerud's production in Pietarsaari was in the first two quarters affected by the strike at UPM's pulp mill, which supplies the operation with pulp, purified water, steam and compressed air. The production at Pietarsaari ran at lower capacity and sourced pulp from other suppliers. The negative earnings impact of the strike was around SEK 15 million in the first quarter and around SEK 15 million in the second quarter.

On 3 March, it was announced that Billerud and the Norwegian forest owner group Viken Skog AS will form a joint venture to explore the possibilities of working together to establish production of bleached chemi-thermomechanical pulp (BCTMP) at Viken Skog's Follum mill in Hønefoss. The Follum mill has much of the infrastructure needed to establish such a production line and is in an area with competitive and sustainable wood supply and good transports to Billerud's board mills. The possible investment for Billerud was estimated to around NOK 600–800 million. A pre-feasibility study about the future pulp production at Follum was ongoing in 2022 and is estimated to be completed during the third quarter 2023.

On 10 March, the Nomination Committee announced the proposal of Magnus Nicolin and Florian Heiserer as new Board members at the 2022 Annual General Meeting.

On 11 March, shareholders of the requisite majority of Verso's outstanding shares voted to adopt the merger agreement between Billerud and Verso, and to approve the transaction. On 29 March, the remaining regulatory approvals for Billerud's acquisition of Verso had been received.

On 31 March, Billerud's acquisition of Verso was completed for a purchase price of USD 27.00 per share. The acquisition reinforced Billerud's strategy to drive profitable and sustainable growth and its ambition to accelerate growth in North America. The purchase price totalled approximately USD 798 million, corresponding to SEK 7,395 million, including settlement of warrants and incentive programmes. The transaction was financed by the combination of cash and a bank loan of SEK 6.0 billion, whereof SEK 3.5 billion was refinanced through an equity rights issue in 2022. Verso was renamed Billerud North America and was consolidated in Billerud's balance sheet as of 31 March 2022 and its result was from 1 April 2022 reported in the Paper

product area. Rob Kreizenbeck assumed the position of President, North America and became a member of the Group Management Team.

In the convening notice to the 2022 Annual General Meeting, published on 8 April, the Board of Directors proposed that the Board shall be authorised by the AGM to resolve on an issue of shares with preferential right for the shareholders of a maximum of SEK 3.5 billion in order to repay part of the debt which was raised in conjunction with the acquisition of Verso.

On 10 May, the Annual General Meeting authorised the Board to resolve a rights issue amounting to a maximum SEK 3.5 billion. The Meeting also resolved to simplify the company's name to Billerud Aktiebolag (publ) by an amendment of the Articles of Association. The Meeting furthermore elected Florian Heiserer and Magnus Nicolin as new Board members and re-elected Andrea Gisle Joosen, Bengt Hammar, Jan Svensson, Victoria Van Camp and Jan Åström as Board members. Jan Svensson was re-elected as Chairman of the Board.

On 25 May, the Board of Directors resolved a rights issue with preferential rights for existing shareholders of approximately SEK 3.5 billion, and the terms of the rights issue was announced. The prospectus about the rights issue was published on Billerud's website on 30 May 2022.

On 21 June, the preliminary outcome of Billerud's rights issue was communicated, and on 27 June, the final outcome was announced. The rights issue was significantly oversubscribed. A total of 40,231,816 shares, corresponding to around 97% of the offered shares, were subscribed for with subscription rights and the remaining 1,159,772 shares were allotted to those who subscribed for shares without subscription rights. New shares subscribed for by the exercise of subscription rights were registered with the Swedish Companies Registration Office on 29 June 2022 and began trading on Nasdaq Stockholm in July. Through the rights issue, the number of shares in Billerud increased to 249,611,422 shares and the share capital increased to SEK 1,843,307,607. The proceeds of the rights issue amounted to around SEK 3,497 million before the deduction of costs of SEK 63 million, net of tax, and was used to repay term loans.

In the second quarter, Billerud started a pre-feasibility study about the planned conversion of assets at Escanaba into a world-class, sustainable paperboard production. Stefan Ericsson, Chief Transformation Officer, Transformation programme, and Kevin Kuznicki, Deputy President, General Counsel, North America, became members of the Group Management Team.

On 1 July, the Wood Supply and Purchasing functions merged into one organisation under the leadership of Anna-Maria Tuominen-Reini, EVP Procurement and Wood Supply. Coordination of all sourcing tasks enables sourcing security and cost savings.

Billerud introduced Performance White Barrier, a new coated sack paper that replaces the plastic barrier in paper sacks in the second quarter. The new material can be recycled as paper, has a printable surface, the same high quality as the company's previous sack paper, and a more sustainable footprint.

The scheduled maintenance and upgrade at the Quinesec mill carried out during the third quarter included upgrade investments that will increase the pulp capacity by around 30 ktonnes per year, and that will enable production of more premium paper grades. These improvements are expected to have a positive annual earnings impact of around SEK 70–100 million.

Billerud announced in October that it will investigate a relaunch of its OptiLabel™ HB made at the Quinesec mill. Producing this speciality paper, designed for high-end pressure sensitive label applications, not only at the Escanaba mill but also at Quinesec, will provide more manufacturing flexibility to support the American market.

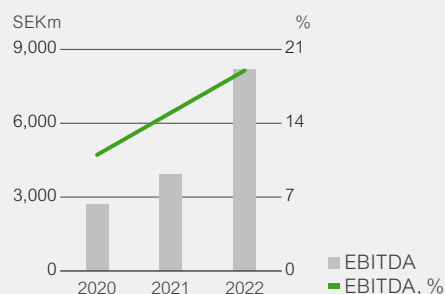
On 12 October, the company simplified its name to Billerud to cater to its international customers. A new Articles of Association with the name Billerud Aktiebolag (publ) was registered by the Swedish Companies Registration Office in accordance with a resolution made by the 2022 Annual General Meeting. The costs for rebranding activities were around SEK 15 million in 2022.

On 24 October, the Board of Directors of Billerud appointed Ivar Vatne to Deputy CEO in addition to his current responsibilities as CFO. Dep-

uty CEO is a newly created position reflecting the increased scope of the Billerud Group.

On 13 December, the Michigan Strategic Fund approved a Forest Products Processing Renaissance Zone in support of Billerud's planned transformation of the Escanaba mill, and on 20 December, Billerud had received the local approvals needed. Forest Products Processing Renaissance Zones promote forest products operation in Michigan and provide businesses with benefits through state and local tax abatements.

EBITDA and EBITDA %



Summary

	2022	2021
Net sales, SEKm	42,590	26,206
EBITDA, SEKm	8,167	3,901
EBITDA, %	19	15
Operating profit/loss, SEKm	5,687	1,989
Operating margin, %	13	8
Return on capital employed, %	18	8
Profit before tax, SEKm	5,873	1,876
Net profit, SEKm	4,590	1,485
Earnings per share, SEK	20.13	7.18

EBITDA and EBITDA-margin by operating segment

	2022		2021	
	SEKm	%	SEKm	%
Board product area	3,262	18	2,748	19
Paper product area	5,325	25	1,388	17
Solutions & Other	-305		-512	
Currency hedging, etc.	-115		277	
Total	8,167	19	3,901	15

For quarterly data, see pages 158–159.

Operating segments

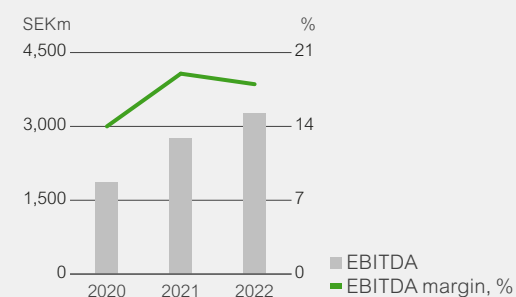
Billerud's result is reported in three operating segments in accordance with IFRS 8: Board product area, Paper product area and Solutions & Other. See note 1 for significant accounting policies.

Board product area

Net sales rose by 21% compared with 2021. Excluding currency effects, net sales grew by 15%. The rise was primarily driven by higher prices and an improved product mix with a higher share of carton-board and coated products.

EBITDA increased to SEK 3,262 million (2,748). The improved result was mainly a result of price improvements, which more than offset higher costs for raw materials. The result was positively affected by an insurance compensation of SEK 114 million from damages that occurred at the Gävle mill in 2019. Operating profit amounted to SEK 1,973 million (1,451).

EBITDA and EBITDA margin %



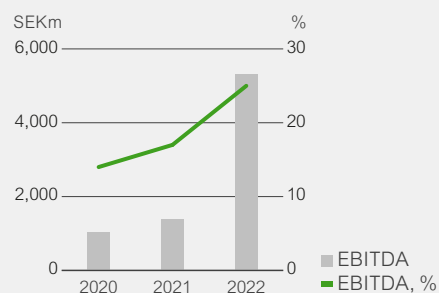
SEKm	2022	2021
Net sales	17,912	14,852
Operating expenses, net	-14,650	-12,104
EBITDA	3,262	2,748
EBITDA, %	18%	19%
Depreciation, amortisation and impairment losses	1,289	1,297
Operating profit/loss	1,973	1,451
Operating margin	11%	10%
Sales volumes, ktonnes	1,889	1,917

Paper product area

Net sales rose by 165% compared to 2021. Net sales excluding currency effects grew by 156%, mainly due to the acquisition of Verso on 31 March 2022. Billerud North America had sales volumes of 834 ktonnes and net sales of SEK 11,460 million from 1 April to 31 December 2022. The net sales growth excluding currency effects, acquisitions and divestments, was 21%, driven by higher prices for all products.

EBITDA increased to SEK 5,325 million (1,388). The profit improvement was primarily a consequence of the acquisition of Verso. Billerud North America had an EBITDA of SEK 2,342 million during the period 1 April to 31 December 2022. The profit improvement for the Paper product area was also driven by price increases, which more than compensated for higher input costs. Operating profit amounted to SEK 4,290 million (906).

EBITDA and EBITDA margin, %



SEKm	2022	2021
Net sales	21,509	8,127
Operating expenses, net	-16,184	-6,739
EBITDA	5,325	1,388
<i>EBITDA, %</i>	<i>25%</i>	<i>17%</i>
Depreciation, amortisation and impairment losses	1,035	482
Operating profit	4,290	906
<i>Operating margin</i>	<i>20%</i>	<i>11%</i>
Sales volumes, ktonnes	1,704	960

Solutions & Other (incl. currency hedging)

Net sales decreased by 2% and amounted to SEK 3,169 million (3,227). The decrease was due to negative hedging results from changes in currency rates. Net sales were positively affected by higher sales in wood sourcing operations.

EBITDA declined and amounted to SEK -420 million (-235) and included Items affecting comparability of SEK -52 million (-177). The decline was due to negative hedging effects while the result in Managed Packaging and wood sourcing operations improved.

Solutions & Other (incl. currency hedging)

SEKm	2022	2021
Net sales	3,169	3,227
Operating expenses, net	-3,589	-3,462
EBITDA	-420	-235
Depreciation, amortisation and impairment losses	-156	-133
Operating profit/loss	-576	-368

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. Billerud has strong market positions in long-term growing product segments. The exception being the graphic paper segment, which is expected to decline by 2-3% per year. Billerud prioritises growth in board over paper in view of its market position, growth opportunities and competitive dynamics.

Market conditions were strong for all Billerud's product categories during the first three quarters in 2022. Price increases across all product categories offset an accelerated cost inflation for raw material, logistics and energy, especially in Europe. During the fourth quarter of 2022, the market conditions turned less favourable for several product categories. Demand softened due to customers' inventory reductions and expectations of an economic downturn. Earlier implemented price increases had an effect and prices were essentially maintained.

Safety

The health and safety of individuals is Billerud's foremost priority and activities to increase safety are being executed across all mills. During 2022, the health and safety work focused on continued improvements in our proactive activities. An important part of this is risk observations and safety walks in the European operations, while the North American operations increased the efforts with monthly key safety performance audits. The number of accidents resulting in absence per million hours worked (LTIFR) for own employees in the Group was 5.4 (5.9).

Growth

Net sales in 2022 grew by 63%. The increase was mainly in the Paper product area and was mainly due to the acquisition of Verso on 31 March 2022. Excluding currency effects, the acquisition of Verso in 2022 and the divestment of Beetham in 2021 net sales grew by 16%.

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 21% in 2022. Billerud North America (formerly Verso), which was acquired on 31 March 2022, had net sales of SEK 11,460 million during the period from 1 April to 31 December 2022. The Beetham mill, which was divested on 31 October 2021, had net sales in 2021 of SEK 409 million.

SEKm	2022	2021
Net sales	42,590	26,206
Divestment, Beetham	-	-409
Acquisition, Verso	-11,460	-
Net sales for comparable units	31,130	25,797

Investments and capital employed

Investments in tangible and intangible assets amounted to SEK 3,330 million (1,526). The increase was mainly due to investments in the new recovery boiler at the Frövi mill and investments related to operations in the North American business.

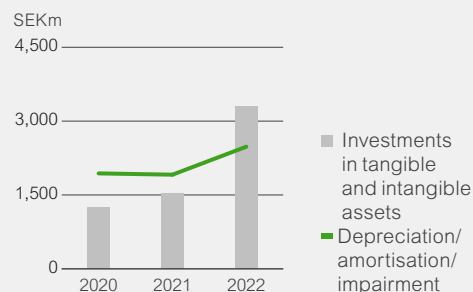
The new recovery boiler at Frövi will improve environmental performance and provide opportunities for enhanced efficiency. The project proceeded in line with budget and schedule. The new recovery boiler

is planned to be in operation by the end of 2023. The investment is estimated to total SEK 2.6 billion. Capital expenditures for this project were around SEK 400 million in 2021 and around SEK 1.1 billion in 2022.

Capital employed on 31 December 2022 totalled SEK 33,834 million (24,008). Return on capital employed (ROCE), calculated over the past 12-month period, was 18% (8). Return on equity was 18% (8).

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

Investments in tangible and intangible assets



Cash flow and financial position

Operative cash flow after investments in tangible and intangible assets

SEKm	2022	2021
Operating surplus, etc.	8,054	3,932
Change in working capital, etc.	-1,080	197
Net financial items, taxes, etc.	-145	-237
Cash flow from operating activities	6,829	3,892
Investments in tangible and intangible assets	-3,330	-1,526
Operating cash flow after investments in tangible and intangible assets	3,499	2,366

Operating cash flow after investments in tangible and intangible assets amounted to SEK 3,499 million (2,366). The improved cash flow was mainly a result of improved operating surplus.

Interest-bearing net debt on 31 December 2022 amounted to SEK 4,581 million (3,968). The net interest-bearing debt in relation to EBITDA at the end of the year was 0.6 (1.0) and the ratio was the same if adjusted EBITDA was used in the calculation.

Financing

On 31 December 2022, interest-bearing debt amounted to SEK 5,023 million (6,446). Of the interest-bearing loans, bond loans totalled SEK 1,800 million (5,100) and other interest-bearing loans SEK 3,223 million (1,346). Of the bond loans, SEK 1,800 million are due 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 2022.

Capital structure, summary

31 December	2022	2021
Capital employed, SEKm	33,834	24,008
Financing:		
Interest-bearing net debt, SEKm	4,581	3,968
Interest-bearing net debt/EBITDA, multiple	0.6	1.0
Equity, SEKm	29,254	20,041
Net debt/equity ratio, multiple	0.16	0.20

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 –398 million for 2022 (135), compared with if no hedging had taken place.

Billerud's outstanding foreign exchange contracts on 31 December 2022 had a market value of SEK –223 million, of which SEK –68 million is the portion of the contracts corresponding to accounts receivable that has affected earnings in 2022. Other contracts had a market value of SEK –155 million.

The hedged proportion of currency flows and the SEK exchange rates for EUR, USD and GBP on 31 December 2022 are shown in the table below.

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

Currency	Q1–23	Q2–23	Q3–23	Q4–23	Q1–24	Total 15 months
EUR						
Proportion of net flow	79%	83%	82%	77%	78%	80%
Exchange rate	10.50	10.64	10.69	10.82	11.07	10.74
USD						
Proportion of net flow	85%	83%	81%	83%	69%	80%
Exchange rate	9.34	9.51	10.06	10.53	10.48	9.96
GBP						
Proportion of net flow	19%	–	–	–	–	–
Exchange rate	12.58	–	–	–	–	–
Market value of currency contracts ¹	–96	–74	–44	–11	2	–223

¹ On 31 December 2022.

Tax situation

Billerud's effective tax rate is normally estimated at 21–23%. The tax expense for 2022 was SEK 1,283 million (391), equivalent to a tax rate of 22% (21).

Environmental and permit issues

Billerud has six production facilities in Sweden, three in the US and one in Finland, which 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.

All ten production units require permits under environmental legislation. These permits apply primarily to the production of pulp and paper, and operation of landfills and ports where applicable. Billerud has all the official permits necessary to conduct operations at the volumes produced in 2022.

Billerud's Swedish and Finnish 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, Billerud AB (publ) has chosen to prepare the statutory sustainability report as a separate report from the annual accounts on pages 23–44, 67–71 and 124–152. The report has been prepared in accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting, GRI Standards: Core option.

The EU taxonomy regulation applies to Billerud. Billerud's main economic activities, the production of paper and board materials, are not included in the current version of the taxonomy. For 2022, the company's share of turnover from products or services associated with taxonomy-aligned economic activities was 2.4%. The entire taxonomy report is presented on pages 143–146.

Billerud supports the TCFD's recommendations to provide investors and other stakeholders with information on risks related to climate change and has an approach that follows this framework. Information on climate-related risks and opportunities for Billerud can be found on pages 140–141.

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 2022, such costs accounted for approximately 0.2% (0.2) of Billerud's operating costs.

Maintenance shutdowns

Production unit	Shutdown cost 2022	Estimated average earnings impact	Estimated breakdown of earnings impact		Planned dates of maintenance shutdown		
	SEKm	SEKm	Board	Paper	2023	2022	2021
Gävle	197	~ 165	~ 94%	~ 6%	Q3	Q3	Q3
Gruvön	260	~ 200	~ 97%	~ 3%	Q2	Q1-Q2	Q2
Frövi	153	~ 115	100%	0%	Q4	Q4	Q4
Skärblacka	153	~ 130	~ 12%	~ 88%	Q2	Q2	Q4
Karlsborg	133	~ 90	0%	100%	Q3	Q3	Q3
Pietarsaari	11	~ 15	0%	100%	–	Q2	–
Rockhammar	16	~ 15	100%	0%	Q4	Q4	Q3
Escanaba	128	~ 180	0%	100%	Q4	Q3	–
Quinnesec	434	~ 400	0%	100%	–	Q3	–
Total	1,485	1,310					

Seasonal effects

Billerud's business is to a relatively limited extent subject to seasonal fluctuations. Periodical maintenance shutdowns have the largest impact, as they involve each production unit stopping production for around one week. The loss of production results in somewhat lower deliveries over an extended period before, during and after the shutdown. Billerud's 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, Billerud's production units normally also require more extensive maintenance at some time during the year. Maintenance requires the production of pulp, paper and board to stop. The main financial impact from a maintenance shutdown comprises of volume losses arising from the shutdown and an increase in 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 profitability level for the products subject to volume losses, extent of mea-

sures carried out, their nature and the actual length of the shutdown. The estimated earnings impact of a maintenance shutdown is an indicative impact of a normal shutdown performed in average market conditions, compared with a quarter during which no periodic maintenance shutdown takes place.

Other seasonal effects

A considerable share of volumes for Billerud's fluting is used for packaging for exporting fruit from the Mediterranean area. Demand from this group of customers varies with the fruit export season and is usually highest in September to March. A considerable share of Billerud's sack paper is used for packaging of cement and building materials. The demand for building materials in Europe is generally higher in May to October.

Share structure

On 31 December 2022, the share capital totalled SEK 1,843,307,607, represented by 249,611,422 shares. The number of shares on the market totalled 248,349,531.

Billerud carried out a rights issue during the second quarter 2022, with the purpose to repay a part of the debt raised to finance the acquisition of Verso. Five subscription rights entitled the subscription of one new share at a price of SEK 84.5 per share, and the subscription period was from 3 June to 17 June 2022. Through the rights issue, a total of 40,231,816 shares, corresponding to around 97% of the offered shares, were subscribed for with subscription rights. The remaining 1,159,772 shares were allotted to those who subscribed for shares without subscription rights. The number of shares in Billerud increased through the rights Issue by 41,391,588 shares and the share capital increased by SEK 305,664,814. Shareholders who did not participate in the rights Issue had their ownership stake in the company diluted by approximately 16.7%.

During 2022 Billerud transferred 87,156 shares under the long-term incentive programme resolved by the 2019 Annual General Meeting. No shares were repurchased during the year.

On 31 December 2022, Billerud's holdings of treasury shares totalled 1,261,891, representing a decrease of 87,156 shares compared with 31 December 2021. These bought-back shares are held as security for conditional rights in the long-term incentive programmes.

Distribution of shares

31 December	2022
Registered number of shares	249,611,422
Repurchased shares in Company treasury	-1,261,891
Shares on the market	248,349,531

Billerud shares

The share capital of Billerud AB is represented by 249,611,422 ordinary shares, of which 1,261,891 are owned by Billerud 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 2022 were AMF Pension & Funds and Frapag Beteiligungsholding AG. AMF Pension & Funds owned 38,759,642 shares, corresponding to 15.6% of the shares on the market, and Frapag Beteiligungsholding AG owned 30,000,000 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 2022.

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 Billerud AB includes the head office and support functions.

Operating profit for 2022 was SEK -346 million (164). 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 -398 million (135) in 2022.

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 2022 was 140 (135). Cash and bank balances, and short-term investments totalled SEK 903 million (3,175).

Risk management in parent company

For a description of the Group's risk management, see the Risks and risk management section on page 67. This section also includes information about the effect of the war in Ukraine and the macro-economic situation on Billerud's operations. The description applies, where appropriate, to both the Group and the 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 receivable represent approximately 60-70% 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 2022, 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 the end of 2022, foreign exchange contracts not yet recognised in profit/loss for the parent company nominally totalled SEK 5,122 million (3,920), which will be recognised in profit/loss in 2023 and 2024.

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 on 31 December 2022. As a result, the parent company has the same exposure to changes in interest rates as the Group.

Proposed allocation of profit

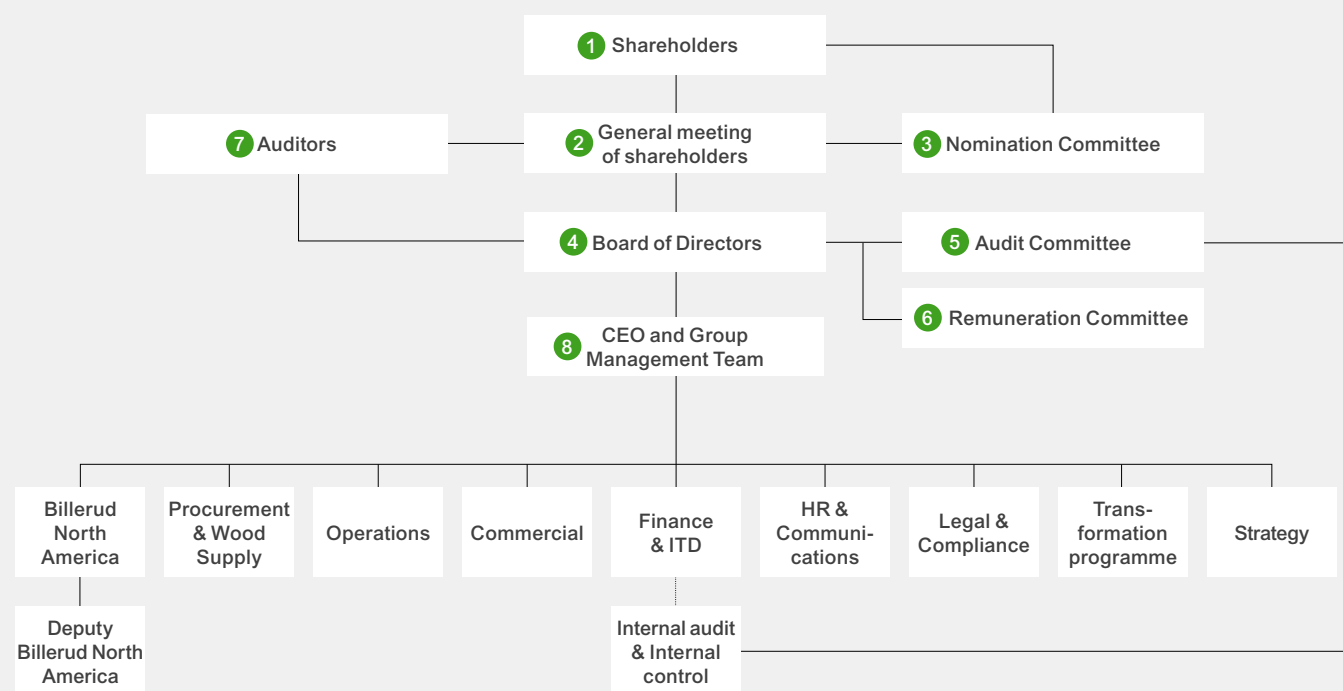
As shown in Note P16, non-restricted equity in the parent company, Billerud AB, totalled SEK 10,707 million on 31 December 2022. Billerud's Board of Directors proposes that an ordinary dividend of SEK 5.50 per share and an extraordinary dividend of SEK 2.00 per share is paid to shareholders. The dividend proposal of a total dividend of SEK 7.50 per share corresponds to approximately 41% of the Group's net profit.

Events after the close of the financial year

For events after the end of the period see note 26 for the Group and note P24 for the Parent company .

Corporate governance in Billerud

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 Billerud. This report on Billerud's corporate governance in 2022 has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance.



Corporate governance in Billerud

Examples of external regulations affecting Billerud's 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 Billerud's governance:

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

As a publicly traded Swedish company listed on Nasdaq Stockholm, Billerud applies the Swedish Code of Corporate Governance ('the Code'). The Code is available at www.corporategovernanceboard.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. During the year, Billerud has complied with the Code, as well as with Nasdaq Stockholm's Rulebook for Issuers and with good stock market practice.

1 Shareholders

Billerud's shares are listed on Nasdaq Stockholm. At year-end 2022, the total number of shareholders was 98,475, compared with 98,053 at the previous year-end. Each share carries an entitlement to one vote. The proportion of foreign ownership was 39.9% (39.9) of the number of shares on the market. Other groups of shareholders consisted of Swedish mutual funds 28.5% (25.4), Swedish individuals including closely held companies 20.0% (20.9) and Swedish institutions and foundations 11.6% (13.8). The largest shareholder, AMF Pension &

Funds, owned 38,759,642 shares, corresponding to 15.6% of the shares on the market. The second largest owner, Frapag Beteiligungsholding AG, owned 30,000,000 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 2022. 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.billerud.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 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 Group 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.

2022 Annual General Meeting

The 2022 AGM took place on 10 May 2022, and addressed matters customarily dealt with at the AGM. The AGM also voted to authorise the Board to resolve on a rights issue to finance the acquisition of Verso Corporation, to approve a change of the Company's name from BillerudKorsnäs to Billerud and to introduce a long-term incentive programme (LTIP 2022). The minutes and other documents from the AGM are available on the Company's website.

2023 Annual General Meeting

Billerud's 2023 AGM will take place on 24 May 2023 in Stockholm. Notice of the AGM will be made in April 2023 and will be published on the company's website www.billerud.com. 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.

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 Billerud 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 2023 AGM. For further information about the Nomination Committee instructions, see www.billerud.com.

The Nomination Committee held several meetings prior to the 2023 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. 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 Billerud's key priorities. There is a special section on the company's website www.billerud.com headed "Nomination Committee" containing further information about the Nomination Committee.

Composition of and voting representation on the Nomination Committee

Representative	Shareholder	Share of voting power, % ¹
Tomas Risbecker	AMF Pension and Funds	15,6
Michael M.F. Kaufmann	Frapag Beteiligungsholding AG	12,1
Lennart Francke	Swedbank Robur funds	6,9
Thomas Wuolikainen	Fourth AP Fund	6,4

¹ On 31 December 2022.

Tomas Risbecker was appointed Chairman of the Nomination Committee when the Nomination Committee for the AGM 2023 was constituted.

4 Board of Directors Composition

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

The 2022 AGM established that the Board of Directors should consist of seven members and voted to re-elect the Board members Andrea Gisle Joosen, Bengt Hammar, Victoria Van Camp, Jan Svensson and Jan Åström, and to elect Florian Heiserer and Magnus Nicolin as new members of the board. The Annual General Meeting decided to elect Jan Svensson as 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 and Magnus Axelsson. 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, two 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 Billerud, see the section "Board of Directors" on pages 65–66.

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 2022

The Board held 13 meetings in 2022, 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, the CEO presents a detailed update on the Company's business development and key performance indicators.

One of the top priorities for the Board during the year has been the acquisition and subsequent integration of the US company Verso Corporation, an acquisition that was announced on 20 December 2021 and completed on 31 March 2022. Following completion of the acquisition, the Board also resolved on a rights issue to partly finance the acquisition. 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.

Attendance at Board meetings and committee meetings

Member	Position	Board meetings	Audit Committee meetings	Remuneration Committee meetings
Jan Svensson	Chairman	13/13		8/8
Per Bertilsson	Board member	13/13		
Andrea Gisle Joosen	Board member	13/13	5/5	
Bengt Hammar	Board member	13/13		
Nicklas Johansson	Board member	12/13		
Victoria Van Camp	Board member	13/13		5/5 ¹
Jan Åström	Board member	13/13	3/3 ²	3/3 ³
Florian Heiserer	Board member	9/9 ⁴	3/3 ⁵	
Magnus Nicolin	Board member	9/9 ⁶		
Michael Kaufmann	Deputy Chairman	4/4 ⁷		2/3 ⁸
Tobias Auchli	Board member	4/4 ⁹	2/2 ¹⁰	
Kristina Schauman	Board member	4/4 ¹¹	2/2 ¹²	

¹ Victoria Van Camp joined the Remuneration Committee after the AGM 2022.

² Jan Åström joined the Audit Committee after the AGM 2022.

³ Jan Åström left the Remuneration Committee after the AGM 2022.

⁴ Florian Heiserer joined the Board of Directors at the AGM 2022.

⁵ Florian Heiserer joined the Audit Committee after the AGM 2022.

⁶ Magnus Nicolin joined the Board of Directors at the AGM 2022.

⁷ Michael Kaufmann left the Board at the AGM 2022.

⁸ Michael Kaufmann left the Remuneration Committee at the AGM 2022.

⁹ Tobias Auchli left the Board at the AGM 2022.

¹⁰ Tobias Auchli left the Audit Committee at the AGM 2022.

¹¹ Kristina Schauman left the Board at the AGM 2022.

¹² Kristina Schauman left the Audit Committee after the AGM 2022.

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).

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 Jan Åström (Chairman), Andrea Gisle Joosen and Florian Heiserer. An employee representative normally attends the meetings of the audit committee.

Work in 2022

The committee held five meetings in 2022. During the year, the committee addressed the following audit topics; audit plan for 2022 enterprise risk management, internal control, 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 Group Management Team. The committee also monitors and evaluates programmes for variable compensation to the Group 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 Billerud's Group 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) and Victoria Van Camp.

Work in 2022

The committee held eight meetings in 2022. In 2022, the committee considered bonus payments with respect to 2021, outcome on LTIP 2019 and prepared a proposal for a new LTIP 2022 for the AGM. The committee decided the annual bonus objectives for the CEO and salary review for members in the Group Management Team. The committee also approved new members to the Group Management Team. The committee prepared the Remuneration Report for 2021 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 Billerud" and Note 24.

7 Auditors

The Company's auditors are appointed by the general meeting of shareholders. At the 2022 AGM, the audit firm KPMG AB, with principal auditor Hök Olov Forsberg, was elected as the Company's auditor for the period until the end of the 2023 AGM. Hök Olov Forsberg is currently also auditor for AQ Group, FM Mattsson Group, LKAB Minerals and Ovako. 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, Billerud's auditors met with the audit committee on five occasions and the Board, without the presence of the senior management, on one occasion in 2022.

8 CEO and Group 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 Group Management Team (GMT) are jointly responsible for daily operations. The CEO has appointed a GMT that is responsible for different parts of the business. The GMT consists of the CEO, Deputy CEO & Group CFO, EVP Commercial & Sustainabil-

ity, EVP Operations, EVP Procurement & Wood Supply, EVP HR & Communication, EVP Group Legal & Compliance, EVP Strategy, EVP North America & General Counsel North America, Deputy President North America and Chief Transformation Officer. For further information about the members of the GMT, see pages 63–64.

The role of the GMT 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 GMT sets targets for operational activities, allocates resources and monitors the business' earnings. The GMT is also responsible for investment planning and follow-up, acquisitions and divestments, and for preparations for Board meetings. The GMT is taking active measures to involve employees in developing the corporate strategy, culture and to fulfil its values.

The CEO chairs GMT meetings and makes decisions in consultation with the other senior executives. The GMT 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 GMT meets bi-weekly for short telephone conferences, and as needed.

Organization and governance

The Company's organisation is built along the business flow around three functional areas: Procurement & Wood Supply, Operations and Commercial. The North American operations are organised in a separate division. Staff functions are organised in Finance & IT, HR & Communications, Legal & Compliance, and Strategy. An important element of the company's governance is the steering document framework, which ensures that governing documents in Billerud 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, Branding & Information Policy, Finance Policy, People Policy, Operations, Quality & Procurement Policy, and Health & Safety Policy.

Guidelines for remuneration to senior executives

The 2022 AGM adopted guidelines on the remuneration of senior executives in the Group. The guidelines state, for example, that Billerud 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 GMT members is paid based on outcomes in relation to clearly stated goals and shall amount to a maximum of 70% (150% for GMT members employed in the USA) 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 Billerud. When termination is made by a GMT member, the notice period may not exceed six months, without any right to severance pay.

For the complete resolution on principles for remuneration for 2022, see note 24. The Board's proposal for guidelines in 2023 is presented in the section "Remuneration at Billerud".

Remuneration at Billerud

Billerud endeavours to attract, retain and develop the right people through a competitive remuneration package that clearly links pay to performance.

Billerud's 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.

Billerud 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 Billerud's vision and operating targets.

The purpose of the remuneration guideline is to support Billerud 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 Billerud

Fixed pay

Fixed pay is based on market pay levels and is set on the basis of a pay scale taking into account 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 Billerud Group has a positive operating profit.

Long-term share-based incentive programme (LTIP)

The purpose of Billerud's LTIP is to increase the Group's 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

Billerud 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 2010–2022 AGMs approved the introduction of long-term incentive programmes (LTIP 2010–2022) for Billerud and, in conjunction with this, a transfer of its own holding of treasury shares. There are currently three programmes outstanding: 2020, 2021 and 2022. The programme extends to senior executives and other key employees within the Billerud Group. The LTIP has a term of three years. For LTIP 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 Billerud 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 was 100 participants and the programme consists 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 Group 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 a maximum 20 participants. Category 3 for LTIP 2020 includes other key employees and gives a maximum of 1:4 saving shares to performance shares at vesting.

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

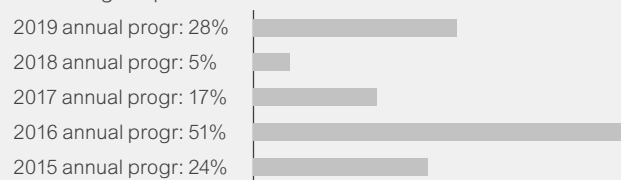
- (a) Billerud's annual organic growth.
- (b) Billerud's average adjusted EBITDA margin.
- (c) Billerud's sustainability performance.

Performance requirements grant shares on a straight-line basis between minimum and maximum levels. LTIP 2020 is also dependent on total shareholder return (TSR).

For LTIP 2022, similar to LTIP 2021, the outcome depends on one financial performance condition – currency adjusted earnings per share 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 Billerud shares, known as participation shares. If Billerud meets the performance conditions participants 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 2024. The maximum number of participants invited to participate in the LTIP 2022 is 60 and the programme consists of three categories. Category 1 includes the CEO with a participant share investment of 15% of annual base salary as of 31 December 2021 and a maximum award of 60% of annual base salary as of 31 December 2024. Category 2 includes the Group Management Team with a participant share investment of 10% of annual base salary as of 31 December 2021 and a maximum award of 50% of annual base salary as of 31 December 2024. Category 3 includes other key persons with a participant share investment of 5% of annual base salary as of 31 December 2021 and a maximum award of 25% of annual base salary as of 31 December 2024.

Historical data, completed long-term incentive programmes

Percentage of performance criteria set



Guidelines for remuneration of senior executives 2023

The following guidelines for remuneration to the CEO and other members of the Group Management Team (GMT Members) were approved at the Annual General Meeting in 2022 and are still applicable for 2023 as the board of directors are not proposing any changes. The guidelines are applicable on remuneration agreed, and amendments to remuneration already agreed. The guidelines do not apply to any remuneration approved by the general meeting, for example ordinary

Long-term incentive programme (LTIP)

Programme	Number of participants	Savings shares	Max. allocation of Billerud 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 2022 is charged with, SEKm
LTIP 2020	81	60,906	281,640	0.1%	30 (8)	71 (36)	18
LTIP 2021	49	N/A	N/A ¹	N/A	39 (9)	45 (11)	14
LTIP 2022	53	N/A	N/A ¹	N/A	33 (9)	43 (12)	6

¹ Based on a percentage of annual salary, so it depends on the price per share at vesting. See Note 24 for more information.

board remuneration and Billerud long-term share-related incentive programmes.

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

Billerud is challenging conventional packaging for a sustainable future and this mission describes the purpose of Billerud's 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. Billerud's 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.

A prerequisite for the successful implementation of Billerud's business strategy and safeguarding of Billerud's long-term interests, including its sustainability, is that Billerud is able to recruit and retain qualified employees with high competence and capacity to achieve set goals. Billerud will challenge conventional packaging for a sustainable future – and it is Billerud's 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 Billerud offers competitive total remuneration which creates incentives for senior executives to place the customer in the centre, dare to innovate, lead the change and care for each other. The goal is to create incentives to promote Billerud's business strategy and long-term interests, deliver exceptional results and to link incentives for key persons within Billerud with the shareholders' interests. These guidelines enable this objective and that GMT members can be offered a competitive total remuneration.

Types of remuneration, etc.

Billerud 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 GMT 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 GMT 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 GMT 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, and 150 per cent of the annual fixed cash salary for members of the GMT 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 Billerud's development and in order for the CEO and GMT members to have a significant,

long-term shareholding in Billerud. The outcome of the long-term share and share price-related remuneration shall be linked to certain predetermined performance criteria based on Billerud's share price and/or results.

The Board may also, in order to meet market conditions and to reasonable administrative complexity, offer the members of the GMT employed in the US, participation in cash based long-term incentive programmes, 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.billerud.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 Group Management Team, the application of the guidelines for executive remuneration as well as the

current remuneration structures and compensation levels in Billerud. The members of the remuneration committee are independent of the company and its Group Management Team. The CEO and GMT 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 GMT members, the CEO is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by Billerud.

Variable cash remuneration shall only be paid provided that Billerud's 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 Billerud's 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 Billerud 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

Billerud can apply the following terms in the event of termination of employment of an GMT 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 Billerud. When termination is made by a GMT 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 GMT employed in the U.S., Billerud can apply severance pay corresponding to a maximum of 18 months fixed cash salary, if the employment is terminated by Billerud and similar situations.

Remuneration to Board members elected by general meetings

Board members elected by general meetings in Billerud shall in special cases be able to be remunerated for services within their respective areas of expertise, which do not constitute board work in Billerud 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 Billerud's long-term interests, including its sustainability, or to ensure Billerud's 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 Billerud as a publicly listed company are fulfilled.

Financial reporting

The Board is ultimately responsible for the internal control over 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.

Billerud's internal control work is based on the internal control principles developed by the Committee of Sponsoring Organizations of the

Treadway 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

At the time of acquisition, Verso's financial accounting was converted from US GAAP to the IFRS accounting standard. Additionally, Verso, now Billerud North America, has a well-established and effective framework of internal control over financial reporting based on the

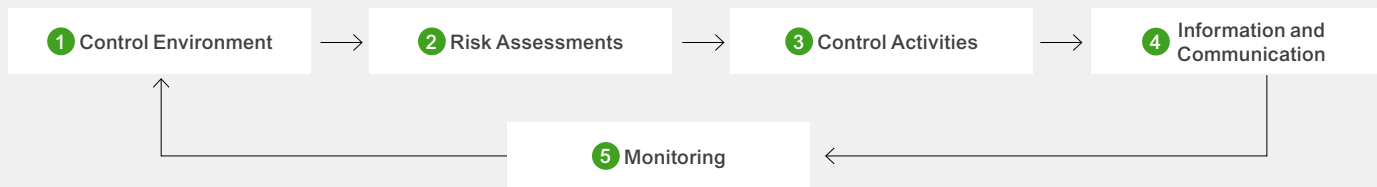
COSO principles. The alignment of the accounting principles and effective internal control framework ensure the reliability of Billerud's financial reports.

For more information about Billerud's corporate governance work, please see the section Corporate Governance in Billerud on pages 53–57.

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 of Billerud's 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 56.

The Group Management Team reports regularly to the Board based on predetermined procedures. The Audit Committee also reports to the Board. The Group Management Team is responsible for ensuring that essential internal controls are implemented as necessary to manage significant risks in daily activities. This includes Group-wide steering documents to enable individual employees to understand their role in the work to maintain adequate internal control. Examples are a Code of Conduct, Governance Policy and Finance Policy. Billerud's shared service centre ensures effective and uniform management of financial processes through uniform procedures and control systems 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 Billerud if the internal controls in the financial processes are not effective. Billerud's Enterprise Risk Management (ERM) process is further described in the Risk and Risk Management section on pages 67–71. Risks relating to financial reporting, including risk for errors in the financial reporting, are included in the ERM process.

Control activities aim to prevent, detect and correct 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 and 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 ensures 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, see the Risk and Risk Management section and note 1.

4 Information and Communication

Material governing documents that are of significance to financial reporting are available on Billerud'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 2023.

Both formal and informal information channels carry important information from staff to the Group Management Team and the Board. For example, Billerud has a whistleblower function, 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 to ensure that Billerud 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 Group 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, internal audit, and by the internal control function. See the

Corporate Governance in Billerud section for further information about the Audit Committee and its work.

Internal audit

The internal audit function reports functionally to the chairman of the Audit Committee. This independent, objective function assists Billerud in accomplishing its strategic objectives by bringing a systematic, disciplined and risk-based approach to evaluate and contribute to the effectiveness of Billerud's governance, risk management and internal control.

Group Management Team¹



Christoph Michalski

President and CEO

Education: Master in Economics, Christian Albrechts University.

Year employed: 2020

Year born: 1966

Other assignments: Board member of Vinda International Holdings Ltd.

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

Shareholding²: 47,115



Ivar Vatne

Deputy CEO and Group CFO

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 (P&G) for 10 years.

Shareholding²: 13,329



Paulina Ekvall

Executive Vice President Human Resources and Communication

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

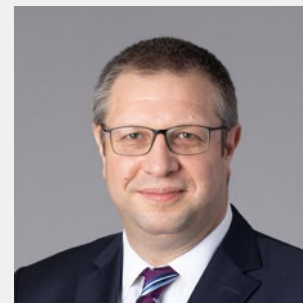
Year employed: 2017

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: 8,926



Matthew Hirst

Executive Vice President Commercial and Sustainability

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

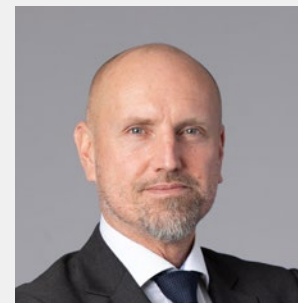
Year employed: 2021

Year born: 1977

Other assignments: –

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

Shareholding²: 2,924



Tor Lundqvist

Executive Vice President Operations

Education: MSc. 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.

Shareholding²: 7,502

¹ Robert A. Kreizenbeck left his employment as EVP North America in March 2023. Kevin Kuznicki was appointed EVP North America & General Counsel North America on 27 March 2023. He was previously Deputy President & General Counsel North America and has been a member of the Group Management Team since 2022.

² Shareholding, own and closely related parties, as per 1 March 2023.

Group Management Team¹



Andreas Mattsson

*Executive Vice President
Legal and Compliance, Group*

Education: Master of Law, Lund University.

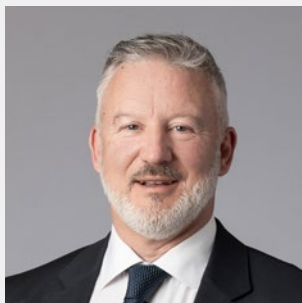
Year employed: 2013

Year born: 1978

Other assignments: –

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

Shareholding²: 7,972



Erik Olsson

*Executive Vice President
Strategy*

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

Year employed: 2021

Year born: 1961

Other assignments: –

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

Shareholding²: 2,028



Anna-Maria Tuominen-Reini

*Executive Vice President
Procurement and 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 in 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.

Shareholding²: 3,000



Stefan Ericsson

*Chief Transformation Officer,
Transformation programme*

Education: MSc Electrical Engineering, Royal Institute of Technology, Stockholm.

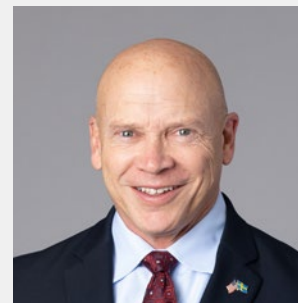
Year employed: 1999

Year born: 1973

Other assignments: –

Background: Senior Director Technology BillerudKorsnäs, Director Operations BillerudKorsnäs, Acting Mill Director Frövi BillerudKorsnäs, BillerudKorsnäs Boardmill Manager Frövi mill Korsnäs.

Shareholding²: 8,460



Kevin Kuznicki

Executive Vice President North America & General Counsel North America

Education: Bachelor of Political Science, Minor Business, Indiana University; Juris Doctor, Indiana University School of Law.

Year employed: 2022

Year born: 1961

Other assignments: –

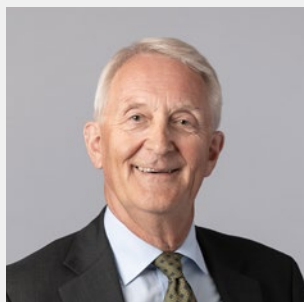
Background: Deputy President, General Counsel, Billerud North America; SVP, General Counsel & Secretary, Verso Corporation; SVP, General Counsel & Secretary, Jason Industries, Inc.; VP & Deputy General Counsel, Adient Plc; VP & General Counsel, Europe & Africa (Commercial Transactions) & Vice President General Counsel (Original Equipment), Johnson Controls, Inc.; Associate General Counsel, Corporate Secretary, Carrier Access Corporation; Associate General Counsel, Voyant Technologies/Polycom, Inc; Assistant General Counsel & Assistant Vice President, The Signature Group; Counsel, Mutual Security Life Insurance Company.

Shareholding²: –

¹ Robert A. Kreizenbeck left his employment as EVP North America in March 2023. Kevin Kuznicki was appointed EVP North America & General Counsel North America on 27 March 2023. He was previously Deputy President & General Counsel North America and has been a member of the Group Management Team since 2022.

² Shareholding, own and closely related parties, as per 1 March 2023.

Board of Directors



Jan Svensson

Chairman of the Board since 2021, Chairman of the Remuneration Committee

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

Year born: 1956

Other assignments: Chairman of the Board of Securitas AB, Fagerhult AB and Nobia AB. Board member in Herenco Holding AB.

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

Shareholding¹: 29,000

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



Jan Åström

Board member since 2018, chairman of the Audit Committee

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.

Shareholding¹: 12,133

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



Andrea Gisle Joosen

Board member since 2015, member of the Audit Committee

Education: MSc International Business, Copenhagen Business School.

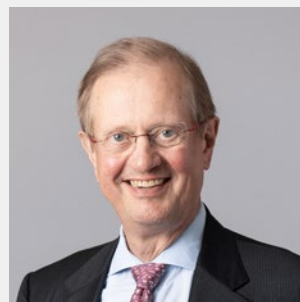
Year born: 1964

Other assignments: Chairman of Svenska Bilprovningen AB, Board member of Currys plc, Stadium AB, Qred AB, Logent AB, The Nu Company GMBH and 888 plc.

Background: CEO of Boxer TV Access AB, Nordic Managing Director of Panasonic, Chantelle and Twentieth Century Fox Home Entertainment. Senior positions at Johnson & Johnson and Procter & Gamble. Board assignments in several global companies, such as Chairman of the Board of Acast AB and Teknikmagasinet AB, Board Member of Ica Gruppen, James Hardie Industries Ltd and Mr Green & Co AB.

Shareholding¹: 4,536

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



Bengt Hammar

Board member since 2014

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.

Shareholding¹: 2,320

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



Florian Heiserer

Board member since 2022, member of the Audit Committee

Education: Master in Business Administration, Vienna University of Economics and Business Degree in Biomedical Engineering, TGM College of Electronics, Vienna.

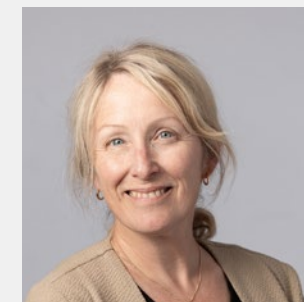
Year born: 1981

Other assignments: CFO of HKW Group, Executive Board Member of FRAPAG Beteiligungsholding AG, Board Member of HKW Privatstiftung, MIKA Privatstiftung, FRAPAG America Inc.

Background: Managing Director of Buy-Out Central Europe II Beteiligungs-Invest AG, Board Member of BillerudKorsnäs Venture AB, Supervisory Board Member of Atterbury S.A., Alternapak Holding B.V., Chemson Polymer-Additive AG, Buy-Out Central Europe II Beteiligungs-Invest AG.

Shareholding¹: 30,002,000 (incl. 30 000 000 shares held by FRAPAG)

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



Victoria van Camp

Board member since 2017, member of the Remuneration Committee

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

Year born: 1966

Other assignments: Board member SR Energy AB and The Chalmers Foundation. Senior adviser Siemens Digital Industries AB.

Background: CTO and President, Technology, AB SKF. 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.

Shareholding¹: 3,946

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

¹ Shareholding, own and closely related parties, as per 1 March 2023.

Board of Directors



Magnus Nicolin

Board member since 2022

Education: MBA Wharton – University of Pennsylvania, BSc Stockholm School of Economics.

Year born: 1956

Other assignments: Non Executive Director FAM AB, Chairman of the Board of Munters.

Background: CEO of Ansell Limited, President, Europe, Middle East, Africa and Asia Pacific of Newell Rubbermaid Inc., CEO of Esselte Business Systems Inc. Senior positions in Bayer AG, Pitney Bowes Inc. and McKinsey & Company. Advisor to several Private Equity firms and Board assignments with multiple global boards, such as Ansell, Esselte, Isaberg-Rapid and Primix.

Shareholding¹: 12,000

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



Nicklas Johansson

Board member since 2017, employee representative Swedish Paper Workers Union

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

Year born: 1968

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

Shareholding¹: –



Bo Knöös

Deputy Board member since 2017, employee representative Swedish Paper Workers Union

Year born: 1964

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

Shareholding¹: –



Per Bertilsson

Board member since 2021, employee representative PTK, co-opted member of the Audit Committee

Education: Four-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. Billerud Skog & Industri AB, Frövi/Rockhammar. Chair of Unionen branch Billerud Frövi and Rockhammar. Board member of SIRIUS, Swedish forest industry council for industrial development in collaboration with Industriarbetsgivarna. Board member of Frövifors board mill's museum foundation.

Shareholding¹: –



Magnus Axelsson

Deputy Board member since 2022, employee representative PTK

Education: Four-year technical engineering education.

Year born: 1971

Background: Operational Developer Gävle mill, former operator and group manager. Chairman of Ledarna Gävle. Board member of Ledarna STI. Board member Ekmanska stiftelsen. Various local union assignments.

Shareholding¹: 120

¹ Shareholding, own and closely related parties, as per 1 March 2023.

Risks and risk management

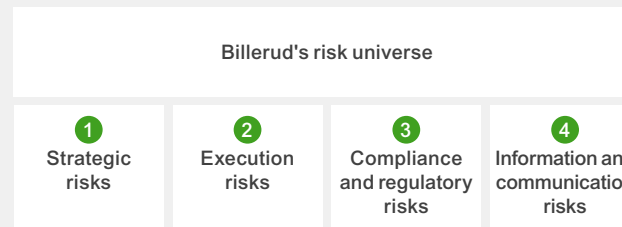
Billerud recognises that in all operations and activities, there are uncertainties that could have a positive or negative effect on the ability to reach goals and strategic objectives. If the organisation possesses the ability to map, monitor and mitigate known risks and has the capacity to identify unknown risks, it will lead to a more efficient execution of the 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.

Billerud's risk management is aligned with the governance model presented on page 61 and represented as part of the second line of responsibility. The Enterprise Risk Management (ERM) framework is 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 Management Team (GMT) and the Audit Committee. The current ERM framework focuses more sharply on strategic risks to improve alignment with Group strategic objectives and initiatives.

With the ERM framework as a common touchpoint and given the changing financial, geopolitical risks, and the Verso acquisition in 2022, the risk register was updated and recalibrated, with each Group function represented in the GMT as risk owners and by their specialists for dedicated areas, to agree on risk definitions, and assess the risks in terms of likelihood and impact. The aggregated results have been calibrated to settle on prioritised risks and mitigations. The results have also been presented to the Audit Committee.

Risk universe

The ERM framework is founded on a risk universe that could impact Billerud's ability to achieve the established strategy and operational objectives, including financial targets. The risks to which Billerud 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 Billerud's ability to achieve strategic objectives, including financial targets. They are assessed top-down by the GMT, and strategic risk maps are used for evaluating the Group's options and strategic position. Strategic risks include risks related to political initiatives and regulations that could impact Billerud's business model, reputational risks, business risks, risks relating to the economic outlook, market and sales, and climate change. Strategic risks also include external risks such as hazards and cybercrime.

The strategic risks in focus during 2022 included execution of the expansion to North America and related transformation project, and the plans to start BTCMP pulp production in a joint venture with Viken Skog.

To ensure execution of the acquisition and expansion in North America, Billerud implemented an integration initiative that was developed around functional areas and aligned business processes globally. Teams developed detailed integration plans with the scope, priorities, deliverables and timelines for each workstream. In addition, to ensure profitability and efficiency of Verso's legacy operations, planned investments were maintained.

ERM annual wheel



Billerud created a Transformation Programme Governance structure to support the transformation strategy. The governance structure includes a Head of the Transformation Programme that reports directly to the CEO and is a member of the GMT. The programme is overseen by a Steering Committee and the Head of the Transformation Programme is supported by a project management office, functional leads from across the company, and project teams supporting each key project area.

Billerud and Viken Skog, a Norwegian forest owner group, have established a joint venture to explore the possibility to establish production of bleached chemi-thermomechanical pulp (BCTMP) at Viken Skog's Follum mill in Hønefoss. A project governance structure has been set up for the planned establishment in Norway with the work being organised in different work streams for each key project area. The investment project comprises a project organisation with a project leader supported by a steering committee.

Political initiatives, laws and regulations

Billerud's 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 levels, driven by increased sustainability, climate awareness, the Paris Agreement, developing views on carbon sinks, emissions from biogenic sources, and climate-related financial disclosures (TCFD). There is a risk related to legislators' unfamiliarity with the industry and the implications of proposed legislation on the industry, resulting in increased operating costs.

Billerud's Sustainability and Public Affairs department monitors political and legislative developments and identifies issues of particular significance to Billerud 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. Billerud also participates in network collaborations such as GRACE, EXTR:ACT and 4Evergreen, with the aim of accelerating the development of tech-

nologies and new processes to enhance sustainability and the circularity of fibre-based packaging.

The expansion to North America brings added risks from regional political decisions and legislative measures. Billerud's North American team monitors political and legislative developments and engages in dialogue directly and through trade groups with decision makers.

Reputational risks

Reputational risks are the risks of negative behaviours or actions negatively impacting Billerud's 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. Billerud's 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 Billerud's 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, and graphic and specialty paper. 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 Billerud's business model. To mitigate these risks, Billerud monitors the competitive landscape and business risks and evaluates possible impacts from a strategic point of view. Led by the Group Management Team, it has also established close cooperation between functions such as Strategy, Commercial, Operations 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 Billerud's products and services. Political initiatives,

policies and restrictions for international trade can also affect which markets Billerud operates in.

Billerud's market exposure has become more balanced with the expansion into North America where trade barriers are lower risk given that the paper product market is primarily within North America. Additionally, the US government has implemented countervailing duties, typically renewed for four or five years, on certain product imports that effectively prohibit imports from certain countries. Change to or reversal of these duties could increase risk from imported products.

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 Billerud's 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. Billerud 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 Billerud over the coming decades. With increased global warming, Billerud will be subject to physical climate-related risks, such as flooding, water shortages or other disruptions, which may have an impact on the Group's operations. Transitional risks are long-term structural changes that will require Billerud to adapt its strategy and operations to address climate change. The main risks are related to climate and policy changes impacting the availability and price of wood raw material and the price of purchased energy, see page 71, and market shifts.

The Sustainability and Public Affairs function is responsible for identifying transitional and physical risks and opportunities and informing the GMT 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. More information on climate-related risks and opportunities can be found on pages 140–141.

Hazards

Hazards are defined as natural catastrophes, biohazards and pandemics. It also encompasses human actions, such as terrorism and armed conflicts. Hazards can impact Billerud's ability to deliver on strategic goals. For continuance planning, monitoring and risk mitigation, Billerud establishes special taskforces, when needed, to monitor and mitigate the risks.

The war in Ukraine affects Billerud through its impact on economic development and the price for wood, energy, chemicals and fuel. The impact of the war on Billerud's sales is marginal as Russia and Ukraine accounted for around 1% of the net sales in 2021. Billerud complies with applicable sanctions and regulations and suspended all sales to Russia in 2022. In 2022, net sales to Russia amounted to SEK 52 million. Consequences of the war in Ukraine and further COVID-19 outbreaks entail risks of supply chain disruptions. Billerud continues to monitor global developments and contingency plans are regularly being updated.

Cybercrime

Our society and Billerud's business rely to an ever greater degree on digital tools and data. More extensive digital exposure also increases the risk of unauthorised access to our IT systems. Methods applied to gain unauthorised access to internal company systems and information resources are becoming increasingly sophisticated. Through unauthorised access, criminals and criminal organisations can harm Billerud 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., as well as causing damage to our production processes.

Safeguarding our information and data assets has become increasingly important in order to protect ourselves and our stakeholders' information. Billerud has chosen a systematic way of working to protect IT infrastructure, information assets and data privacy, based on the information security standards ISO 27001 and NIST. In addition to this, several initiatives to raise employee awareness have been performed. Controls have also been added to the information security management system to ensure that the company fulfils the require-

ments 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 and consequences. 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, including production technology (Mill IT).

Billerud's IT systems and information assets expanded with the acquisition of Verso in 2022. Since then, Billerud has joined the respective organisation's capabilities and resources to actively work together to protect its business against information security threats and cybercrime.

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 whistleblower system, insurance programmes and proper crisis management, as well as by reducing environmental impact and improving energy efficiency. Financial risks, presented in note 23, 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 Billerud's operations. Supply and demand will affect the availability of raw materials, as well as their price. Billerud is dependent on raw materials being supplied in time. Critical resources have been identified throughout the company, and contingency plans for short-term disruptions have been developed.

Wood supply

Market prices for wood fibre vary over time and the price fluctuations may affect Billerud's earnings. Fibre prices are influenced by the wood supply/demand market balance, indicating that changes in the Nordic countries may lead to long-term changes in raw material costs.

The Russian export ban reduced hardwood volumes in the Nordic market. The reduction in supply increased competition within the Nordic markets, which has driven prices upward. The export ban has also influenced energy, oil and gas costs, increasing transportation prices as well as harvesting costs due to increased diesel prices. The North American fibre pricing is also influenced by the wood supply and demand market balance. Additionally, it can be affected by the health of the supply chain, particularly labour availability and inflationary pressures.

Asset risks

Examples of asset risks are risks that could affect or have an impact on Billerud's 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. Billerud 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. Billerud 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 Billerud 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 expenses. Billerud's 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 2022 we continued to work on areas of priority across all mills and functions, with the aim of improving safety for everyone working at Billerud. The areas we have focused on were local procedures to deal with hazardous tasks entailing a risk of serious personal injury, such as Lock Out and Tag Out procedures and work permits, activities involving rotating or moving equipment, and handling of chemicals.

The development of a robust safety culture throughout the company is also an area of continuous focus, with actions such as safety rounds, safety walks/Key Safety Performance Audits, 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 5.4.

Production permits

Billerud's production is governed by extensive environmental legislation and operation requires permits. Production permits in countries where Billerud operates are issued by governmental authorities that

define the specific environmental conditions for compliance and are monitored by regulatory agencies.

Billerud complies with applicable environmental laws and regulations in the countries where we operate. The production units are regulated by operating licenses. The units monitor compliance with these licenses and related environmental terms. Deviations are communicated to relevant authorities. The Swedish production units are bound to comply with the EU legislation with decided BAT-AEL (Associated Emissions Level). The outcome is specified in the yearly annual environmental report to the authorities.

Production continuity

Board, paper and pulp were produced at ten Billerud sites in three countries during 2022. 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. Billerud 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, were in sharp focus during the year, with the aim of continuing to prevent loss and damage.

Product safety

Billerud produces material with specific safety requirements, including food contact materials and medical paper. All European 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.

Billerud 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 Billerud's 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. Billerud's 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. Billerud 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” whistleblower process. Following the acquisition of Verso in 2022, Billerud implemented the responsible business compliance programme, employee Code of Conduct and Supplier Code of Conduct, “Speak-Up Line” and related measures in North America.

Our responsible business compliance programme is further described on page 42.

4 Information and communication risks

Information and communication risks are risks associated with Billerud’s 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 comprise 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 Billerud’s 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 61.

Sensitivity analysis¹ Impact on profit/loss before tax

Variable	Change	SEKm
Sales volume	+/- 10%	+/- 1,930
Exchange rates, SEK ²	+/- 10%	-/+ 950
– of which relates to EUR	+/- 10%	-/+ 360
– of which relates to USD	+/- 10%	-/+ 490
– of which relates to GBP	+/- 10%	-/+ 100
Fibre price	+/- 10%	-/+ 1,210
Electricity price ³	+/- 10%	-/+ 300
Natural gas ⁴	+/- 10%	-/+ 70
Loan interest rate ⁵	+/- 1 percentage point	-/+ 40

1 Sensitivity analysis and breakdown of operating costs for the Billerud Group after the acquisition of Verso. The calculations are based on the company’s operating costs for 2022 and include Verso’s operating costs during January-March 2022.

2 Excluding effects of currency hedging.

3 Excluding effects of electricity price hedging.

4 Consideration not taken of any future natural gas price hedging.

5 Refers to the loan and interest conditions on 31 December 2022. Interest rate and loan amounts changes in 2023 are not considered.

For additional information about financial risks and risk management, see note 23.



Breakdown of operating costs¹, %

- Fibre (wood and external pulp), 30
- Chemicals, 15
- Delivery expenses, 13
- Energy, 6
- Other variable costs, 2
- Employee benefit costs, 15
- Depreciation/amortisation, 7
- Other fixed costs, 12

Consolidated financial statements

Consolidated income statement

SEKm	Note	2022	2021
Net sales	2	42,590	26,206
Other operating income	3	440	211
Change in inventories		724	296
Raw materials and consumables		-20,280	-13,172
Other external costs	4, 31	-9,569	-5,856
Employee benefit expense	5, 24	-5,719	-3,873
Depreciation, amortization and impairment of non-current assets	10, 11, 13	-2,480	-1,912
Change in value of biological assets	12	-	-
Profit/Loss from participations in associated companies	14	-19	89
Operating profit	2, 6	5,687	1,989
Financial items	7		
Finance income		372	3
Finance cost		-186	-116
Net financial items		186	-113
Profit/loss before tax		5,873	1,876
Tax	8	-1,283	-391
Profit for the year		4,590	1,485
Profit attributable to:			
Owners of the parent company		4,590	1,485
Non-controlling interests		-	-
Profit for the year		4,590	1,485
Earnings per share, SEK	9	20.13	7.18
Diluted earnings per share, SEK	9	20.09	7.17

Consolidated statement of Other comprehensive income

SEKm	Note	2022	2021
Profit/loss for the year		4,590	1,485
Items that cannot be transferred to profit/loss for the period			
Revaluation of forest land	12	-	-
Revaluation of defined-benefit pensions	18	470	-17
Change for the period in fair value relating to shares in Other holdings		-6	-6
Tax that can be attributed to items that cannot be transferred to profit/loss for the period		-111	4
Total items that cannot be transferred to profit/loss for the period		353	-19
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		774	45
Translation differences for the period transferred to profit/loss for the year		-	-6
Changes in fair value of cash flow hedges during the period		2,388	776
Changes in fair value of cash flow hedges transferred to profit/loss for the year		-1,222	-599
Tax attributable to items that have been or can be transferred to profit/loss for the period		-222	-53
Total items that have been or can be transferred to profit/loss for the period		1,718	163
Total comprehensive income for the year		6,661	1,629
Attributable to:			
Owners of the parent company		6,661	1,629
Non-controlling interests		-	-
Total comprehensive income for the year		6,661	1,629

Consolidated balance sheet

SEKm	Note	31 Dec 2022	31 Dec 2021
ASSETS	1, 22		
Non-current assets			
Non-current intangible assets	10	2,246	1,957
Property, plant and equipment	11	28,849	22,021
Forest assets	12	393	393
Right-of-use assets	13	406	275
Participations in associated companies and joint ventures	14	1,156	1,165
Other holdings	15	54	70
Non-current receivables from associates		2	16
Deferred tax assets	8	481	158
Non-current receivables		538	116
Total non-current assets		34,125	26,171
Current assets			
Inventories	16	7,305	3,836
Accounts receivable		5,006	3,047
Tax receivables		10	5
Other receivables		2,066	827
Prepaid expenses and accrued income		857	534
Cash and cash equivalents	25	2,046	3,558
Total current assets		17,290	11,807
Total assets		51,415	37,978

SEKm	Note	31 Dec 2022	31 Dec 2021
SHAREHOLDERS' EQUITY AND LIABILITIES	17		
Shareholders' equity			
Share capital		1,843	1,537
Other contributed capital		7,613	4,484
Reserves		2,272	552
Retained earnings incl. profit/loss for the year		17,526	13,468
Total equity attributable to owners of the parent company		29,254	20,041
Non-controlling interests		–	–
Total shareholders' equity		29,254	20,041
Non-current liabilities			
Interest-bearing liabilities	20	2,796	4,655
Lease liabilities	13, 20	234	169
Provisions for pensions	18	1,196	816
Other provisions	19	415	91
Deferred tax liabilities	8	4,452	3,962
Other liabilities		77	–
Total non-current liabilities		9,170	9,693
Current liabilities			
Interest-bearing liabilities	20	2,227	1,791
Lease liabilities	13, 20	177	111
Accounts payable		6,702	3,809
Tax liabilities		393	12
Other liabilities		693	463
Accrued expenses and deferred income	21	2,700	1,955
Provisions	19	99	103
Total current liabilities		12,991	8,244
Total liabilities		22,161	17,937
Total shareholders' equity and liabilities		51,415	37,978

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	Revaluation surplus	Hedging reserve	Retained earnings and profit/loss for the year			
Opening balance, 1 Jan 2022	17	1,537	4,484	203	117	232	13,468	20,041	–	20,041
Total comprehensive income for the year				774		946	4,941	6,661		6,661
Rights issue		306	3,129				–	3,435		3,435
Dividend to owners of the parent company							–890	–890		–890
Hedging result transferred to acquisition cost in fixed assets							–15	–15		–15
Share-based payments to be settled in equity instruments, IFRS 2							22	22		22
Closing balance, 31 Dec 2022		1,843	7,613	977	117	1,178	17,526	29,254	–	29,254

SEKm	Note	Equity attributable to owners of the parent company						Total	Non-controlling interests	Total shareholders' equity
		Share capital	Other contributed capital	Translation reserve	Revaluation surplus	Hedging reserve	Retained earnings and profit/loss for the year			
Opening balance, 1 Jan 2021	17	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
Hedging result 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

Consolidated statement of cash flows

SEKm	Note	2022	2021
Operating activities	25		
Profit after financial items		5,873	1,876
Adjustments for items not included in cash flow		2,488	1,961
Tax paid		-453	-141
Cash flow from operating activities before changes in working capital		7,908	3,696
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventories		-1,813	-259
Increase (-)/decrease (+) in operating receivables		-1,387	-935
Increase (+)/decrease (-) in operating liabilities		2,121	1,390
Cash flow from operating activities		6,829	3,892
Investing activities			
Investments in tangible and intangible assets	11	-3,330	-1,526
Disposal of property, plant and equipment		32	1
Business combinations	30	-6,128	-
Divestment of subsidiaries	31	-	29
Acquisition of financial assets / contribution associated companies		-15	-43
Dividend from associated companies		12	10
Disposal/repayment of financial assets		10	30
Cash flow from investing activities		-9,419	-1,499
Financing activities			
Changes in interest-bearing receivables		3	8
Rights issue		3,497	-
Rights issue costs		-78	-
Borrowings		6,328	-
Debt repayment		-7,965	-1,014
Dividend		-890	-890
Cash flow from financing activities		895	-1,896
Cash flow for the period		-1,695	497
Cash and cash equivalents at start of year		3,558	3,036
Translation difference in cash and cash equivalents		183	25
Cash and cash equivalents at year-end		2,046	3,558

Consolidated notes

Notes

Note 1	Significant accounting policies	76
Note 2	Operating profit/loss by segment and net sales by market	83
Note 3	Other operating income	85
Note 4	Fees and expenses to auditors	85
Note 5	Employees and employees benefits expense	85
Note 6	Items affecting comparability	86
Note 7	Net financial items	86
Note 8	Tax	86
Note 9	Earnings per share	87
Note 10	Intangible assets	88
Note 11	Property, plant and equipment	89
Note 12	Forest assets	90
Note 13	Right-of-use assets	91
Note 14	Participations in associates	92
Note 15	Other holdings	93
Note 16	Inventories	93
Note 17	Shareholders' equity	94
Note 18	Provisions for pensions and similar commitments	95
Note 19	Provisions	97
Note 20	Interest-bearing liabilities	97
Note 21	Accrued expenses and deferred income	98
Note 22	Financial assets and liabilities	98
Note 23	Financial risks	99
Note 24	Remuneration to the board and senior management	102
Note 25	Additional disclosure for the cash flow statement	104
Note 26	Events after the end of the period	104
Note 27	Investment commitments	104
Note 28	Pledged assets and contingent liabilities	105
Note 29	Related parties	105
Note 30	Business combinations	106
Note 31	Divestments of subsidiary	106

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.

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 is SEK, which is also the presentation currency used for the accounts of 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 notes.

Assessments and conditions regarding Billerud holding of shares in BSÖ Holding AB and its subsidiary Bergvik Skog Öst AB, from which Billerud

has an exclusive right to buy wood (through felling rights) are described in more detail in Notes 14 and 15.

Assessment regarding Billerud's Goodwill and Pensions are described in more detail in Note 10 and Note 18.

Accounting policies applied in the reports

The accounting policies specified below, except 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 2022 have not had any material effect on Billerud's 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 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 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

Billerud's 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 Group Management Team monitors the profit or loss, EBITDA and the operating margin generated by the Group's various goods and services. The Group 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. Billerud has identified its operating segments in accordance with IFRS 8, and they consist of Board product area, Paper product area and Solutions and Other.

Basis of consolidation**Subsidiaries**

Subsidiaries are companies in which Billerud AB has a controlling influence. Controlling influence means that Billerud is exposed to returns from a subsidiary and can have an influence on returns through its control. This usually means that Billerud 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 Billerud and one or more other owners have joint control. Joint arrangements will be recognised as a joint operation, where Billerud 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

Billerud 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 Billerud 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 Billerud 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 Billerud 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) Billerud 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. Billerud 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 Billerud are principally made up of transport services, forestry and services in Managed Packaging. As customers receive and consume all the benefits provided through Billerud's 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 loss 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 Billerud's 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

Billerud buys electricity from external suppliers. To continually hedge the electricity price, Billerud 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, construc-

tion 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.

Billerud 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.

Billerud 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. Billerud's leases principally consist of trucks, company cars and office rents. The vehicle category accounts for a 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 Billerud. 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

Billerud's 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.

Emission rights

Billerud's mills in Sweden and Finland 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 in Sweden 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. In the US the discount rate is based on the yield curve reflecting returns on high quality corporate bonds (AA and AAA). 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. 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. Billerud 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 recognized in accordance with IFRS 2. This means that the fair value for share based payments settled with equity instruments is calculated based on forecasted 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 accrued expense that occurs 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.

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.

2 Operating profit/loss by segment and net sales by market

Billerud has three operating segments: The Board product area, The Paper product area, and Solutions & Other.

The Board product area includes the manufacturing and sales of liquid packaging board, cartonboard and containerboard, which are mainly used to produce packaging for food and beverages as well as consumer and luxury goods.

The Paper product area includes the manufacturing and sales of graphic paper, kraft and speciality paper, sack paper and market pulp. Billerud's papers are mainly used for printing and publishing, industrial applications, and for the packaging of food and consumer products.

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 oper-

ations, dormant companies, idle assets, income from sales of business, items affecting comparability, Group-wide functions, Group eliminations 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	Board Product area		Paper Product area		Solution & Other (excl. currency hedging etc.)		Currency hedging etc		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Group										
Net sales	17,912	14,852	21,509	8,127	3,266	2,950	-97	277	42,590	26,206
<i>Product area</i>										
Liquid packaging board	8,591	7,850							8,591	7,850
Containerboard	5,480	4,366							5,480	4,366
Cartonboard	3,509	2,228							3,509	2,228
Graphic paper			8,632						8,632	-
Kraft and speciality paper			5,580	3,511					5,580	3,511
Sack paper			3,858	2,726					3,858	2,726
Pulp			3,394	1,855					3,394	1,855
Managed Packaging					770	744			770	744
Other	332	408	45	35	2,496	2,206	-97	277	2,776	2,926
<i>Geographic market</i>										
US	1,037	401	11,643	290	36	21			12,716	712
Sweden	1,475	1,105	723	635	1,960	1,938	-97	277	4,061	3,955
Germany	2,721	2,321	859	801	39				3,619	3,122
China	1,677	1,873	279	289	353	427			2,309	2,589
Italy	1,655	1,326	478	372	47				2,180	1,698
Spain	1,068	889	763	634	-				1,831	1,523
United Kingdom	838	660	714	698	-				1,552	1,358
France	938	759	466	301	-				1,404	1,060
Turkey	514	404	448	359	-				962	763
The Netherlands	595	580	107	119	24				726	699
Rest of Europe	2,404	1,931	1,478	1,453	427	274			4,309	3,658
Rest of the world	2,990	2,603	3,551	2,176	380	290			6,921	5,069
Other income and operating expenses	-14,650	-12,104	-16,184	-6,739	-3,571	-3,462	-18		-34,423	-22,305
Depreciation, amortisation and impairment losses	-1,289	-1,297	-1,035	-482	-156	-133			-2,480	-1,912
Operating profit/loss	1,973	1,451	4,290	906	-461	-645	-115	277	5,687	1,989

SEKm	Board Product area		Paper Product area		Solution & Other (excl currency hedging etc)		Currency hedging etc		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
EBITDA, %	18	19	25	17					19	15
Operating margin, %	11	10	20	11					13	8
Financial items									186	-113
Tax									-1,283	-391
Profit/loss for the period									4,590	1,485

Of net sales of SEK 42,590 million (26,206), SEK 777 million (716) was sales of services.

The Group has one customer in the Board Product area which accounts for more than 10% of the Group's net sales.

Non-current assets by country

SEKm	2022	2021
Sweden	24,635	23,846
US	6,303	–
Finland	506	490
Latvia	31	31
Other	13	4
	31,488	24,371

Non-current assets include intangible assets and property, plant and equipment and forest assets.

3 Other operating income

SEKm	2022	2021
Services Sold	30	57
Capitalised work from own account	44	32
Insurance compensation	111	35
Settlement gain – pensions	89	–
Temporary rental of staff	5	8
Other	161	79
Total	440	211

4 Fees and expenses to auditors

SEKm	2022	2021
KPMG		
Auditing assignments	16	5
Auditing activities besides audit assignments	1	–
Tax consultancy	–	–
Other services	–	–
Total	17	5
Other auditors		
Auditing assignments	1	1
Tax consultancy	1	1
Other services	4	–
Total	6	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 10 May 2022 resolved that KPMG AB would be appointed as auditor for the period extending up until the end of the 2023 AGM.

In addition to fees and cost reimbursement to KPMG, SEK 4.4 million related to the rights issue has been booked directly against equity.

5 Employees and employee benefits expense

Average number of employees

	2022		2021	
	2022	Of which men, %	2021	Of which men, %
Sweden	3,824	77	3,788	77
USA	1,315	82	51	49
Finland	111	84	126	81
China	86	26	95	31
Latvia	66	74	66	74
Vietnam	26	31	23	39
Germany	24	58	27	56
France	12	42	14	43
Spain	12	50	13	38
Italy	11	27	11	27
United Kingdom	7	86	119	89
Other countries	31	65	37	65
Total	5,525	77	4,370	76

SEKm	2022	2021
Employee benefit costs		
Wages, salaries and other remuneration		
Board, CEO and Group Management Team ¹	71	55
of which variable remuneration	25	16
Other employees	4,324	2,698
of which variable remuneration	418	172
Total salaries and other remuneration	4,395	2,753
Social security costs		
Contractual pensions for the CEO and Group Management Team		
Defined-benefit pensions	–	–
Defined-contribution pensions	11	10
Contractual pensions, other		
Defined-benefit pensions	5	–
Defined-contribution pensions	371	256
Other social security costs	937	854
Total social security costs	1,324	1,120
Total employee benefits expense	5,719	3,873

¹ CEO and Group Management Team refers to the Group CEO and the Group Management Team. Board refers to the Board of Billerud AB.

Number of women in management positions

%	2022	2021
Group management		
Board ¹	29	38
CEO and Group Management Team	18	30

¹ Excluding employee representatives.

For information about the benefits of senior managers in accordance with the Annual Accounts Act, see note 24.

6 Items affecting comparability

SEKm	2022	2021
Capital loss from the sale of Beetham (Operating expenses)	–	–123
Acquisition costs, Verso (Operating expenses)	–	–135
Revaluation of biological assets in associated companies (Profit from participations in associated companies)	–52	81
Total items affecting comparability	–52	–177

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/revaluations, litigations, specific impact due to strategic decisions, and significant earnings effects from acquisition and disposals.

7 Net financial items

SEKm	2022	2021
Finance income		
Net change in exchange rates	339	–
Interest income, other	31	3
Other financial income	2	–
Total finance income	372	3
Finance costs		
Interest expense for financial liabilities measured at amortised cost	–114	–85
Interest expense for pension provision	–37	–6
Net change in exchange rates	–	–10
Interest expense, lease liability	–7	–4
Other financial expenses	–28	–11
Total finance costs	–186	–116
Total net financial items	186	–113

8 Tax

SEKm	2022	2021
Profit/loss before tax		
Sweden	4,028	1,792
Rest of the world	1,845	83
Total profit/loss before tax	5,873	1,875
Tax expense		
Current tax		
Tax expense for the period	–825	–132
Tax attributable to previous period	–21	–3
Total current tax	–846	–135
Deferred tax		
Deferred tax income/expense related to temporary differences	–437	–256
Total tax expense	–1,283	–391

SEKm	2022	2021
Reconciliation, effective tax rate		
Tax according to Swedish income tax rate	-1,210	-386
Effect of other tax rates for foreign subsidiaries	-73	-5
Revaluation of deferred taxes relating to change in tax rate	6	-
Capital losses	-	-25
Capital gains	1	5
Tax attributable to previous periods	-21	-3
Impairment of shares	-	-5
Non-deductible expenses	-10	-40
Result from participations in associated companies	-4	18
Taxable income not accounted for	-5	4
Deductible expenses not accounted for	29	-
Recognised/Utilised tax loss not recognised in previous years	9	21
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	-6	-1
Tax according to income statement	-1,283	-391
Effective tax rate	21.8%	20.9%

Deductible expenses not accounted for mainly relates to reassessment of Verso acquisition costs, treated as non-deductible expenses during 2021.

The capital losses in 2021 are mainly related to the divestment of the Beetham mill.

Change in deferred tax in temporary differences and loss carry-forwards

SEKm	2022	2021
Opening balance	3,804	3,506
Recognised in Profit and loss	437	256
Recognised in Equity		
Hedging reserve	222	53
Revaluation of defined-benefit pensions	111	-4
Business combinations	-539	-
Translation differences	-63	-7
Closing Balance, 31 December	3,972	3,804

SEKm	2022	2021
Deferred tax liability		
Non-current assets	4,738	3,729
Tax allocation reserve	437	293
Hedging reserve	285	78
Other	21	11
Total deferred tax liability	5,481	4,111

SEKm	2022	2021
Deferred tax asset		
US tax credits	280	-
Foreign tax credit	-	4
Inventories	227	69
Accounts receivable	-	3
Provisions	326	86
Loss carry-forwards	660	143
Negative net interest	9	-
IFRS 16 - leasing	1	1
Other	6	1
Total deferred tax asset	1,509	307
Total net deferred tax liability	3,972	3,804
Portion recognised as deferred tax asset	481	158
Portion recognised as deferred tax liability	4,452	3,962

The acquired balance sheet of Verso, as of 31 December 2022, included a deferred tax asset of SEK 482 million related to tax loss carry-forwards.

Temporary differences and/or loss carry-forwards for the Group that are not recognised as deferred tax assets total SEK 0 million (8). The assessment was made based on uncertainty about whether this tax asset can be recovered.

9 Earnings per share

	2022	2021
Basic earnings per share		
Profit/loss for the period, SEKm	4,590	1,485
Weighted number of outstanding ordinary shares	228,014,201	206,858,356
Basic earnings per share, SEK	20.13	7.18
Diluted earnings per share		
Profit/loss for the period, SEKm	4,590	1,485
Weighted number of outstanding ordinary shares	228,014,201	206,858,356
Adjustment for assumed dilution through incentive programme	406,870	294,908
Number of shares included in calculation of earnings per share	228,421,071	207,153,264
Diluted earnings per share, SEK	20.09	7.17

10 Intangible assets

The Group's goodwill comes from two events, SEK 1,952 million that arose in connection with the Korsnäs acquisition in 2012 and SEK 273 million that arose from the acquisition of Verso Corporation in 2022.

The goodwill from the Korsnäs acquisition

The Group's goodwill of SEK 1,952 million from the Korsnäs acquisition in 2012 and has been allocated to the Board product area, which is a cash-generating unit in line with the Billerud organisational structure.

With regards 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 adopted in 2022. For the period 2023–2025 we have used unchanged customer prices, significant increased costs during 2023 that will come back to normal levels in 2024 and 2025. For the period 2026–2032 an assumed volume growth of 1.5%, inflation of 2% and cost increase of 75% of the inflation has been used.

An annual growth rate of 2% (2) was used to extrapolate cash flows beyond 2032. The discount rate before tax that was used is 10% (10). An impairment test was performed and no need for impairment was identified.

The goodwill from the Verso Corporation acquisition

The Group's goodwill of SEK 273 million from the Verso Corporation acquisition in 2022 has been allocated to graphic paper in the Paper product area.

The recoverable amount has been calculated as value in use. The calculations use cash flow based on the five-year business plan. For the period 2023–2032, it has been assumed that the business carries on as is and without any investments in Board product area. An assumed volume growth of 0%, unchanged customer prices and cost increases of 1% for the same period.

An annual growth rate of 0% was used to extrapolate cash flows beyond 2032. The discount rate before tax that was used is 10%. An impairment test was performed and no need for impairment was identified.

A long forecast plan (10 years) has been used in both impairment tests 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.

The Company's management believes that no reasonable changes in any of the major assumptions would result in any impairment.

The impairment test has not been affected by IFRS 16, since the IFRS16 impact is very limited.

SEKm	Acquired intangible assets												
	Goodwill		Customer contracts		Brand		Software		Other intangible assets		Total		
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	
Acquisition value													
Carrying amount at start of year	1,983	1,982	567	567	115	115	86	86	28	28	2,779	2,778	
Investments													
Business combinations	242						86				328		
Divestments and disposals													
Reclassification													
Translation differences	31	1					11		1		43	1	
Carrying amount at year-end	2,256	1,983	567	567	–	115	176	86	15	28	3,014	2,779	
Accumulated depreciation/amortisation													
Carrying amount at start of year	–	–	–567	–567	–103	–103	–85	–82	–24	–23	–779	–775	
Business combinations													
Depreciation/amortisation													
Divestments and disposals													
Translation differences													
Carrying amount at year-end	–	–	–567	–567	–	–103	–160	–85	–10	–24	–737	–779	
Accumulated impairment losses													
Carrying amount at start of year	–31	–31									–43	–43	
Divestments and disposals											12	–	
Carrying amount at year-end	–31	–31	–	–	–	–12	–	–	–	–	–31	–43	
Carrying amounts according to balance sheet	2,225	1,952	–	–	–	–	16	1	5	4	2,246	1,957	

11 Property, plant and equipment

SEKm	Buildings and land ¹		Plant and equipment ²		Construction in progress ³		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Acquisition value								
Carrying amount at start of year	8,555	8,690	43,281	42,565	1,340	951	53,176	52,206
Investments	–	1	17	11	3,313	1,513	3,330	1,525
Business combinations ⁴	985		8,064		543		9,592	–
Change in accounting estimate ⁵	–63						–63	–
Reclassification	171	–77	1,863	1,207	–2,028	–1,125	6	5
Divestments and disposals	–30	–35	–489	–42			–519	–77
Disposals via divestment of business ⁶		–26		–509			–	–535
Translation differences	123	2	1,096	49	95	1	1,314	52
Carrying amount at year-end	9,741	8,555	53,832	43,281	3,263	1,340	66,836	53,176
Accumulated depreciation/amortisation								
Carrying amount at start of year	–3,661	–3,402	–25,458	–24,433	–	–	–29,119	–27,835
Business combinations ⁴	–336		–4,063				–4,399	–
Depreciation/amortisation	–330	–312	–1,969	–1,483			–2,299	–1,795
Reclassification	–17		17				–	–
Divestments and disposals	23	40	450	32			473	72
Disposals via divestment of business ⁵		13		462			–	475
Translation differences	–43	–	–564	–36			–607	–36
Carrying amount at year-end	–4,364	–3,661	–31,587	–25,458	–	–	–35,951	–29,119
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	5,266	4,783	20,320	15,898	3,263	1,340	28,849	22,021

1 Of which land is SEK 241 million (52).

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 25 million (2) in 2022, and the interest rate used in determining loan expenditure was 2.7 % (1.5) in 2022.

4 Relates to the acquisition of Verso Corporation.

5 Changes in the estimated costs of dismantling, removing or restoring items of property, plant and equipment.

6 Relates to the divestment of Beetham.

12 Forest assets

Forest assets include two parts: growing trees that are recognised as biological assets in accordance with IAS 41 – Agriculture, and forest land that is recognised 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 majority of the forests are located in areas close to the mountain areas in Jämtland and Dalarna, where the productivity is rather low. A large portion of the mature forests are very old, over 170 years and have been assessed as not possible to harvest, mainly due to certification criteria, which is reflected in the low value of the biological assets. Approximately 2,000 forest hectares, of which 1,000 hectares are productive, are located close to the Group's production units in Sweden.

According to market statistics, the average price for the forest assets are assessed to approximately SEK 10,900 per hectare. Based on that, the forest assets are valued at SEK 393 million.

Billerud expects to own another 15,400 hectares of forest assets as a result of the transactions with Bergvik Skog Öst AB in 2019, of which around 5,500 hectares are productive forest land, when the cadastral processes for these properties are finalised. These forest assets will be recognised at that time.

SEKm	Forest land		Biological assets		Total	
	2022	2021	2022	2021	2022	2021
Acquisition value						
Carrying amount at start of year	246	246	147	147	393	393
Revaluation	–	–	–	–	–	–
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

13 Right of use assets

SEKm	Vehicles		Office rents		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Acquisition value								
Carrying amount at start of year	328	307	152	102	14	3	494	412
Business combinations	17		37		46		100	–
New leasing contract	84	62	36	58	4	12	124	132
Modification of contract	27		57		3		87	–
End of leasing contract	–33	–39	–47	–11	–1	–1	–81	–51
Disposals via divestment of business		–2					–	–2
Translation differences	2		11	3	6	–	19	3
Carrying amount at year-end	425	328	246	152	72	14	743	494
Accumulated depreciation/amortisation								
Carrying amount at start of year	–149	–112	–65	–38	–5	–2	–219	–152
Depreciation/amortisation	–85	–74	–65	–36	–23	–4	–173	–114
End of leasing contract	29	36	27	11	–	1	56	48
Disposals via divestment of business		1					–	1
Translation differences	–	–	–2	–2	1	–	–1	–2
Carrying amount at year-end	–205	–149	–105	–65	–27	–5	–337	–219
Carrying amounts according to balance sheet	220	179	141	87	45	9	406	275

Other Disclosures

SEKm	2022	2021
Lease liabilities		
Current	177	111
Non-current	234	169
Total	411	280
The total cash outflow for leases	174	119
Expense relating to short-term leases	312	263
Expense relating to leases of low-value assets	3	2
Committed lease not delivered	52	93

An incremental borrowing rate of 2.9% (1.4) was used to calculate the lease liability.

Expense for short-term leases includes rental of train carriages in the Scandifibre business SEK 304 million (262).

For maturity analysis of leasing liabilities, see Note 22 Financial assets and liabilities

14 Participations in associates

SEKm	2022	2021
Carrying amount at start of year	1,165	1,043
Capital contribution to associates ¹	8	43
Business combinations ²	8	–
Acquisition of associated companies ³	8	–
Divestment of associated companies ⁴	–2	–
Dividend	–12	–10
Participations in associates' profit/loss after tax	–19	89
Carrying amount at end of year	1,156	1,165

1 Capital contributions in 2022 and 2021 related to Paper bottle company.

2 Acquired values is related to the business combination of Verso Corporation

3 Investment in Follum Utvikling AS

4 Divestment of Free Form Packaging AB during 2022, no capital gain was recognised and a loan was remitted.

BSÖ Holding AB Group

In 2019, Billerud 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 Billerud holds less than 20% of the votes. This is based on the assessment that Billerud is deemed to have a "significant influence" over BSÖ Holding AB under the provisions and definitions of IAS 28. It has been assessed that Billerud doesn't have a controlling influence over BSÖ Holding AB. The decisions and activities that have the main effect on the profitability of BSÖ are in all material respects the result of the management and Board of BSÖ. Billerud 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.

Billerud 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 Billerud, 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.

Billerud 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. The management and the Board of BSÖ Holding AB, over which Billerud don't control, make the necessary decisions that have the largest impact on the earnings that BSÖ Holding AB generates, such as use of the option to sell additional volume, extended use of the land, cost budgets, hiring of personnel, choice of suppliers or withdrawal of the operative services when the five-year agreement ends.

Associates

SEKm	Country	Revenue	Earnings	Assets	Liabilities	Shareholders' equity	Proportion owned, %	Carrying amount
2022								
Trätåg AB	Sweden	283	–	45	44	1	50	–
SSG Standard Solutions Group AB	Sweden	168	34	154	37	117	28	31
BSÖ Holding AB Group	Sweden	568	–350	14,142	5,839	8,303	10	997
Paper Bottle Co. A/S	Denmark	7	–10	225	35	190	47	112
Follum Utvikling AS	Norway	–	–	17	2	15	50	8
Wisconsin Valley Improvement Company Inc.	US	53	–	162	129	33	23	8
Total								1,156
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

15 Other holdings

Name/Corp. ID no.	Number of shares	Holding in %	Carrying amount, SEKm
2022			
One tenant-owner property	1	–	–
Bergvik Skog Öst AB, 556644-5473	1	0.1	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	41
Hanhaa Ltd, UK, 09097664	21,336	13	–
Vericool Inc, US, 47-5317336	543,915	12	–
IUC Norr AB	200	3	–
Total			54

Bergvik Skog Öst AB

Under the contractual arrangements relating to Billerud's shareholding in, and wood supply from, Bergvik Skog Öst AB, Billerud is party to an option agreement which grants Billerud the right to buy back Bergvik Skog Öst AB under certain circumstances. The option agreement includes this right if Billerud 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 Billerud). Billerud 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 Billerud 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.

Name/Corp. ID no.	Number of shares	Holding in %	Carrying amount, SEKm
2021			
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

Changes regarding the Group's Other Holdings are stated in Note 22.

16 Inventories

SEKm	2022	2021
Raw materials and consumables	2,777	1,341
Finished goods	4,391	2,358
Work in progress	64	46
Advances to suppliers	73	91
Total	7,305	3,836

Of the inventory of finished goods, SEK 505 million (80) has been measured at net realisable value.

Operating costs include SEK 45 million (17) for impairment of inventories.

17 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 Billerud's 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 Group presents their financial statements in Swedish kronor.

Revaluation surplus

The revaluation surplus is comprised 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.

Retained earnings also includes revaluation of defined-benefit pensions and net changes in fair value relating to shares in Other holdings.

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 2022, the Group's holdings of treasury shares totalled 1,261,891 (1,349,047).

Dividend

After the end of the reporting period, the Board of Directors proposed to the AGM a dividend of SEK 7.50 per share, of which an ordinary dividend of SEK 5.50 per share and an extraordinary dividend of SEK 2.00 per share, totalling SEK 1,863 million.

This proposal will be voted on at the AGM on 24 May 2023.

Paid dividend

	2022	2021
Dividend, SEKm	890	890
Dividend per ordinary share, SEK	4.30	4.30

Rights issue

The rights issue in 2022 was reduced by costs of SEK 63 million, net of tax.

Financial position

Billerud's financial target for its financial position is for the long-term 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 2022 was 0.6 (1.0) times. Interest-bearing net debt in relation to adjusted EBITDA was 0.6 (1.0), see more information in Note 6 regarding items affecting comparability.

For further information regarding share capital, see Parent Company note P15.

18 Provisions for pensions and similar commitments

Billerud has both defined-benefit pension plans and defined-contribution pension plans.

Sweden

The office-based staff in Sweden has defined-benefit pension plans (ITP plan). In addition to this, there are defined-benefit pensions secured through endowment insurance, along with a provision for non-vested pensions of SEK 16 million (19) in the subsidiary Billerud 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 company 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 % (172) at year end. 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. Billerud's 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 (129) for the year.

US

During 2022 Billerud acquired Verso Corporation, which offers pension and retirement benefits to certain employees, under a defined benefit pension plan.

The pension plan provides defined benefits based on years of service multiplied by a flat monetary benefit or based on a percentage of compensation as defined by the plan document. The plan is frozen to new entrants. However, some of the pension plan participants continue to earn service accruals toward their pension benefits.

The defined benefit plan is funded with plan assets that are required to meet at least the minimum funding required under local legislation. Under the Pension Protection Act, minimum contributions are required until such

time that the assets in the plan are sufficient to meet the plan liabilities including any annual increases in those liabilities and all plan expenses. If the plan is overfunded, it is possible that the minimum required contribution will be zero. The plan sponsor may be required to make additional contributions above the minimum required in certain cases as required by the local legislation. A deterioration in the value of plan assets could cause the unfunded status of the pension plan to increase, thereby increasing our obligation to make additional contributions to the plan.

The primary investment objective of the pension plan asset is to ensure, over the long-term life of the pension plan, an adequate pool of sufficiently

liquid assets to support the benefit obligation. In meeting this objective, the pension plan seeks to achieve a high level of investment return through long-term stock and bond investments strategies, consistent with a prudent level of portfolio risk.

A part of the net-defined benefit obligation in the US was settled during 2022. The settlement resulted in a gain of SEK 89 million that was recognised as other operating income in the income statement.

SEKm	Sweden		US ¹		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Present value of obligation for unfunded plans	570	810	–	–	7	6	577	816
Present value of obligation for funded plans	–	–	9,044	–	–	–	9,044	–
Fair value of plan assets	–	–	–8,425	–	–	–	–8,425	–
Surplus/Deficit	570	810	619	–	7	6	1,196	816

¹ The funding level of the net defined benefit obligation in US is 93 % (-).

Actuarial assumptions

The following material actuarial assumptions have been applied in the calculation of commitments (weighted averages).

	Sweden	US
Discount rate (%)	4.00	5.33
Inflation (%)	1.90	NA
Lifetime	DUS 21	Pri-2012

Sensitivity analysis (%)

Discount rate (+0.5 %)	–32	–376
Discount rate (–0.5 %)	36	407
Inflation (+0.5 %)	37	NA
Inflation (–0.5 %)	–33	NA
Lifetime (+1 year)	29	250
Lifetime (–1 year)	–27	–261

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 11 (14) years in Sweden and 9 (-) years in US.

The movement in the present value of the net defined benefit obligation

SEKm	Present value of obligation		Fair value of plan assets		Total	
	2022	2021	2022	2021	2022	2021
Provision at the start of year	816	836	–	–	816	836
Current service cost	75	–1	–	–	75	–1
Interest income or expense	350	6	–314	–	36	6
Gains and losses - from settlements	–1,846	–	1,757	–	–89	–
	–605	841	1,443	–	838	841
Remeasurements						
Return on plan assets	–	–	1,357	–	1,357	–
Actuarial changes						
Change in demographic assumptions	31	–	–	–	31	–
Change in financial assumptions	–2,006	5	–	–	–2,006	5
Experience-based adjustments	148	12	–	–	148	12
	–1,827	17	1,357	–	–470	17
Translation differences	1,349	–	–1,248	–	101	–
Contributions:						
Employer	–	–	–116	–	–116	–
Payments:						
From the plan	–909	–42	866	–	–43	–42
Business combinations	11,613	–	–10,727	–	886	–
Provision at end of year	9,621	816	–8,425	–	1,196	816
of which covered by credit insurance with FPG/PRI	534	774				

Of the provision, SEK 46 million (43) is expected to be paid within 12 months. As collateral for pension commitments, the Group has pledged endowment insurance totalling SEK 81 million (67). The Group expects to make cash contributions of SEK 264 million during 2023.

Pension plan asset allocation

SEKm	2022
Cash and cash equivalents	430
Bond investments	3,660
Equity investments	4,022
Real estate	255
Alternatives composite	58
Total	8,425

Of which 89 % (-) have a quoted market price in an active market.

SEK 58 million (-) of Alternative composite and SEK 859 million (-) of Equity investments, do not have quoted market price in an active market.

19 Provisions

SEKm	Severance pay, redundancy pay		Working environment, restructuring costs		Other costs ¹		Total carrying amount	
	2022	2021	2022	2021	2022	2021	2022	2021
Change for the year								
Carrying amount at start of year	68	45	99	136	27	4	194	185
Business combinations	–	–	317	–	1	–	318	–
Provisions made during the year	28	61	46	6	15	23	89	90
Change in discount rate	–	–	–63	–	–	–	–63	–
Unutilised amount reversed during the year	–2	–	–1	–	–	–	–3	–
Amount utilised during the year	–24	–38	–30	–43	–8	–	–62	–81
Translation difference	1	–	39	–	1	–	41	–
Carrying amount at end of year	71	68	407	99	36	27	514	194
of which current portion	42	60	21	16	36	27	99	103

¹ Mainly tax related provisions amounted to SEK 33 million (24).

20 Interest-bearing liabilities

SEKm	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current liabilities				
Syndicated loans	–	–	–	–
Bilateral loans	1,196	1,196	1,255	1,255
Bond loans	1,600	1,600	3,400	3,420
Leasing	234	234	169	169
Carrying amount at year-end	3,030	3,030	4,824	4,844
Current liabilities				
Syndicated loans	–	–	–	–
Bond loans	1,800	1,806	1,700	1,704
Commercial papers	328	328	–	–
Bilateral loans	99	99	91	91
Leasing	177	177	111	110
Carrying amount at year-end	2,404	2,410	1,902	1,905

Repayment periods and future interest payments on loans contracted

(Number of years from 31 Dec 2022)	0–1	1–2	2–	Total
Bilateral loans	99	499	697	1,295
Bond loans	1,800	600	1,000	3,400
Commercial papers	328	–	–	328
Leasing	177	111	123	411
Total	2,404	1,212	1,818	5,434
Future interest payments	111	65	31	207

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 is established according to value hierarchy Level 2. For a definition of value hierarchy, see Note 22.

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 2022. The syndicated loan facilities, which consists of a revolving credit facility of SEK 5,500 million, were unutilised as of 31 December 2022. The credit facility falls due in May 2024. The syndicated loans and bilateral loans have variable interest rates.

Billerud had four outstanding bond loans totalling SEK 3,400 million as of 31 December 2022. Of the outstanding bond loans, SEK 2,600 million have variable interest and SEK 800 million fixed interest. SEK 1,800 million of the bonds were issued under the MTN programme, which was established in 2013. Of the outstanding SEK 3,400 million, SEK 1,800 million matures 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 2022, SEK 330 million had been issued in commercial papers.

21 Accrued expenses and deferred income

SEKm	2022	2021
Employee benefit expenses, including social security costs	1,298	842
Delivery expenses	136	166
Wood expenses	357	367
Energy expenses	191	134
Deferred income	181	142
Other	537	304
Total	2,700	1,955

22 Financial assets and liabilities

SEKm	Fair value through profit/loss – hedge accounting		Fair value through other comprehensive income		Amortised cost		Total carrying amount		Fair value	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Valuation classification	Level 2		Level 3							
Other shares and participations			54	70			54	70	54	70
Non-current receivables	464	94			77	37	541	131	541	131
Accounts receivable					5,006	3,047	5,006	3,047	5,006	3,047
Other receivables	1,193	363			743	435	1,936	798	1,936	798
Cash and cash equivalents ¹					2,046	3,558	2,046	3,558	2,046	3,558
Total	1,657	457	54	70	7,872	7,077	9,583	7,604	9,583	7,604
Non-current interest-bearing liabilities					3,029	4,824	3,029	4,824	3,029	4,844
Current interest-bearing liabilities					2,403	1,901	2,403	1,901	2,409	1,905
Accounts payable					6,702	3,809	6,702	3,809	6,702	3,809
Other liabilities	259	159			435	304	694	463	694	463
Total	259	159	–	–	12,569	10,838	12,828	10,997	12,834	11,021

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.

Net changes in the value of cash flow hedges recognised in operating profit/loss totalled SEK 1,222 million (599) in 2022, of which SEK –398 million (135) is recognised in Net sales.

The Group enters into derivatives contracts under International Swaps and Derivatives Association (ISDA) master netting agreements. These agreements mean that when a counterparty is unable to settle its commitments for all transactions, the agreement is discontinued and the net amount of all outstanding balances have to be settled. These ISDA agreements do not meet the criteria for set-off, as set-off of ISDA contracts is only permitted if

the counterparty or the Group is unable to settle its commitments. There is no intention to settle these balances on a net basis.

The net amount of other derivatives in hedge accounting covered by netting agreements is SEK 1,622 million (448) in other receivables and SEK 155 million (134) in other debt.

Fair value of interest-bearing liabilities is done according to Level 1 regarding fixed interest rate bonds and hierarchy level 2 regarding other interest-bearing liabilities.

Fair value hierarchy

Level 1. Valuation based on fully observable data, unadjusted listed prices on an active market for identical assets and liabilities that the Company has access to at the valuation date.

Level 2. Valuation based on data other than listed prices in level 1 that are directly or indirectly observable.

Level 3. Valuation is based essentially on non-observable data for the asset or liability.

Reconciliation of Level 3 fair values	2022	2021
Carrying amount at start of year	70	108
Impairment of carrying amount in other comprehensive income, Vericool	–	–10
Impairment of carrying amount in other comprehensive income, Kezzler	–6	–
Liquidation, Bergvik Skog AB	–10	–
Change in fair value/impairment recognised in other comprehensive income, Bergvik Skog Öst AB	–	6
Sale of Biobag International AS	–	–34
	54	70

Valuation of other shares and participations is based primarily on the proportion of the Company's equity.

Maturity structure

(number of years from 31 Dec 2022)	0–1	1–2	2–	Total
Bilateral loans	99	499	697	1,295
Bond loans	1,800	600	1,000	3,400
Commercial papers	328			328
Accounts payable	6,702			6,702
Other liabilities	435			435
Derivatives in hedge accounting	258	1		259
Lease liabilities	177	111	123	411
Total	9,799	1,211	1,820	12,830
Future interest payments	111	65	31	207

For more information of financial risk related to currency hedging, interest rate risk and hedging of electricity (energy price risk), see note 23.

23 Financial risks

As a large international company, Billerud is exposed to financial 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 Billerud's financial risk management policies, which correspond to the policies adopted before and during 2022.

Currency risk – transaction exposure

Transaction risk is the risk that changes in exchange rates for export revenues and import expenses will negatively affect Billerud's 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 US, 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, percentage 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 2022

At the end of 2022, foreign exchange contracts not yet recognised in profit/loss nominally totalled SEK 5,122 million (3,920). These will be recognised in profit/loss in 2023 and 2024. Net currency flows are estimated to total SEK 7,300 million (5,900) in 2023.

Of forecasted net flows over the coming 15-month period in EUR, USD and GBP, 80%, 80% and 4% respectively, were hedged at year-end. As of 31 December 2022, the market value of Billerud's outstanding foreign exchange contracts was SEK –223 million (–72), of which SEK –68 million is the portion of the contracts corresponding to accounts receivable that has affected earnings in 2022. SEK -155 million will impact Net sales when realised.

Nominal amount of foreign exchange derivatives	2022	2021
EUR million	353	281
USD million	213	191
GBP million	4	6
Market value of foreign exchange derivatives, SEK million		
Forward foreign exchange contracts	–223	–72

In addition to the currency hedging presented above, Billerud has hedging positions related to the investment in the recovery boiler in Frövi. On 31 December 2022, the outstanding contracts amounted to EUR 45 million with a positive market value of SEK 39 million, accounted for as a receivable and in Other comprehensive income. The hedged exchange rate was 10.28 SEK/EUR at the end of the year.

Currency risk – translation exposure

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

Billerud has assets in foreign currency, mainly through owning assets in Finland and the US.

Comments 2022

On 31 December 2022, total capital employed in foreign currency was SEK 8,313 million (556), of which SEK 8,763 million (1,191) was financed by shareholders' equity. No net assets are currently hedged.

SEKm	Capital employed	Net borrowings	Net assets
GBP	–	–13	13
EUR	828	–328	1,156
USD	7,537	90	7,447
Other currencies	–52	–199	147
Total	8,313	–450	8,763

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 Billerud's creditworthiness and credit capacity. In addition, access to further financing depends on customers, suppliers and lenders not being affected by negative perceptions about Billerud's long- and short-term financial prospects. Disruptions and uncer-

tainty 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 2022

The Group raised external funding of SEK 6,000 million during 2022 in connection to the acquisition of Verso in March 2022. SEK 3,500 million of the loan was refinanced by an equity rights issue in June 2022 and the remaining amount of SEK 2,500 million was repaid by a strong cash flow during the fourth quarter. The Group issued commercial papers of SEK 330 million in December 2022.

Billerud has a syndicated credit facility of SEK 5,500 million, which falls due in May 2024. The credit facility was unused at year-end 2022.

At 31 December 2022, Billerud's net interest-bearing debt totalled SEK 4,581 million (3,968). Interest-bearing debt decreased by SEK 1,423 million in 2022. Of interest-bearing borrowings, SEK 2,227 million was short-term, which represented an increase of SEK 436 million during the year. At the end of the year, bond loans totalling SEK 1,700 million and bilateral loans totalling SEK 51 million had been repaid compared with the start of the year. Long-term interest-bearing net borrowings totalled SEK 2,796 million at the end of the year, of which SEK 1,697 million falls due in 2025 or later.

Financial assets and liabilities are recognised in Note 22.

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 standard, 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 2022

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 50 million (64), based on the total interest-bearing liability of SEK 5,023 (6,446) million at year-end.

The Group's average fixed-interest term was 2 months (4) 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 39 million (54) on earnings, given the current as of 31 December fixed interest term.

Nominal amount, fixed-interest loans	2022	2021
Maturity of less than 1 year	800	250
Maturity of 1–2 years	–	800
Maturity of more than 2 years	–	–
Total	800	1,050

Energy price risk

Billerud uses electricity, natural gas, biofuels, oil and LPG, these energy resources 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 largest factors affecting energy costs are the price of:

- Electricity consumption in the Group, are mainly in the electricity areas SE3 and SE1 in Sweden, HEL in Finland and MichCon in the US.
- Natural gas (MichCon)
- Biproducts wood, recovered biproducts for our recovery boilers and steam turbines

In principle, all in-company power generation is biofuel-based, and the cost of in-company generation follows the trends and risk of wood prices in Europe and partly in the US where also natural gas is a factor.

During 2022 European operations consumed approximately 3.3 TWh of electricity, of which 1.4 TWh was generated in the company's own back pressure facilities and 1.9 TWh was purchased.

During Q2–Q4 2022, the North American operations consumed 0.9 TWh of electricity and 1.7 TWh of natural gas. The cost of natural gas amounted to SEK 500 million in 2022. Billerud North America generated 0.6 TWh of electricity in the company's own back pressure facilities and 0.3 TWh was purchased.

The cost of electricity and gas is managed through trading in financial derivatives, spot trading and physical contracts. The company's hedging strategy is to purchase financial contracts corresponding up to 80 % of the

estimated physical electricity volume in Europe that is exposed to the spot price. The pace of trading is linear and begins three years before delivery.

The company is also taking continuous measures to increase energy efficiency and decrease carbon emissions.

Comments 2022

At the end of the year, financial hedging for purchases of electricity exposed to the spot price in Europe was:

2023: 67%

2024: 41%

2025: 15%

Market value of Billerud's outstanding hedging instruments related to electricity represent a value of SEK 1,582 million (91) of which SEK 1,126 million (353) mature during 2023. These hedges accounts against the energy cost and Other external costs in the Income statement when they mature.

Contracts for natural gas in the US have been purchased via suppliers that amount to approximately half of the estimated consumption for 2023. Billerud will implement a hedging scheme for financial hedges for natural gas during 2023 that will gradually replace the physical contracts upon maturity.

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 Billerud to minimise credit and counterparty risk are inadequate, this may have an adverse effect on Billerud's financial position and earnings.

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

When calculating credit risks, the positive effects on earnings of derivative contracts with counterparties are also considered. Billerud's maximum credit risk exposure is equal to the fair value of financial assets, disclosed in Note 22.

Comments 2022

At year-end, the total net credit exposure was SEK 2,585 million (3,927). 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

Billerud has approximately 2,200 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 Billerud cannot meet the demands made by its largest customers, and if customers do not fulfil

their payment obligations, Billerud 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, Billerud 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 guidelines to control customer credit risk, which consists of applying credit insurance on as much customer credit that it is possible to insure. Exemptions are made for certain major long-standing customers through supply chain solutions. In certain markets irrevocable

confirmed letters of credit, advance payments or bank guarantees are applied to safeguard payments.

Comments 2022

Accounts receivable totalled SEK 5,006 million (3,047) on 31 December 2022. Accounts receivable averaged SEK 4,654 million (2,930) in 2022, representing an average customer credit period of around 40 days (41). There was a small credit loss of SEK 200 thousand for Billerud North America during the fiscal year. Bad debt provisions ended on SEK 67 million.

Provision for doubtful debts

SEKm	2022	2021
Provision at start of year	26	20
Provision for anticipated bad debt losses	43	9
Business combinations	4	–
Bad debt recovered	–7	–
Confirmed bad debt losses	–	–3
Translation differences	1	–
Provision at year-end	67	26

Breakdown of accounts receivable by age

SEKm	2022			2021		
	Gross	Impairment	Net	Gross	Impairment	Net
Accounts receivable not due	4,508	–20	4,488	2,872	–12	2,860
Accounts receivable overdue 0–30 days	482	–1	481	197	–	197
Accounts receivable overdue >30–90 days	46	–9	37	19	–4	15
Accounts receivable overdue >90–180 days	–2	–14	–16	–10	–5	–15
Accounts receivable overdue >180–360 days	31	–16	15	–10	–	–10
Accounts receivable overdue >360 days	8	–7	1	5	–5	–
Total	5,073	–67	5,006	3,073	–26	3,047

Sensitivity analysis¹

Impact on profit/loss before tax

Variable	Change	SEKm
Sales volume	+/- 10%	+/- 1,930
Exchange rates, SEK ²	+/- 10%	–/+ 950
– of which relates to EUR	+/- 10%	–/+ 360
– of which relates to USD	+/- 10%	–/+ 490
– of which relates to GBP	+/- 10%	–/+ 100
Fibre price	+/- 10%	–/+ 1,210
Electricity price ³	+/- 10%	–/+ 300
Natural gas ⁴	+/- 10%	–/+70
Loan rate ⁵	+/- 1 percentage point	–/+ 40

¹ Sensitivity analysis for the Billerud Group after the acquisition of Verso, based on the company's operating costs for 2022 including Verso's operating costs during January-March 2022.

² Excluding effects of currency hedging.

³ Excluding effects of electricity price hedging.

⁴ Consideration not taken of any future natural gas price hedging.

⁵ Refer to the loan and interest conditions on December 31, 2022. Interest rate changes and loan amounts in 2023 are not considered.

24 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.

Board fees, SEK thousand, Name	Fee for the year		Fee for audit committee		Fee for remuneration committee		Total Fees	
	2022–2023	2021–2022	2022–2023	2021–2022	2022–2023	2021–2022	2022–2023	2021–2022
Jan Svensson	1,650	1,500			50	50	1,700	1,550
Jan Åström	560	540	200			25	760	565
Bengt Hammar	560	540					560	540
Andrea Gisle Joosen	560	540	100	100			660	640
Victoria Van Camp	560	540			25		585	540
Florian Heiserer	560		100				660	–
Magnus Nicolin	560						560	–
Michael M.F. Kaufmann		910				25	–	935
Kristina Schauman		540		200			–	740
Tobias Auchli		540		100			–	640
Total	5,010	5,650	400	400	75	100	5,485	6,150

The Board member Andrea Gisle Joosen have received SEK 57 thousand in 2021 for work in Billerud Venture AB in addition to her remuneration in the board.

Remuneration to the CEO and Group Management

The 2022 Annual General Meeting approved the guidelines for remuneration to senior executives. Senior executives include the CEO and other members of the Group Management Team (GMT).

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

Billerud is challenging conventional packaging for a sustainable future and this mission describes the purpose of Billerud's 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. Billerud's 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.

A prerequisite for the successful implementation of Billerud's business strategy and safeguarding of Billerud's long-term interests, including its sustainability, is that Billerud is able to recruit and retain qualified employees with high competence and capacity to achieve set goals. Billerud will challenge conventional packaging for a sustainable future – and it is Billerud's 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 Billerud offers competitive total remuneration which creates incentives for senior executives. The goal is to create incentives to promote Billerud's business strategy and long-term interests, deliver exceptional results and to link incentives for key persons within Billerud with the shareholders' interests. These guidelines enable this objective and that GMT members can be offered a competitive total remuneration.

Types of remuneration, etc.

Billerud 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 GMT members is paid based on outcomes in relation to clearly stated goals and shall amount to a maximum of 70 percent of their respective annual fixed cash salary. Reflecting current market conditions, the variable cash remuneration for members of the GMT employed in the US. may amount to a maximum of 150 percent 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 GMT members, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 100 percent of the annual fixed cash salary, and 150 percent of the annual fixed cash salary for members of the GMT employed in the US. 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 Billerud's development and in order for the CEO and GMT members to have a significant, long-term shareholding in Billerud. The outcome of the long-term share and share price-related remuneration shall be linked to certain predetermined performance criteria based on Billerud's share price and/or results.

The Board may also, in order to meet market conditions and to reasonable administrative complexity, offer the members of the GMT employed in the US, 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 percent of the annual fixed cash salary.

More information about these programs, including the criteria for the outcome, are available on the company's website www.billerud.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 percent 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 no more than 40 percent 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 Group Management Team, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in Billerud. The members of the remuneration committee are independent of the company and its Group Management Team. The CEO and GMT 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 GMT members, the CEO is responsible for the

evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by Billerud.

Variable cash remuneration shall only be paid provided that Billerud's 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 Billerud's 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 Billerud 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

In the event of termination of employment of an GMT member, a notice period of a maximum of 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 Billerud. When termination is made by an GMT 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 GMT employed in the US, Billerud can apply severance pay corresponding to a maximum of 18 months fixed cash salary if the employment is terminated by Billerud and similar situations.

Remuneration to board members elected by general meetings

Board members elected by General meetings in Billerud shall in special cases be able to be remunerated for services within their respective areas of expertise, which do not constitute board work in Billerud Aktieföretag. 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 Billerud's long-term interests, including its sustainability, or to ensure Billerud's 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 2022, Billerud has followed the guidelines for remuneration to senior executives adopted by the annual General meetings in 2021 and 2022 without any exceptions.

Year	Gross salary	Variable remuneration	LTIP	Other benefits	Pension costs	Total
Remuneration and benefits to the CEO						
2022	9,639 ¹	5,821	–	63	3,362	18,885
2021	9,098 ²	5,634	–	104	3,202	18,038
Remuneration and benefits to rest of Group Management Team (including Deputy CEO)						
2022	29,348	16,877	2,487	1,351	7,383	57,446
2021	23,204	8,848	1,113	1,032	6,736	40,933

¹ This amount includes paid holiday days, holiday supplement, car supplement, allowances for expenses and lunch coupons totalling SEK 207 thousand in addition to fixed salary.

² This amount includes paid holiday days, holiday supplement, car supplement, allowances for expenses and lunch coupons totalling SEK 99 thousand in addition to fixed salary.

Comments on the tables

Variable remuneration for 2022 refers to amounts to be paid out in 2023 but charged to 2022, while variable remuneration for 2021 refers to remuneration paid out in 2022 but charged to 2021. The actual amounts are based on financial and individual targets linked to the development of the business and based on profit for 2022 and 2021.

The LTIP for 2022 relates to the benefit value of the outcome of LTIP 2019, and the LTIP for 2021 relates to the benefit value of the outcome for LTIP 2018.

Other benefits include car allowance, accommodation allowance and other taxable benefits.

Pension costs refers to the costs charged to profit/loss for the year.

Long-term incentive programme (LTIP)

There are currently three programmes outstanding 2020, 2021 and 2022. The programme extends to senior executives and other key employees within the Billerud Group. The LTIP has a term of three years. For LTIP 2020 the outcome depends on meeting different financial and share price performance requirements.

For rights to performance shares under LTIP 2019 to LTIP 2020, the following financial performance objectives are measured:

- Billerud's annual organic growth
- Billerud's average adjusted EBITDA margin
- Billerud's sustainability performance (only LTIP 2020)

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

For LTIP 2022 and LTIP 2021 the outcome depends on one financial performance condition annual composed average growth rate of Earnings Per Share (EPS CAGR, adjusted for items affecting comparability and exchange rate effects) growth set over a three year period with a straight-line basis between minimum and maximum levels.

25 Additional disclosures for the cash flow statement

SEKm	2022	2021
Interest paid and received and dividend		
Interest and dividends received	438	3
Interest paid	-131	-98
Total	308	-95
Adjustments for items not included in cash flow, etc.		
Depreciation, amortisation and impairment of assets	2,480	1,912
Interest adjustment	102	6
Pensions and other provisions	-100	-30
Unrealised earnings, electricity certificates and emission allowances	-69	20
Share of profit/loss in associates/impairment of investments	19	-89
Impairment of other holdings		
Share-based payments	22	7
Unrealised exchange rate differences	12	12
Disposal of non-current assets	8	
Capital loss, sale of subsidiary		123
Disposal of fixed assets	14	
Total	2,488	1,961
Cash and cash equivalents ¹		
The following are included in cash and cash equivalents		
Short-term investments	-	-
Cash and bank balances	2,046	3,558
Total	2,046	3,558

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.

The CEO participates in LTIP 2022 and LTIP 2021 with a maximum outcome of shares and cash of 60% of the annual salary. To participate, the CEO has to own shares that represent 15% of the annual salary. The GMT has 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 2020 involves 'savings shares'. The CEO participates in LTIP 2020 with 8,703 savings 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 section Remuneration at Billerud in Directors's report for more information regarding the long-term incentive programmes.

SEKm	2021	Cash flows	Changes not affecting cash flow				2022
			Leasing	Divestment	Business combinations	Changes in exchange rates	
Non-current interest-bearing liabilities	4,824	-1,886			51	40	3,030
Current interest-bearing liabilities	1,901	249	185		49	21	2,404
Total	6,725	-1,637	185	-	100	61	5,434

SEKm	2020	Cash flows	Changes not affecting cash flow				2021
			Leasing	Divestment	Business combinations	Changes in exchange rates	
Non-current interest-bearing liabilities	6,605	-1,797				16	4,824
Current interest-bearing liabilities	984	783	132			2	1,901
Total	7,589	-1,014	132	-	-	18	6,725

26 Events after the end of the period

On 27 January 2023, Billerud announced that the Michigan State legislatures had passed legislation to grant Billerud investment support of up to USD 200 million in funding to support Billerud's investment plans to transform the Escanaba mill to paperboard production. Shortly thereafter, Michigan's Governor signed the legislation, approving the Michigan Economic Development Corporation's appropriation of the funds. The investment support will be relative to the company's actual investments and subject to execution of the necessary agreements between the Michigan Strategic Fund and Billerud U.S. Production Holdings LLC.

In the first quarter of 2023, Billerud started a three-year efficiency enhancement programme focusing on profitability improvements and with activities that span across functions predominantly in the European operations. The target for the programme is an EBITDA uplift of SEK 1.5 billion by the end of the 2025 run-rate. For 2023, the programme is estimated to have a positive EBITDA impact of SEK 400 million.

Robert A. Kreizenbeck left his employment as EVP North America in March 2023. Kevin Kuznicki was appointed new EVP North America & General Counsel North America on 27 March 2023. He was previously Deputy President & General Counsel North America and has been a member of the Group Management Team since 2022.

27 Investment commitments

In 2022, the Group signed agreements on the future acquisition of property, plant and equipment for SEK 2,657 million (3,205). Of these commitments, it is expected that SEK 1,962 million (1,522) will be settled in 2023.

28 Pledged assets and contingent liabilities

SEKm	2022	2021
Pledged assets for own liabilities and provisions		
Pledged endowment insurance	–	–
Total pledged assets	–	–
Contingent liabilities		
Guarantee commitment, FPG/PRI	10	10
Other guarantees	128	143
Guarantees for associates	1	1
Guarantees for Group companies	–	–
Total contingent liabilities	139	154

Pledged endowment insurance of SEK 79 million (65) are accounted for with net amounts in the Group and are not disclosed as pledged in the table above for the Group.

There are no indications that any pledged securities or contingent liabilities will lead to any outflow of resources.

29 Related parties

The Group has related-party relationships with its subsidiaries and joint arrangements (see P12 in the parent company), and associated companies (Note 14).

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
Relationship					
BSÖ Holding AB Group ¹	2022	100	336	106	7
Other associates and other related parties	2022		100	9	1
BSÖ Holding AB Group ¹	2021	91	330	120	8
Other associates and other related parties	2021	–	58	–	15

¹ Includes BSÖ Holding AB as an associated company and its subsidiary Bergvik Skog Öst AB.

Purchase of steam/electricity from Bomhus Energi AB as a joint arrangement amounted to SEK 355 million (317). These amounts are not included in the table above.

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.

Transactions with key individuals in executive positions

Salaries, remuneration and other benefits are accounted for in Notes 5 and 24.

30 Business combinations

On 31 March 2022, Billerud acquired all shares outstanding in Verso Corporation. As a result of the transaction, Verso common stock ceased trading on the New York Stock Exchange.

The purchase price was USD 27.00 on the outstanding shares and the total purchase price was USD 798 million, or SEK 7,395 million, including settlement of warrants and incentive programmes. The acquisition was financed by cash and a bank loan of SEK 6,000 million, whereof around SEK 3,500 million has been refinanced by means of a rights issue in Billerud carried out during the second quarter of 2022. The acquisition of Verso is fully in line with Billerud's strategy to drive profitable growth in paperboard, and the ambition to expand into North America.

At the acquisition of Verso, differences were identified between fair value and the carrying amount for tangible and intangible assets and inventories. Customer contracts have been assessed to have no additional value, since a large part of Verso's operations will be converted into board production.

Since the total purchase consideration exceeded the net value of acquired assets and liabilities, a goodwill of SEK 242 million was recognised. The acquisition had no effect on the first quarter's net sales or profit, due to the fact that the acquisition was made on 31 March, 2022. Acquisition costs amounted to SEK 135 million and was accounted for in 2021 as other external costs. No additional acquisition costs have been accounted for during 2022. Verso's balance sheet was included in the consolidated balance sheet of 31 March, 2022.

For the first quarter 2022, Verso's pro forma net sales was SEK 2,984 million. Verso's pro forma EBITDA for the first quarter, including effects from the conversion to IFRS and excluding transaction costs and severance payments, was SEK 597 million. Verso's pro forma net profit, including effects from the conversion to IFRS and excluding transaction costs and severance payments, amounted to SEK 340 million for the first quarter.

A final acquisition analysis of the transaction is presented below.

SEKm	2022
Acquired balance sheet	
Goodwill	242
Tangible assets, including Right of use assets	5,293
Deferred tax asset, net	539
Other non-current assets	87
Inventories	1,552
Accounts receivables	973
Other current assets	85
Cash and cash equivalents	1,402
Total Assets	10,173
Provisions for pensions	886
Other non-current liabilities	459
Accounts payables	697
Other current liabilities	736
Total liabilities	2,778
Purchase consideration	
Purchase consideration	-7,293
Deferred consideration (settlement of warrants and incentive programmes)	-102
Total consideration	-7,395
Acquisition costs	-135
Cash and cash equivalents (acquired)	1,402
Net effect on cash and cash equivalents, total	-6,128

31 Divestment of subsidiary

On 31 October 2021, Billerud 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
Divested assets and liabilities	
Other 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

Parent company financial statements

Parent company income statement

SEKm	Note	2022	2021
Net sales	P2	290	609
Other operating income	P3	13	25
Total operating income		303	634
Operating expenses			
Other external costs	P4, P15	-310	-194
Employee benefit costs	P5, P29	-339	-275
Depreciation, amortisation and impairment of non-current assets	P13	-	-1
Total operating expenses		-649	-470
Operating profit/loss		-346	164
Financial items			
Profit/Loss from investments in Group companies	P6	55	-37
Interest income and similar profit/loss items		615	61
Interest expense and similar profit/loss items		-237	-167
Total financial items		433	-143
Profit/loss after financial items		87	21
Appropriations	P7	3,468	289
Profit/loss before tax		3,555	310
Tax	P8	-733	-74
Profit/loss for the year		2,822	236

Parent company statement of Other comprehensive income

SEKm	2022	2021
Profit/loss for the year	2,822	236
Other comprehensive income		
Other comprehensive income for the year	-	-
Total comprehensive income	2,822	236

Parent company balance sheet

SEKm	Note	31 Dec 2022	31 Dec 2021
ASSETS	P1, P21		
Non-current assets			
Property, plant and equipment	P9	4	2
Forest assets	P10	5	5
Investments in Group companies	P12	15,628	10,560
Receivables from Group companies		309	–
Participations in associated companies and joint ventures	P13	7	–
Other holdings	P14	–	–
Non-current receivables from associates		–	13
Deferred tax asset	P8	30	19
Other non-current receivables		75	70
Total non-current assets		16,058	10,669
Current assets			
Accounts receivable		3,333	2,537
Receivables from Group companies		12,473	10,646
Tax receivables		–	3
Other receivables		146	70
Prepaid expenses and accrued income		32	156
Cash and bank balances	P22	903	3,175
Total current assets		16,887	16,587
Total assets		32,945	27,256

SEKm	Note	31 Dec 2022	31 Dec 2021
SHAREHOLDERS' EQUITY AND LIABILITIES	P1, P21		
Shareholders' equity	P15, P16		
Restricted equity			
Share capital		1,843	1,537
Statutory reserve		149	149
Total restricted equity		1,992	1,686
Non-restricted equity			
Share premium reserve		7,537	4,408
Retained earnings		348	979
Profit/loss for the year		2,822	236
Total non-restricted equity		10,707	5,623
Total shareholders' equity		12,699	7,309
Untaxed reserves	P23	2,070	1,341
Provisions			
Provisions for pensions according to the Social Security Act and similar commitments	P17	261	237
Provisions	P18	8	16
Total provisions		269	253
Non-current liabilities			
Bond loans	P19	1,600	3,400
Deferred tax liabilities	P8	–	–
Other interest-bearing non-current liabilities	P19	1,196	1,255
Total non-current liabilities		2,796	4,655
Current liabilities			
Liabilities to credit institutions	P19	2,227	1,791
Accounts payable		83	28
Liabilities to Group companies		12,141	11,627
Tax liabilities		339	–
Other liabilities		64	35
Accrued expenses and deferred income	P20	257	217
Total current liabilities		15,111	13,698
Total shareholders' equity and liabilities		32,945	27,256

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 2022	P15	1,537	149	4,408	979	236	7,309
Previous year's profit/loss brought forward					236	-236	-
Profit/loss for the year						2,822	2,822
Rights issue		306		3,129			3,435
Dividends paid					-890		-890
Share-based payments to be settled in equity instruments					23		23
Closing balance, 31 Dec 2022		1,843	149	7,537	348	2,822	12,699

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	P15	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

Parent company cash flow statement

SEKm	Note	2022	2021
Operating activities	P22		
Profit/loss after financial items		87	21
Adjustments for items not included in cash flow		77	113
Tax paid		-403	-119
Cash flow from operating activities before changes in working capital		-239	15
Cash flow from changes in working capital			
Increase (-)/decrease (+) in operating receivables		1,511	-74
Increase (+)/decrease (-) in operating liabilities		642	1,552
Cash flow from operating activities		1,914	1,493
Investing activities			
Acquisition of property, plant and equipment	P9	-1	-
Acquisition of shares and shareholder contributions to subsidiaries	P12	-5,083	-
Sale of shares in subsidiary		-	29
Acquisition of shares in associates and shareholder contributions	P13	-7	-
Change in financial receivables		-276	-8
Cash flow from investing activities		-5,367	21
Financing activities			
Rights issue		3,497	-
Rights issue costs		-78	-
Borrowings		6,328	-
Repayment of borrowings		-7,791	-895
Dividend		-890	-890
Settled Group contributions		115	610
Cash flow from financing activities		1,181	-1,175
Cash flow for the year		-2,272	339
Cash and cash equivalents at start of year		3,175	2,836
Cash and cash equivalents at year-end		903	3,175

Parent company notes

Notes

P1	Significant accounting policies	111
P2	Net sales by activity and geographical markets	112
P3	Other operating income	112
P4	Fees and auditor expenses	112
P5	Employees and employees benefits expense	112
P6	Net financial items	113
P7	Appropriations	113
P8	Tax	113
P9	Property, plant and equipment	114
P10	Forest assets	114
P11	Operating leases	114
P12	Investment in Group companies	114
P13	Participations in associates	116
P14	Other holdings	116
P15	Shareholders' equity	116
P16	Proposed allocation of profit	116
P17	Provisions for pensions and similar commitments	116
P18	Provisions	117
P19	Liabilities to credit institutions	117
P20	Accrued expenses and deferred income	117
P21	Financial assets and liabilities	117
P22	Additional disclosure for the cash flow statement	117
P23	Untaxed reserves	118
P24	Events after the end of the period	118
P25	Pledged assets and contingent liabilities	118
P26	Related parties	118
P27	Information about the parent company	118

P1 Significant 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 parent company follows the same accounting principles as described in the Group's Note 1, except for as 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.

Operating segments

The parent company does not disclose segment information, but instead discloses net sales by activity and geographical markets.

Forest assets

The revaluation method should not be applied in the legal entity and therefore the parent company recognises forest land at acquisition cost.

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, Billerud may enter into electricity derivative contracts for electricity. The electricity derivative contracts are measured at the rate applicable on the day when the electricity 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

Billerud has elected to apply the alternative rule in accordance with RFR 2, which means that all Group contributions are recognised in appropriations.

P2 Net sales by activity and geographical markets

SEKm	Service		Hedge		Total	
	2022	2021	2022	2021	2022	2021
Sweden	374	314	-97	277	277	591
Finland	12	16	-	-	12	16
Rest of the world	1	2	-	-	1	2
Total	387	332	-97	277	290	609

The parent company Billerud AB includes head office and support functions.

P3 Other operating income

SEKm	2022	2021
License agreement	13	13
Claims	-	10
Capitalised labour personnel costs	11	-
Temporary rental of staff	2	3
Other	-13	-1
Total	13	25

P4 Fees and auditor expenses

SEKm	2022	2021
KPMG		
Auditing assignments	2	1
Auditing activities besides audit assignments	1	-
Tax consultancy	-	-
Other services	-	-
Total	3	1

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 Annual General meeting of shareholders held on 10 May 2022 resolved that KPMG AB would be appointed as auditor for the period extending up until the end of the 2023 AGM.

In addition to fees and cost reimbursement to KPMG, SEK 4.4 million related to the rights issue has been booked directly against equity.

P5 Employees and employee benefits expense

Average number of employees

	Of which		2021	Of which
	2022	men, %		
Sweden	131	50	126	52
Other countries	9	33	9	33
Total	140	49	135	49

SEKm	2022	2021
Employee benefit costs		
Wages, salaries and other remuneration		
Board, CEO and Group Management Team ¹	54	52
of which variable remuneration	17	15
Other employees	143	129
of which variable remuneration	11	8
Total salaries and other remuneration	197	181
Social security costs		
Contractual pensions for the CEO and Group Management Team		
Defined-benefit pensions	-	-
Defined-contribution pensions	10	10
Contractual pensions, other		
Defined-benefit pensions	-	-
Defined-contribution pensions	54	28
Other social security costs	78	56
Total social security costs	142	94
Total employee benefits expense	339	275

¹ CEO and Group Management Team refers to group management employees in the parent company. Board refers to the Board of Billerud AB.

Number of women in management positions

%	2022	2021
Group and parent company management		
Board ¹	29	38
CEO and Group Management Team	18	30

¹ Excluding employee representatives

For information about the benefits of senior managers in accordance with the Annual Accounts Act, see Note 24 for the Group.

P6 Net financial items

SEKm	2022	2021
Finance income		
Dividends from Group companies	52	36
Capital gain/loss, subsidiaries	3	–
Net change in exchange rates	381	–
Interest income, Group companies	219	60
Interest income, other	13	1
Other financial income	2	–
Total finance income	670	97
Finance costs		
Interest expense for financial liabilities measured at amortised cost	–129	–86
Impairment losses, subsidiaries	–15	–
Capital gain/loss, subsidiaries	–	–73
Interest expense for pension provision	–5	–6
Net interest income on derivatives in hedge accounting	–	2
Interest expenses, Group companies	–60	–55
Net change in exchange rates	–	–14
Other financial expenses	–28	–8
Total finance costs	–237	–240
Net financial items	433	–143

P7 Appropriations

SEKm	2022	2021
Group contributions, received	4,200	114
Group contributions, paid	–3	–
Tax allocation reserve, resolved	371	175
Tax allocation reserve, provided	–1,100	–
Total	3,468	289

P8 Tax

SEKm	2022	2021
Profit/loss before tax	3,555	310
Tax expense		
Current tax		
Tax expense for the period	–744	–96
Tax attributable to previous period	–	1
Total current tax	–744	–95
Deferred tax		
Deferred tax income/expense related to temporary differences	11	21
Total tax expense	–733	–74
SEKm	2022	2021
Reconciliation, effective tax rate		
Tax according to Swedish income tax rate	–732	–64
Capital gains	1	–
Capital losses	–	–15
Tax-exempt dividends	11	8
Impairment of shares	–3	–
Tax attributable to previous periods	–	1
Taxable income, not accounted for	–8	–
Deductable expenses, not accounted for	2	–
Non-deductible expenses	–4	–4
Tax according to income statement	–733	–74
Effective tax rate	20.6%	23.9%

Change in deferred tax in temporary differences

SEKm	2022	2021
Opening balance	–19	2
Recognised in Profit and loss	–11	–21
Closing Balance, 31 December	–30	–19
	2022	2021
Deferred tax liability		
Other non-current assets	–2	–2
Total deferred tax liability	–2	–2
Deferred tax asset		
Accounts receivable incl. FX effects	13	3
Negative net interest	–	–
Provisions	15	14
Total deferred tax asset	28	17
Total net deferred tax liability(+)/receivable(–)	–30	–19

P9 Property, plant and equipment

SEKm	Buildings and land ¹		Equipment		Total	
	2022	2021	2022	2021	2022	2021
Acquisition value						
Carrying amount at start of year	2	2	9	9	11	11
Investments	–		1		1	–
Translation difference			1		1	–
Carrying amount at year-end	2	2	11	9	13	11
Accumulated depreciation/amortisation						
Carrying amount at start of year			–9	–8	–9	–8
Depreciation/amortisation			–	–1	–	–1
Translation difference			–	–	–	–
Carrying amount at year-end	–	–	–9	–9	–9	–9
Carrying amounts according to balance sheet	2	2	2	–	4	2

1 Of which land is SEK 1 million (1) .

In 2022, the parent company has not entered into any agreements regarding future acquisitions of property, plant or equipment.

P10 Forest assets

SEKm	2022	2021
Acquisition value		
Carrying amount at start of year	5	5
Carrying amount at year-end	5	5

P11 Operating leases

Expenses for leasing costs during 2022 amounted to SEK 16 million (11).

Future contractual lease commitments are allocated as follows:

SEKm	2022	2021
Within 1 year	15	15
2-5 Years	23	36
Total	38	51

P12 Investments in Group companies

SEKm	2022	2021
Acquisition value		
Opening balance at start of year	10,746	10,946
Investments ¹	5,083	–
Divestments ³	–	–200
Closing balance at year-end	15,829	10,746
Accumulated impairment losses		
Opening balance at start of year	–186	–306
Divestments ³	–	120
Impairment losses ²	–15	–
Closing balance at year-end	–201	–186
Carrying amount on the balance sheet	15,628	10,560

1 Investment in 2022 relates to shareholder contributions to Billerud Americas Holding Inc. SEK 5,083 million.

2 In 2022, impairment losses related to impairment of the holdings in Billerud 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
Billerud Americas Holding Inc., Delaware	100	100	5,083
Billerud Estonia OÜ, Pärnu	1	100	–
Billerud Finland Oy, Pietarsaari	2,500	100	1,167
Billerud France S.A.S., Paris	25,401	100	–
Billerud Germany GmbH, Hamburg	2	100	1
Billerud Italy S.r.l, Milano	–	100	–
Billerud Latvia SIA, Juanjlgava	5,623	100	43
Billerud Lithuania UAB, Klaipeda	200	100	15
Billerud Managed Packaging AB, Solna, 559176-2017	50,000	100	5
Billerud Norway AS	30,000	100	–
Billerud Packaging India Private Ltd, New Dehli	8,750	100	3
Billerud Singapore Private Ltd, Singapore	500,000	100	3
Billerud Skog & Industri AB, Gävle, 556023-8338	53,613,270	100	8,240
Billerud Spain S.L, Barcelona	–	100	1
Billerud Sweden AB, Stockholm, 556876-2974	2,000	100	1,040
Billerud Venture AB, Solna, 559040-3548	50,000	100	8
Billerud Vietnam LLC, Ho Chi Minh City	–	100	–
BillerudKorsnäs Asia Holding Ltd, Hong Kong	10,000	100	–
BillerudKorsnäs Bangladesh Limited, Dhaka	998	100	–
BillerudKorsnäs Benelux B.V., Amsterdam	200	100	3
BillerudKorsnäs China Limited, Shanghai	–	100	4
NimblePacc Packaging Private Ltd, Haryana	36,908	100	4
Paccess AB, Solna, 556459-7572	1,000	100	–
ScandFibre Logistics AB, Örebro, 556253-1474	10,000	100	8
Total			15,628

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
AB Marma Skog 75, Gävle, 556802-4359	100
AB Marma Skog 76, Gävle, 556802-4367	100
AB Marma Skog 77, Gävle, 556802-4375	100
AB Marma Skog 78, Gävle, 556904-3465	100
AB Marma Skog 79, Gävle, 559269-7253	100
AB Stjernsunds Bruk, Gävle, 556028-6881	100
Billerud Americas Corporation, Delaware	100
Billerud Americas LLC, Delaware	100
Billerud Commercial LLC, Delaware	100
Billerud Escanaba LLC, Delaware	100
Billerud GB Ltd, Stowe	100
Billerud Managed Packaging Holding AB, Solna, 559333-0615	100
Billerud Managed Packaging Inc, Delaware	100
Billerud Managed Packaging LLC, Delaware	100
Billerud Quinnesec LLC, Delaware	100
Billerud Rockhammar AB, Lindsberg, 556761-2436	100
Billerud U.S Energy Holding LLC, Delaware	100
Billerud U.S Production Holding LLC, Delaware	100
Billerud Vietnam LLC, Vietnam	100
Billerud Wisconsin LLC, Delaware	100
BillerudKorsnäs International Trading Ltd (Shenzhen) Co. Ltd., Shenzhen	100
BillerudKorsnäs Taiwan Ltd, Taiwan	100
Bomhus Energi AB, Gävle, 556793-5217 (joint venture)	50
Consolidated Water Power Company, Wisconsin	100
Diacell AB, Gävle, 556155-2786	100
Fastighets AB Marma Skog 31, Gävle, 556580-2203	100
Korsnäs Sägverks AB, Gävle, 556024-8477	100
Trävaru AB Dalarna, Gävle, 556044-3920	100
Verso Quinnesec REP LLC, Delaware	100

¹ Participating interest in capital, which is the same as the proportion of votes in the total number of shares.

P13 Participations in associates

SEKm	2022	2021
Acquisition value		
At start of year	–	–
Acquisition of associated companies ¹	7	–
Closing balance	7	–

¹ Investment in Follum Utvikling AS.

During 2022, FreeForm Packaging AB was divested and a loan was remitted, with a total loss of SEK 11 million.

Specification of participations in associates directly owned by the parent company

Company, corporate ID no. and registered office	Votes and capital, %	Carrying amount
2022		
Associates		
Follum Utvikling AS, Norway	50	7
Total		7
2021		
Associates		
FreeForm Packaging AB, 556928-2873, Norrköping	50	–
Total		–

For more information regarding associated companies, see Note 14 for the Group.

P14 Other holdings

Name/Corp. ID no.	Number of shares	Holding in %	Carrying amount, SEKm
2022			
SSG Standard Solutions Group AB, 556403-1523	7,143	14	–
Total			–
2021			
SSG Standard Solutions Group AB, 556403-1523	7,143	14	–
Total			–

P15 Shareholders' equity

Restricted equity

Restricted equity may not be reduced by the distribution of profits.

Share capital

The share capital at year-end consists of 249,611,422 (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.

Rights issue

The rights issue in 2022 was reduced by costs of SEK 63 million, net of tax.

P16 Proposed allocation of profit

Non-restricted equity in the parent company consists of:

SEK	
Share premium reserve	7,537,183,856
Retained earnings	347,747,022
Profit/loss for the year	2,822,460,096
Total	10,707,390,974

The Board proposes that:

SEK	
Dividend to shareholders, 248,349,531 shares at SEK 7.50 per share ¹	1,862,621,483
and that the remaining amount be retained	8,844,769,492
Total	10,707,390,974

¹ Allocation of shares under the LTIP programme in April/May, if any, are not taken into account.

P17 Provisions for pensions and similar commitments

Billerud has defined-benefit pension plans for office-based staff in Sweden (ITP plan). Billerud also has defined-contribution pension plans.

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. No pension costs for newly earned defined-benefit pension are recognised as defined-benefit.

SEKm	2022	2021
Pension costs		
Employee benefit costs	66	38
Special payroll tax	16	13
Finance costs	5	6
Total cost of direct pensions	87	57
Provisions for pensions in balance sheet		
The value of pension commitments related to retirement under the management of the company at start of year	173	176
Pension costs ¹	25	2
Finance costs	5	6
Pensions paid	–12	–11
Present value of pension commitments related to retirement under the management of the company at end of year	191	173
Commitments paid to endowment insurance held by Billerud	57	51
Other provisions	13	13
Provisions for pensions in balance sheet	261	237
of which covered by credit insurance with FPG/PRI	191	173

Of the provision, SEK 14 million (13) is expected to be paid within 12 months. As collateral for pension commitments, the parent company has pledged endowment insurance totalling SEK 57 million (51).

¹ Increased pension costs is mainly related to increase in discount rate.

P18 Provisions

SEKm	Severance pay, redundancy pay		Other costs		Total carrying amount	
	2022	2021	2022	2021	2022	2021
Change for the year						
Carrying amount at start of year	7	9	9	4	16	13
Provisions made during the year	–	5	–	5	–	10
Amount utilised during the year	–4	–7	–4	–	–8	–7
Carrying amount at end of year	3	7	5	9	8	16
of which current portion	3	7	5	9	8	16

P19 Liabilities to credit institutions

SEKm	2022	2021
Non-current liabilities		
Syndicated loans	–	–
Bilateral loans	1,196	1,255
Bond loans	1,600	3,400
Other interest-bearing liabilities	–	–
Carrying amount at year-end	2,796	4,655
Current liabilities		
Syndicated loans	–	–
Bilateral loans	99	91
Bond loans	1,800	1,700
Commercial papers	328	–
Carrying amount at year-end	2,227	1,791

Repayment periods

(number of years from 31 Dec 2022)	0–1	1–2	2–	Total
Syndicated loans				
Bilateral loans	99	499	697	1,295
Bond loans	1,800	600	1,000	3,400
Commercial papers	328	–	–	328
Total	2,227	1,099	1,697	5,023

The majority of the liabilities are due for payment within five years after the closing date.

P20 Accrued expenses and deferred income

SEKm	2022	2021
Employee benefit expenses, including social security costs	83	70
Other	174	147
Total	257	217

P21 Financial assets and liabilities

SEKm	Amortised cost		Fair value	
	2022	2021	2022	2021
Other non-current receivables	75	82	538	176
Accounts receivable	3,333	2,537	3,333	2,537
Receivables from Group companies	12,782	10,646	12,782	10,646
Other receivables	69	42	1,262	405
Cash and bank balances ¹	903	3,175	903	3,175
Total	17,162	16,482	18,818	16,939
Bond and syndicated loan	3,400	3,400	3,400	3,420
Non-current interest-bearing liabilities	1,196	1,255	1,196	1,259
Current interest-bearing liabilities	427	1,791	433	1,791
Accounts payable	83	28	83	28
Liabilities to Group companies	12,141	11,627	12,141	11,627
Other liabilities	65	35	255	178
Total	17,312	18,136	17,508	18,303

¹ 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.

For more information regarding financial risk see Note 23 for the Group.

P22 Additional disclosures for the cash flow statement

SEKm	2022	2021
Interest paid and received and dividend		
Interest and dividends received	284	61
Interest paid	–181	–155
Total	103	–94
Adjustments for items not included in cash flow		
Depreciation, amortisation and impairment of assets	–	1
Interest adjustment	14	2
Pensions and other provisions	11	16
Share-based payments	23	5
Unrealised exchange rate differences	14	16
Capital loss, sale of subsidiary	–	73
Impairment losses, subsidiaries	15	–
Total	77	113
Cash and cash equivalents ¹		
The following are included in cash and cash equivalents:		
Short-term investments	–	–
Cash and bank balances	903	3,175
Total	903	3,175

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	2021	Cash flows	Changes not affecting cash flow	
			Changes in exchange rates	2022
Non-current interest-bearing liabilities	4,655	-1,899	40	2,796
Current interest-bearing liabilities	1,791	436		2,227
Total	6,446	-1,463	40	5,023

SEKm	2020	Cash flows	Changes not affecting cash flow	
			Changes in exchange rates	2021
Non-current interest-bearing liabilities	6,435	-1,796	16	4,655
Current interest-bearing liabilities	889	902		1,791
Total	7,324	-894	16	6,446

P23 Untaxed reserves

SEKm	2022	2021
Tax allocation reserve		
Carrying amount at start of year	1,341	1,516
Resolved	-371	-305
Provided	1,100	130
Carrying amount at year-end	2,070	1,341

P24 Events after the end of the period

No significant events have occurred after the end of the period.

P25 Pledged assets and contingent liabilities

SEKm	2022	2021
Pledged assets for own liabilities and provisions		
Pledged endowment insurance	57	51
Total pledged assets	57	51
Contingent liabilities		
Guarantee commitment, FPG/PRI	4	3
Other guarantees	100	115
Guarantees for Group companies	329	324
Total contingent liabilities	433	442

The parent company's guarantee commitments for Group companies include Billerud Skog & Industri AB's PRI liability of SEK 308 million (303).

There are no indications that any pledged securities or contingent liabilities will lead to any outflow of resources.

P26 Related parties

The parent company has related-party relationships with its subsidiaries and joint arrangements (see Note P12), and associated companies (see Note P13).

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	Procurement	Liabilities	Receiv-
		goods and services to related parties	of goods and services from related parties	to related parties	bles from related parties
Relationship					
Subsidiaries	2022	395	7	12,141	12,782
Subsidiaries	2021	331	22	11,627	10,646
Associates and other related parties	2022	-	-	-	-
Associates and other related parties	2021	-	-	-	13

Transactions with key individuals in executive positions

Salaries, remuneration and other benefits are accounted for in Notes 5 and 24 for the Group.

P27 Information about the parent company

Billerud 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. During 2022, BillerudKorsnäs simplified its name to Billerud to cater its international customers.

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 4 April 2023. 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 24 May 2023.

Solna, 4 April 2023

Jan Svensson
Chairman

Florian Heiserer
Member

Magnus Nicolin
Member

Andrea Gisle Joosen
Member

Bengt Hammar
Member

Nicklas Johansson
Member

Jan Åström
Member

Victoria Van Camp
Member

Per Bertilsson
Member

Christoph Michalski
Chief Executive Officer

Our audit report was issued on 4 April 2023
KPMG AB

Hök Olov Forsberg
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Billerud 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 Billerud AB (publ) for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 45-119 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 2022 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 Decem-

ber 2022 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 10 and accounting principles on pages 80-81 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

Per 31 December 2022, the carrying value of goodwill on the Group's consolidated balance sheet is SEK 2 225 million of which SEK 273 million relates to Verso Corporation, which was acquired during 2022. 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 cash flow 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.

Acquisition of Verso Corporation

See disclosure 30 and accounting principles on pages 76-77, 80 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

On 31 March 2022, all shares in Verso Corporation were acquired for a total purchase price of USD 798 million, or MSEK 7 395. In connection with a business combination, the new business must be included in the consolidated accounts, which requires that acquired assets and liabilities are identified and assigned amounts that correspond to their fair values on the date of the acquisition. The difference between the purchase price and the identified assets and liabilities constitutes goodwill.

The acquisition analysis requires assessment of which assets should be included in the consolidated accounts and which values should be assigned to those assets in the consolidated accounts. The assessments that are made affect the group's future results depending on, among other things, whether depreciable or non-depreciable assets are identified and included in the 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, 124-152 and 154-163. 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

Response in the audit

We have analyzed the prepared acquisition analysis with the aim of assessing whether it has been prepared using established methods and that all assets and liabilities have been included. We have evaluated the documentation related to the acquisition analysis that management prepared with the support of external experts.

Furthermore, we have focused on, among other things, that the approach used to assign values to acquired assets and liabilities are compatible with the regulations and established valuation techniques.

We have also evaluated the disclosures about the acquisition that are presented in the annual accounts and the consolidated accounts.

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, 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 Billerud AB (publ) for the year 2022 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 member 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 consolidated 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 Billerud AB (publ) for year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report 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 Billerud 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 reason-

ably 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 validation that the Esef report has been prepared in a valid XHTML format 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 consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Billerud AB (publ) by the general meeting of the shareholders on the 10 May 2022. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2015.

Stockholm 4 April 2023
KPMG AB

Hök Olov Forsberg
Authorized Public Accountant

Sustainability notes

About the report	124
Governance	124
Managing our material topics	126
External networks and external evaluation	129
Materiality and stakeholder dialogue	130
Targets	133
Financial statistics	135
Environmental statistics	135
Social statistics	137
Climate-related information in accordance with TCFD	140
UN Sustainable Development Goals	142
EU taxonomy disclosures	143
GRI content index	147
Assurance report	153

About the report

The sustainability report for Billerud AB (publ) is included in this Annual and Sustainability Report 2022. The report covers all the companies in which Billerud has operational control. Bomhus and Scandifibre are included in some of the employee statistics as well as in the EU Taxonomy Disclosure and the financial data, but excluded from the rest of the sustainability reporting. The report covers data and information from 1 January 2022 – 31 December 2022. Data for Billerud North America is included from 1st of April 2022, except for employee data for which we have information for the full year 2022. In cases where we have other boundaries, this is stated next to the disclosure. The Billerud sustainability report is prepared in accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting, GRI Standards 2021, and comprises pages 22-44, 67-71, 124-152. Sustainability reporting also includes the statutory sustainability report under Chapter 6, Section 11 of the Annual Accounts Act. The Sustainability Report has been reviewed by KPMG. The report also constitutes our annual reporting to the UN Global Compact, Communication on Progress.

Sustainability reporting is conducted annually. The Annual and Sustainability Report 2021 was published on 8 April 2022. This report was published on 5 April 2023.

Governance

The principles of Billerud's governance framework as well as the composition, role and the responsibility of the Board of Directors, are described in the Corporate Governance report on pages 53-57. Specific information related to governance with regards to sustainability is specified below.

Responsibility for the sustainability work

The Board of Directors regularly oversees the company's sustainability work, for example by addressing strategic issues, following up on risk management, and regularly receiving information on work relating to the operations. Billerud applies the Swedish Code of Corporate Governance, whereby the Board is responsible for identifying how sustainability issues impact risks to and business opportunities for the company. It also provides that the Board of Directors is responsible for defining appropriate guidelines to govern the company's conduct in society, with the aim of ensuring its long-term value creation capability, and for ensuring that there is an appropriate system for follow-up and control of the company's operation and the risks to the company that are associated with its operations. Sustainability is a fundamental pillar in the Group Strategy, which has been approved and adopted by the Board of Directors. Hence, sustainability should be fully integrated in the business and continuously improved.

The Board of Directors has adopted a Responsible Business Policy. The policy states that the Company shall have adequate compliance procedures for responsible business compliance consisting of, among other things, continuous risk assessments and procedures for due diligence. These procedures enable the identifying of wrongdoings or material breaches of the Code of Conduct. The policy further stipulates that the company shall have adequate due diligence procedures to identify and assess the risk of causing, contributing to, or being linked to serious human rights violations, and shall act upon findings.

The Board of Directors regularly receives information about Billerud's sustainability work and the management of the most material topics, for example climate as well as reports on the progress of the safety work. Further, the Board of Directors receives information about whistleblowing cases. The number of whistleblowing cases, types of concerns as well as potential corrective and disciplinary actions following an investigation shall, at least annually, be reported to the Board of Directors. A more detailed reporting is sent to the Audit Committee, at least on a quarterly basis or as needed to ensure adequate monitoring and oversight. Similar status reporting may be conducted to the Group Management Team. If there is any other material impact on the economy, environment and people that needs to be raised, it is addressed to the Board of Directors.

The members of the Board of Directors review and approve the Annual and Sustainability Report and get the opportunity to raise opinions or questions before publication.

The Board of Directors and the Group Management Team are responsible for adopting targets and strategies for significant material topics, such as climate. The CEO and the Group Management Team are jointly responsible for daily operations, including sustainability performance. The Sustainability function is responsible for coordinating Billerud's sustainability agenda with other Group functions and areas, as well as conducting stakeholder dialogues and attending to important issues that may arise. The Sustainability function defines ambitions, manages Group level sustainability reporting, and identifies risks and opportunities for Billerud related to sustainable development. Responsibility for monitoring and re-evaluating the management approach is defined in the Governance Policy where the applicable Group function monitors adherence and evaluates suitability of the management approach.

Conflicts of interest

The Board of Directors applies the Swedish Companies Act's rules on conflicts of interest. For example, Board members shall not participate in handling of matters that concern a) agreements made between the Board member and the Company, b) agreements made between the Company and a third party, if the Board member has significant interests in the matter that can conflict with the Company's interests and c) agreements between the Company and a legal entity that the member of the Board of Directors alone or together with other people represents, except in cases where the Company's counterparty is a member of the same group. In its work, the Board shall pay particular attention to potential conflicts of interest that may arise between a Board member and the Company. It is the responsibility of each Board member, before as well as during Board meetings, to, as soon as possible, notify other Board members of the existence of conflict of interest that exists or is likely to exist. Billerud discloses other material assignments, including other board memberships, for both the Board of Directors and for the Group Management Team on pages 63-66. The largest shareholders are disclosed on page 161.

Assessment of the Board of Directors

Assessment of the Board includes aspects of the company's sustainability agenda, including whether the Board has good insight into key strategic sustainability initiatives, whether the Board has sufficient knowledge and experience to evaluate and challenge management's sustainability agenda, and whether the Board spends sufficient time discussing the

company's sustainability agenda. Read more about the evaluation of the Board on page 55.

Remuneration

Billerud's variable compensation scheme for our European operations had two targets regarding sustainability during 2022: Lost Time Injury Frequency Rate (LTIFR) and Energy Efficiency Improvement. Energy Efficiency Improvements are measured as total energy consumption with a baseline in Terawatt hours. As a publicly listed Swedish company, remuneration to the CEO and other senior executives is subject to the guidelines determined by the shareholders at the Annual General Meeting. Any share price related to long-term incentive programmes is subject to approval by the Annual General Meeting. Billerud uses an independent consultant for global position evaluation and various types of remuneration benchmarking, fixed and variable pay including long-term incentives. Billerud has no clawback clause. Read more about remuneration on pages 57-60.

Policy commitments

Billerud's Code of Conduct brings together the values, attitudes and guidelines that govern our relationships with each other, with our business partners, and with society at large. Our Code of Conduct is complemented by Group Policies, Directives and other steering documents including Group Responsible Business Policy; Group Sustainability Policy; Group Health and Safety Policy; and Group People Policy (all approved by the Board of Directors) as well as Supplier Code of Conduct. These commitments take international standards into consideration (such as the UN Global Compact; OECD Guidelines for Multinational Enterprises; UN Guiding Principles and ILO Core Conventions) and include elements such as due diligence undertakings and precautionary principles, and general commitments to respect human rights. We publish a Modern Slavery Act Statement. Our commitments pay particular attention to children, indigenous people and other stakeholders. Our Code of Conduct and Group Policies cover Billerud's business activities and operations globally. These are available on our intranet site and also communicated and implemented through targeted activities. Most of these are also published on our website. Billerud's steering documents framework includes eight Group Policies:

1. Health & Safety Policy
2. Governance Policy
3. People Policy
4. Responsible Business Policy
5. Sustainability Policy
6. Communication, Branding & Information Policy
7. Operations, Quality and Procurement Policy
8. Finance Policy

Each Group Policy is supported by underlying Group Directives as well as processes and procedures. Each Group Policy has a Policy Owner who is responsible for its implementation in the organisation, including developing more detailed rules (Directives) for the subject matter.

Reporting of wrongdoings

Our whistleblower channel, Billerud Speak-Up Line, provides a reporting system that enables those who have reasonable grounds to believe that an incident of wrongdoing is occurring, to report concerns anonymously. The Speak-Up Line is a web-based portal which is supplied by an independent third-party service provider, but the system is operated by Billerud. Access to reports and messages received through the Speak-Up Line is restricted to specially appointed Speak-Up Line Officers who receive and handle the reports. When needed, expertise may be added in the investigation process. These people can access relevant data and are also bound to confidentiality. All personal data is protected, as well as erased according to regulations and internal rules, when the personal data is no longer necessary and/or when the case is handled and closed. Billerud tracks the effectiveness of our grievance mechanisms and other remediation processes for example through our Employee Survey which includes a question to what extent the respondent is aware of the whistleblower channel.

Guidance on how to apply the Code of Conduct

Our Group Code of Conduct includes an expectation on representatives to seek advice and guidance on how to apply and follow the Code of Conduct and other steering documents including the Group Policy and Group Directives. The Code of Conduct states that each representative is expected to read, understand and follow the Code of Conduct, keep him/herself informed and updated on the Group's steering documents (Policies, Directives and other supporting documents), and consult their manager if the Code of Conduct and/or steering documents do not provide sufficient guidance. Each Group Policy includes a section on how to provide further guidance and how to act in cases of non-compliance.

There are specific measures to identify and manage Responsible Business risks when on-boarding and monitoring agents. For responsible purchasing, Billerud applies the Billerud Supplier Code of Conduct which has been approved by the Group Management Team and communicated and signed according to an implementation plan. Read more on pages 34 and 42-44.

Company-wide management systems

The production units and the wood supply unit have their own certificates for quality, the environment, traceability of wood raw material, energy, food safety, health and safety. Work is underway to coordinate joint processes in management systems.

What was done in 2022:

- Quality (ISO 9001) and environment (ISO 14001). The focus during the year at the European sites was to coordinate identified common processes regarding production sites and on Group level.
- Quinnesec hosted QSR (quality system registrar) to conduct a surveillance audit on the ISO 14001 certification. This audit was successful, and the mill was recommended for continued ISO 14001 certification.
- Energy (ISO 50001). With regard to the current energy crisis, Billerud has used the ISO 50001 system to increase energy efficiency and continuous improvement.
- Food safety (FSSC 22000). The focus during the year was to coordinate common processes regarding production sites.
- Forestry (FSC® FM or PEFC FM) and traceability (FSC® CoC or PEFC CoC). All European mills and Forestry have been successful with the transition to the 2020 version of the PEFC Chain of Custody standards.
- Billerud's North American mills successfully transitioned to the latest chain-of-custody standards (FSC-STD-40-004 V3-1, PEFC ST 2002:2020 and SFI 2022) and the SFI 2022 Fiber Sourcing Standard.

Development group

A development group coordinates the work on management systems. It includes representatives of each production unit within Europe, Wood Supply and centrally responsible officers at the Technology and ESQ, Operations unit. The group also follows up work on common processes regarding processes covered by the management system. Other processes more specific to each area within management systems and forest certification are followed up in competence-based groups.

Certificates at Billerud 2022 ¹	ISO 9001	ISO 14001	FSSC 22000	ISO 50001	ISO 45001	FSC® FM	PEFC FM	FSC® CoC	PEFC CoC	SFI® CoC	SFI® Fiber Sourcing
Gruvön	X	X	X	X				X	X		
Gävle	X	X	X	X				X	X		
Karlsborg	X	X	X	X				X	X		
Skärblacka	X	X	X	X				X	X		
Pietarsaari	X	X	X		X			X	X		
Quinnesec		X						X	X	X	X
Escanaba								X	X	X	X
Wisconsin Rapids								X	X	X	
Forestry, Europe						X	X	X	X		

¹ New areas for certifications for 2022 are SFI®CoC and SFI®Fiber Sourcing for the production sites in North America.

Managing our material topics

How Billerud manages its material topics and their related impacts is briefly described below. See page references for more information on each material topic.

Economic impact and tax transparency

GRI: Economic performance

Billerud contributes to sustainable economic growth with sustainable innovation as a strategic tool for development. Increased customer value is a contributor to economic stability for Billerud and customers. The finance function is responsible for performing financial follow-up and reporting.

The Group's approach to tax and risk is monitored by the tax function (part of Group Finance) and overseen by the CFO and the Audit Committee. We believe that Billerud should pay the amount of tax legally due in accordance with applicable worldwide laws. Hence, we have a commitment to not transfer value created to low tax jurisdictions. We obtain advice from appropriately qualified external advisors when needed, which means that we have a strong level of tax knowledge available to utilise when required.

Anti-corruption, Anti-competitive behaviour

GRI: Anti-corruption, Anti-competitive behaviour

Billerud opposes all forms of corrupt behaviour, and it is committed to complying with applicable laws and internationally accepted standards to combat bribery, corruption and other financial crime. Billerud's approach to, for example, anti-bribery and corruption, fair competition and trade compliance is governed by our Group Responsible business policy. Please refer to our Responsible Business Compliance Programme on pages 42-44.

Environmental

Our business has a direct impact on the environment, mainly from the production of pulp, paper and board. However, we also have an indirect impact throughout our value chain. The Sustainability Policy states that Billerud shall strive to minimise its impact on the planet. The responsibility for monitoring adherence to related environmental terms through production permits lies within Operations and related production units. In addition to legal requirements, the environmental work is formalised through the Sustainability Policy and related steering documents, for example our Environmental Directive. Each production unit has a specific responsibility for ensuring compliance with environmental laws and regulations, and to monitor environmental performance.

Sustainability performance of products and solutions

GRI: Emissions, Materials

We work to make future packaging recyclable, renewable and 100% fossil free. We work closely with our customers, brand owners and through partnerships to minimise the negative and maximise the positive environmental impact of our products and solutions throughout the value chain. Read more on pages 29-31.

Compliance: environment

Billerud's production is governed by extensive environmental legislation, and the operations require production permits. Read more on pages 38 and 70.

Climate – own production and value chain, Air emissions

GRI: Energy, Emissions

The mills are energy intensive. We shall make informed decisions, strive for continuous improvements and use our resources as efficiently as possible throughout the value chain.

We have an impact on the climate, direct as well as indirect, throughout the value chain. Billerud takes responsibility for mitigating climate change by minimising our carbon dioxide emissions and maximising the climate benefits that arise through the value chain. Regarding other emissions to air: Billerud is committed to limiting emissions to air in accordance with operating licenses and related environmental terms, and to utilise best available technology. Read more on pages 26-28 and 38-39.

Chemicals

GRI: Materials

Both renewable and non-renewable chemicals are used in our production. The use of chemicals has an impact on the environment and climate. Billerud is committed to protecting the environment and public health including restriction and substitution of high impact chemicals. We strive to minimise the consumption of chemicals in our production, replace high environmental impact chemicals, and reinforce demands on chemical suppliers. We closely monitor and optimise the use of chemicals, for example in bleaching processes. Read more on pages 38-39.

Water and effluents

GRI: Water

We are committed to minimising the impact of our water use, and our impact on water quality. We are committed to using mainly surface water in our production processes and returning water to the same recipient. Billerud's production units are located close to waterways so that we can utilise the surface water without exerting a significant impact on the flow of the water. Apart from the surface water there is a minor usage of groundwater and municipal water. By 2022 the total outcome was 0.4% and 0.1% respectively.

The main application for the water is to wash pulp in several stages in the pulp mill. When the pulp enters the paper/board machine, it is further diluted with circulated water to form a suspension, which then consists almost entirely of water (approx. 99.7%). A significant majority of the process water is recycled and reused. In the end, 2-5% of the water that has entered the process is not released back to the recipient. This is primarily attributable to evaporation during the drying process in the paper/board machines and the water content of our finished products. Water is also used as a coolant.

According to our water risk assessment, none of our production units are in an area rated as "High" or "Extremely High". One production unit is in an area rated "Medium-High" and the others in areas rated "Low" or "Low-Medium". During specific weather events our production units risk experiencing a restriction on the water intake, which could lead to a negative impact on production. For the purpose of this reporting we have applied the WRI's Aqueduct Global Water Tool (<https://www.wri.org/aqueduct>).

All Swedish production units are members of a water management association where we collaborate with affected stakeholders, including supervisory authorities, relating to management and monitoring of the recipient's status.

A strategic common goal for water usage will be decided during 2023. The long-term target will be based on the production units' action plans. Read more on page 38.

Management of water discharge-related impacts

After use, the process water is cleaned in water treatment plants and returned to the waterway. Sedimentation basins, biological treatment and chemical treatment, are among the techniques used in the different production units.

Billerud's production is governed by extensive environmental legislation, and the operations must be granted permits. In Sweden, the production permits and related environmental conditions are subject to the EU Water Directive including principles on non-deterioration. Production permits are based on environmental impact assessments that include the status of habitats and ecosystems as well as consultation with local communities and other stakeholders. The environmental conditions of the permits specify emission-levels to water that are monitored through control programmes. For more information on environmental legislation and permits, see pages 38 and 70.

Water withdrawal

Water withdrawal is reported for the following categories:

- Surface water
- Municipal water (third-party water)
- Groundwater

We do not use seawater. The water withdrawal is 100% freshwater. No data collection and reporting method has been established for produced water.

2-3 % of total used water comes from wood raw material, external produced pulp and chemicals, according to the assessment performed in 2016. There is no water withdrawal from areas with water stress as stated in GRI 303-1. Water usage is reported by each production unit, based on a measurement and/or calculation according to established control programmes. Water extraction from non-production units (e.g., sales offices) is considered insignificant.

Water discharge

The reported water discharge is process water. The process water is purified in on-site water treatment plants and then returned to the recipient. There is no Group-level data collection and reporting on all cooling water discharge. Water discharge from non-production units (e.g. sales offices) to municipal water treatment plants is considered insignificant. There was no water discharge in areas with water stress as stated in GRI 303-1. The most significant substances reported as emissions to water are; Chemical Oxygen Demand (COD) or Total Organic Carbon (TOC), Biological Oxygen Demand (BOD), Total Suspended Solids (TSS), Organically Bound Chlorine (AOX), Total-Nitrogen (N) and Total-Phosphorus (P).

Water consumption

There is no significant water consumption in the pulp and paper manufacturing process.

Wood supply, forest management

GRI: Biodiversity, Materials

Renewable fibre material from the forest is our most important raw material. We strive to source wood raw materials as close to our mills as possible. Managing forests has a direct impact on biodiversity and protecting and conserving biodiversity is an important part of Billerud's forest management. Biodiversity in the forest is essential and based on respecting valuable natural environments and that all naturally occurring plants and animals are given good conditions for living in the forest landscape. Harvesting is carried out in accordance with Billerud's accepted requirements and in compliance with applicable laws and regulations. We monitor operational indicators for biodiversity in our own forest management in Sweden. Read more on pages 33 and 137.

Waste

GRI: Waste

The integrated mills have permits for landfills for process waste. Depositing organic waste in landfills is not permitted, according to Swedish legislation. The permits for North America's production units also include organic waste to landfill.

The production of pulp, paper and board requires raw materials such as wood, chemicals and energy, and Billerud strives to utilise these resources in the most efficient way possible. In the production process, the significant material flow of waste and waste recovery can be described as:

- Bark from wood logs is used in solid biofuel boilers for energy production.
- The ashes can be utilised as nutrients in forestry or as construction material.
- In the recovery process the cooking chemicals are recycled, and energy is recovered from wood residues. The most significant residue is green liquor dregs which are deposited as landfill. Lime mud is a by-product and is utilised as construction material or as soil improvement.
- Turpentine is a by-product from the pulping process.
- Soap is a by-product that can be traded to an external manufacturer or processed into crude tall oil within the mills. Crude tall oil can be used as an energy source internally or traded to biorefineries that produce renewable fuels and biobased chemicals.
- Paper and board material waste is dissolved and returned to the production process. The paper and board production also provides residues from coating chemicals that can be used as cover material for landfills after external processing.
- Fibre and bio sludges are separated from the wastewater and are either incinerated for energy recovery, used as construction material or used for soil improvement. The integrated production units in North America also deposit part of their sludge.
- Significant sources of waste generation to landfills at the production units are green liquor dregs from the chemical recycling processes and ashes from the solid biofuel boilers. The most significant source of haz-

ardous waste are the oil residues from, for example, oil separators. All waste (including hazardous waste) that is not managed at the production site is sent to approved external waste management firms. Approval is also required for all hazardous waste transporters. Waste generation and waste management at the production sites are included in the annual environmental reporting provided to the supervisory authorities. Billerud reports the waste data categorised as process waste to landfill or hazardous waste. Waste data is reported in dry tonnes, except for hazardous waste. Waste data is measured through our own weighting or invoicing data.

Supplier assessment (social and environmental)

GRI: Supplier environmental assessment, supplier social assessment

See pages 34-35 and 43.

Social

Training and education, Diversity and equal Opportunity

GRI: Training and education, Diversity and Equal Opportunity, Non-discrimination

Billerud has a direct impact on our employees' workday, and we strive to develop and engage employees in safe working environments. The wellness and development of our employees is key for continued competitiveness, and all employees have equal rights and opportunities based on skills, experience and performance. For our employees, labour practices are specified in our Group People Policy and Group Health and Safety Policy. Read more on pages 36-37.

Human Rights

GRI: Child Labour, Forced or Compulsory Labour, Rights of Indigenous Peoples, Freedom of Association and Collective Bargaining, Supplier Social Assessment

Risks associated with human and labour rights can exist internally as well as in our value chain. Billerud is a signatory member of the UN Global Compact and is committed to respecting and promoting international human rights in our own operations as well as throughout the value chain. Billerud supports the UN Guiding Principles on Business and Human Rights, recognising that while states have a duty to protect Human Rights, companies also have a responsibility to respect the same. We act on any identified serious human rights violations that we cause, contribute to, or are linked to. Forced, involuntary or child labour in any form is unacceptable anywhere in Billerud's value chain. Billerud respect the rights of each employee to form, join, or refuse to join, a union or association of their choice concerning the relationship between the employer and the employees, and to bargain collectively. Working conditions and terms of employment comply with applicable law and collective agreements wherever we operate. If no applicable collective agreements exists we will follow relevant company policies, applicable laws and relevant industry standards.

Responsibility to govern our Human Rights approach is shared between the Legal & Compliance function and the Sustainability function. The

Group's compliance programme on Responsible Business includes measures such as risk assessments, screening of business partners in high-risk markets, due diligence and audits, as applicable, as well as relevant training, monitoring, and reporting and disclosure. Human Rights risks are also covered in the corporate Enterprise Risk Management (ERM) process. Health and safety as well as discrimination are identified as prioritised human rights impacts in our own operations. The rights of indigenous people is part of Billerud's approach to human rights and is mainly related to responsible forestry and ensuring consultation with representatives for reindeer herding in conjunction with harvesting and other forest management activities. For our supply chain, there is a Supplier Code of Conduct detailing the minimum requirements for suppliers.

Compliance: marketing and labelling

GRI: Marketing and labelling

Our customers shall have access to accurate and adequate information on products. We communicate responsibly. Our communication should build on long-term credibility and be consistent, accurate and transparent. Read more on page 44.

Compliance: product responsibility

GRI: Customer Health & Safety

The risk is to potentially harm third parties, such as consumers of packaged food. Billerud's approach to product safety is governed by the Operations, Quality and Procurement policy. The product safety group, which comprises representatives of all the production units, monitors that regulations, legislation and other requirements are met. The technical customer support functions are responsible for registering grievances and complaints about products and other product-related management, which may apply to the company's product liability. Read more on page 44.

Local communities and social engagement

GRI: Local communities

We are a large purchaser of wood raw material and a major employer in many of the communities in which we operate. This gives us a significant direct and indirect impact on the community and the surrounding environment. Therefore, we strive to minimise the negative impact and maximise the positive impact on society. We engage with stakeholders that have an impact on or are affected by our operations. A transparent and responsive dialogue allows us to understand expectations and needs, and to develop in a desired direction. Read more on page 40-41.

Occupational health and safety

GRI: Occupational health and safety

Occupational health and safety management system

Billerud's OHS management system is based on one corporate OHS Directive and additional common procedures for the European, respective the North American operations, that correspond to requirements in ISO 45001 as well as national legal requirements.

All production units are expected to adhere to the corporate directive and procedures. The scope of the procedures includes both employees and contractors. The procedures have been established based on evaluation of risks and opportunities within the operations, and describe what should be done, at a minimum. The production units decide how the procedures should be implemented.

The procedures cover areas such as regulatory compliance, risk assessment, roles and responsibilities, safety training programme, investigation of injuries and incidents, risk observations, contractor and visitor safety programme, work permits, lockout/tagout, emergency procedures, personal protective equipment, and housekeeping.

To set the strategy and ambition level for important areas of improvement in the OHS management, Billerud is working on a three-year plan called Safety Road Map. The Safety Road Map forms the basis for business plans, key performance indicators and targets. The plan is revised annually to be continuously valid for the next three-year period. One of our production units has certified the OHS management systems through ISO 45001, and additional production units are in the process of doing that in the coming years.

Worker participation, consultation, and communication on occupational health and safety

Each production unit has a well-established process for worker consultation. On a Group level there are also processes in place for inclusion of worker's safety representatives with regular meetings and two-way communication.

Worker training on occupational health and safety

All managers and safety representatives are provided with basic work environment training. Safety leadership training is offered for all production unit managers and operator safety training for other production unit personnel. There is also specific training provided regarding, for example, risk assessments, chemicals and heavy machinery.

Occupational health services and promotion of worker health

All production units, and most of all employees, have free access to health services through external service providers. The services include access to doctors, nurses, ergonomists and other expertise within health and safety. The production units have regular health campaigns related to wellness, exercise and dietary advice, among other things.

Health and safety in the supply chain

Billerud's minimum requirements on occupational health and safety (OHS) for suppliers is specified in the Supplier Code of Conduct. OHS is part of the supplier evaluation process though, for example, EcoVadis evaluation. Specific requirements are in place for on-site contractors.

Workers covered by an occupational health and safety management system

All employees and all external workers whose work and/or workplace is controlled by Billerud are included in the systematic occupational health and safety work.

Hazard identification, risk assessment, and incident investigation

Identification of hazards, risk assessments and mitigation of risks with measures is performed in the organisation for each department and unit, under the responsibility of the respective manager. Occupational Health and Safety specialists facilitate; support with templates, checklists, expertise and training; and follow up on the result. Safety representatives and employees are involved in the whole risk handling process. Risk assessments and mitigation plans are updated regularly.

The identification of hazards is based on legal requirements, consideration of organisational, social and physical factors, incident reports, risk observations, potential emergencies, changes, and learnings from different types of data. Risk assessments are done by assessing both the consequences and the probability for the risk to occur. Mitigation plans and prioritising of measures are based on a hierarchy of controls where eliminating the hazard is the top priority and using adequate personal protective equipment is the last option.

All accidents, both major and minor, are investigated and documented in the incident management system. For serious accidents with a consequence of absence (LTI), a more detailed and in-depth investigation is performed. Data on incidents and injuries are based on information from the incident management system. Data on hours worked is collected from payroll systems for employees. For contractors, this data is collected from the access system at gates or calculated based on time reports. Billerud follows the International Labour Organization's (ILO) code of conduct. All forms of employment and all on-site contractors are included in the work environment data.

All employees and on-site contractors are encouraged to report any risks they observe, as well as all injuries, ill health and near misses, in the organisation's incident management system. Risk observations are handled and acted upon on a day-to-day basis. The results from the risk handling process are used by each group and department as well as management teams and work environment specialists to continuously improve the work environment and work environment management systems.

The main types of work-related injuries are crush injuries, sprain and strain injuries, wound injuries, burns, and eye injuries. The most common work-related risks are falls on the same level and contact with harmful substances and sharp objects. Other work-related risks are fires, explosions, being hit by falling objects, traffic, vehicles and jamming between objects.

External networks

Examples of membership organisations in Sweden:

- The Swedish Forest Industries Federation
- ACE - The Alliance for Beverage Cartons and Environment
- EXTR:ACT
- 4Evergreen
- GRACE
- Swedish FSC®
- Swedish PEFC
- CCB - Cepi ContainerBoard Org.
- CEPI Cartonboard
- CEPI Eurokraft
- European Carton Makers Association
- Eurosac
- Swedish Shippers' Council
- RISE Research Institutes of Sweden
- Skogforsk
- Swedish Export and Investment Council
- The Swedish Association of Pulp and Paper Engineers
- Packbridge AB
- SSG Standard Solutions Group

Billerud sponsor:

- Swedish Society for Nature Conservation
- Tara (AS Fonds Tara)

External evaluation

Billerud 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 2022:

- Dow Jones Sustainability Index (DJSI). Billerud was included in DJSI World as one of the world's 10% most sustainable companies.
- CDP. Billerud received high scores when CDP evaluated the company on disclosure, awareness and management of climate, water and forest topics.
- EcoVadis. Billerud received the highest rating level in EcoVadis, thus continuing to be in the top of the companies being evaluated. Billerud was rated 'Platinum'.
- MSCI. Billerud received an AA rating.
- Sustainalytics. Billerud received the ESG Risk Rating Overall Score of 11.4 corresponding to the category "Low Risk". (Feb 2023)
- ISS ESG. Billerud received the rating B-.
- The UN Global Compact. In the 'Communication on Progress' report, which highlights progress in the work with the UN Global Compact, Billerud is classed as "Advanced".



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 and stakeholder dialogue

A materiality assessment was conducted in 2019. The identification of topics was based on our ongoing stakeholder engagement processes. Internal workshops were conducted to assess the impact on each topic. The significance of Billerud’s economic, environmental and social impacts were weighted and this, as well as the substantive influence on the topic and decisions of stakeholders, were considered. Validation of the materiality assessment was performed through Billerud’s Sustainability Council. Every year, we do an overview and update the material topics if necessary. This year, we did a brief overview of the impact from our North American

operations, and we decided not to make any changes in our materiality analysis for 2022 compared to the previous year. In 2023, Billerud will update the materiality assessment based on changes in external perceptions, operational footprint and reporting frameworks. The materiality assessment has given the following prioritisation of topics for Billerud to manage and report on.

We have continuous formal as well as informal dialogue with our stakeholders. The purpose of our stakeholder engagement is to listen to, collaborate



with, or inform our stakeholders on relevant sustainability topics. The dialogue helps us to understand what is expected from us and how we can meet the requirements and needs of our stakeholders. Below is a list of our key stakeholders and information on dialogues and questions raised.

Stakeholder groups	Definition	Dialogue form	Questions/Focus	Response/Outcome
Investors	Shareholders, analysts, potential investors	Materiality analysis, Annual and Sustainability Report, quarterly reports, investor meetings, analyst meetings, external reporting systems, media, questionnaires from analysts and investors, website.	Long-term sustainable economic value development, strategy, challenges, risk management, climate change, environmental impact, labour practices, health and safety, ethics, Code of Conduct, human rights in the supply chain, sustainable innovations, regulations.	Annual and Sustainability Report, reporting on climate work and climate risk analysis according to the TCFD, reporting on water, climate and forestry in CDP, sustainability ranking by analysts, Code of Conduct, science-based targets, evaluation results including Dow Jones Sustainability Index.
Customers	Existing customers, potential customers, brand owners, consumers.	Meetings, regular business contact, networking, collaboration on liquid packaging board, fairs, seminars, customer surveys, external reporting systems, audits, customer questionnaires, website, social media, newsletters.	Sustainable and stable business, Code of Conduct, sustainable forestry and certifications in the supply chain, traceability of our products, environmental impacts of our products and transports, innovation, quality, reusability and recyclability, employee working conditions, human rights in the supply chain.	Business cases and proof of concepts, sales support and sustainability training, product development, product life cycle assessments, science-based targets, environmental and quality certifications, Dow Jones Sustainability Index and other sustainability indices, EcoVadis, internal and external audits, innovation partnerships, participation in industry organisations, Annual and Sustainability Report.
Employees	Current employees	Workplace meetings and safety rounds, management meetings, team meetings, internal training, employee surveys, intranet, incident follow-up, performance reviews and conversations.	Code of Conduct, business ethics, leadership, competence development, performance management, cooperation, diversity, health and safety, wellness and health measures, work-life balance.	Sustainable Leadership training, leadership conferences, improvement action plans from employee survey, competence development, model for improvement work, employee representation in councils, investment in employee well-being, health and safety standards, whistleblower function, web-based training on compliance topics, internships.
	Union representatives	Local collaborative meetings, collaborative forum at Group level, European Work Council, diversity group.	Health and safety, competence development, performance management, terms of employment, human rights, diversity, organisational changes.	Open and constructive dialogue, equal pay analysis, diversity work, reorganisations.
Business Partners	Partners	Close contacts and development projects.	Developing sustainable and resource-efficient packaging, sustainable raw materials, innovation, energy efficiency, business models, regulation and politics.	Annual and Sustainability Report, innovation and collaboration projects, new business models.
	Existing suppliers, contractors	Procurement, supplier evaluations, meetings, audits/improvement meetings.	Supplier Code of Conduct, requirements, reduced environmental impact related to products and logistics, health and safety in the workplace.	Supplier assessment, certifications, collaborative projects to reduce environmental impact, health and safety standards with inclusion of contractors, Annual and Sustainability Report.
	Lenders	Personal meetings, financial communication.	Long-term sustainable economic value performance.	Annual and Sustainability report, quarterly reports.

Stakeholder groups	Definition	Dialogue form	Questions/Focus	Response/Outcome
Society	Local residents, local societies	Information meetings, events, written information.	Emissions to air and water, future plans for the mills, nature conservation issues, impact on reindeer herding, forestry conservation and recreation.	Annual and Sustainability report, measures to reduce disruptions at mills, sponsorship of local activities, collaboration projects and consultations.
	Schools, Universities, Future employees	Regular contacts and cooperation, career fairs at universities and colleges, study visits, lectures, degree projects and essays, networks, social media, website.	Competence need, employment opportunities, training content, internships, company strategies, talent management activities, industry issues, sustainable practices, working conditions, sustainable products and innovation, diversity, corporate culture.	School-industry dialogue, strengthened basis for recruitment, increased range of technical training, designing upper secondary school programs, sponsorships, trainee programs, internships (includes Tekniksprånget and Jobbsprånget), summer jobs, degree projects, ranking of the company, employer branding strategy, employee profiles/stories and videos to share their roles, partnership with Introduce a Girl to Engineering day.
	Agencies, Ministries	Contacts with county administrative boards/municipalities, meetings with decision-makers in the EU institutions, dialogue meetings, consultations.	Political issues of significance to the business, e.g. environmental, industrial and transport policy, emissions to air and water, noise, energy, land issues, waste, use of chemicals, forestry.	Collaboration on environmental issues and requirements, production permits.
	External auditors, certification bodies	Audits, meetings, written reports.	Legislation and criteria, ISO 14001, ISO 9001, FSC® and PEFC , nature conservation issues.	Certification for operations, designing and updating standards, compliance with standards.
	Industry organisations	Working groups, directorships, inquiries, information meetings, development work, producing opinions on relevant policy issues.	Legislation, energy and climate, research issues, standardization, circular economy, waste directives, bio-economy, bio-based products, industry targets, policies and strategies.	Industry information, shared targets, development activities, representation in EU working groups, response to consultation, designing new regulations.

Target outcome 2022

The outcome and targets below refer to our European operations.

Sustainability targets

Area/KPI	Base year	Outcome 2020	Outcome 2021	Outcome 2022	Target 2022
Focus areas					
Accidents resulting in absence per million hours worked (own employees and contractors), LTIFR	2013	7.7	6.4	7.3	5
Reduction of total greenhouse gas emissions from production and purchased energy, %	2016	-10%	-13%	-21%	-
Reduced emissions of greenhouse gases from sources not owned or controlled by Billerud, %	2016	-17%	-12% ²	-12%	-
Proportion of customers who consider that Billerud's work on sustainability creates value ³ , %	2016	77	84	84	78
Sustainability Foundation					
Proportion of wood supply from Europe, %	2019	99	99.5	99.3	96
No. of Group-certified forest owners in Billerud's Group certificates for FSC® and PEFC.	2013	213	226	223	230
Proportion of purchase value covered by supplier assessment, % ¹	2014	78.8	83.3	86.6	79
Transport of wood raw material and finished products, g CO ₂ e/tonne km	2016	12.4	12.7	12.9	11,6
Proportion of female employees in total, %	2013	23.8	25	24.2	25.5
Proportion of female managers, %	2013	23.8	26.7	27.3	27.5
Energy consumption, MWh/tonne product	2013	5.3	5.1	5.3	5.1
Emissions of fossil CO ₂ in the manufacturing process, kg/tonne product	2013	30	30.5	27.7	28
Number of weeks of work experience (internships, thesis and careers introduction)	2014	1,051	1,306	935	1,200
Proportion of employees completed Code of Conduct training, %	2021	-	47	91	95
Proportion of production units certified according to food safety standards, %	2019	100	100	100	100

¹ Purchase value includes Group purchasing and logistics but excludes wood supply.

² Outcome for 2021 corrected from -16% to -12% due to correction of emission factors for chemicals. See page 136.

³ The KPI is measured through our customer survey. The latest customer survey was performed in spring 2021.

Sustainability targets

BEU = European operations and all sales offices
BNA = Operations in North America, acquired 31 of March 2022

Sustainability targets

Area / KPI Region	Outcome 2022			Target 2023		Target 2024		Target 2025		Target 2030	
	BEU	BNA	Total	BEU	BNA	BEU	BNA	BEU	BNA	BEU	BNA
Focus areas											
Accidents resulting in absence per million hours worked (own employees and contractors) ¹ , LTIFR	7.3	1.1	5.3	3.9						<1.5	–
Reduction of total greenhouse gas emissions from production and purchased energy, %	–21%	–	–							–59%	–
Reduced emissions of greenhouse gases from sources not owned or controlled by Billerud, %	–12%	–	–							–30%	–
Proportion of customers who consider that Billerud's work on sustainability creates value ² , %	84	–	–	78	–	79	–	81	–	85	–
New: Proportion of products from European portfolio that is recyclable, %				100	–	100	–	100	–	100	–
Sustainability Foundation											
Proportion of domestic wood supply ³ , %	99.3	100	–	96		96					
No. of Group-certified forest owners in Billerud's Group certificates for FSC® and PEFC	223	–	–	250	–	260	–				
Proportion of purchase value covered by supplier assessment ⁴ , %	86.6	–	–	81	–	83	–	85	–		
Transport of wood raw material and finished products, g CO ₂ e/tonne km	12.9	–	–	11.1	–	11.0	–				
Proportion of female employees in total, %	24.2	16.7	22.2	27	20	28	–			35	–
Proportion of female managers, %	27.3	24.3	26.3	29	29	30	–			35	–
Energy consumption, MWh/tonne product	5.3	7.5	5.8	5.1	7.4	5.0	–				
Emissions of fossil CO ₂ in the manufacturing process, kg/tonne product	27.7	459	119	27	410	26	–				
Number of weeks of work experience (internships, thesis and careers introduction)	935	406	1,373	1,300	–	1,300	–			1,500	–
Proportion of employees completed Code of Conduct training, %	91	100	94	95		95					
Proportion of production units certified according to food safety standards, %	100	–	–	100	–	100	–				
New: Proportion of our supplier spend by signed Supplier Code of Conduct ⁵ , %								95			

¹ Contractors not included in data for North America 2022. Target for 2023 includes employees and contractors.

² The KPI is measured through our customer survey. The latest customer survey was performed in spring 2021.

³ Domestic wood supply: Wood sourced from Europe to our European operations. Wood sourced from USA and Canada to our North American operations.

⁴ Purchase value includes Group purchasing and logistics but excludes wood supply. This target refers to our European operations only.

⁵ Over applicable threshold values.

We are currently conducting a comprehensive analysis of the North American operations from a sustainability perspective. This is in order to set a common baseline and targets during 2023. The table above will be updated accordingly. Our goal is to have a complete, integrated sustainability framework and common targets within the coming years.

Financial statistics

Economic value distributed, per stakeholder, SEKm	2022	2021	2020
<i>Direct economic value generated:</i>			
Income	46,869	26,423	24,118
<i>Economic value distributed by:</i>			
Suppliers	-29,789	-18,882	-17,915
Investments in property, plant and equipment and non-current intangible assets	-3,330	-1,526	-1,250
Salaries and employee benefits	-5,719	-3,873	-3,586
Interest to lenders	-186	-119	-127
Dividend to shareholders	-890	-890	-889
Taxes paid ¹	-453	-145	68
Total	-40,367	-25,435	-23,699
At the company's disposal	6,502	988	419

Paid tax by country, SEKm	2022	2021	2020
Sweden ¹	-376	-124	91
USA	-28	-1	-3
India	-27	-	-
Spain	-7	-5	-5
Germany	-3	-3	-
Italy	-3	-	-4
China	-2	-3	-7
United Kingdom	-2	-2	-1
Latvia	-	-2	-1
France	-2	-2	-
Vietnam	-1	-2	-1
Netherlands	-1	-1	-
Bangladesh	-1	-	-
Lithuania	-	-	-1
	-453	-145	68

¹ Includes net property tax of SEK 46 million (4) in 2022. 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 42,590 million (26,206). Net sales in legal entities registered in Sweden amount to SEK 26,779 million (22,438), USA SEK 12,733 million (639), Finland SEK 1,853 million (1,710), and China SEK 523 million (591).

Of total operating profit of SEK 5,687 million (1,989), operating profit in legal entities registered in Sweden amount to SEK 3,658 million (2,189), USA SEK 1,826 million (10), Finland SEK -47 million (-6), and China SEK 48 million (18).

Environmental statistics

Environmental Data	2022			2021	2020
	Total	Europe	North America ¹	Europe	Europe
Production					
Board, paper and pulp, ktonnes	3,831	3,017	814	3,129	3,047
Materials used					
Wood, thousand m ³ sub	15,660	9,959	5,701	10,100	10,351
Pulp, purchased externally, ktonnes	372	334	38	375	300
Pulp, purchased internally, ktonnes	182	129	53	148	160
Chemicals (renewable), ktonnes	78.9	72.9	6.0	74.3	74.1
Total renewable materials, ktonnes	16,293	10,495	5,798	10,697	10,885
Chemicals (non-renewable), ktonnes	662	452	211	416 ²	420
Total materials used, ktonnes	16,955	10,946	6,009	11,113²	11,306
Air emissions					
Sulphur (S), tonnes	666	352	314	276	371
of which diffuse sources, tonnes	217	217	-	166	277
Nitrogen oxides (NOx), tonnes	4,672	2,833	1,839	2,891	3,050
Dust, tonnes	771	569	202	509	604
Water withdrawal					
Surface water, million m ³	241	183	59	186	190
Groundwater, million m ³	0.97	0.00	0.97	0.00	0.00
Municipal water, million m ³	0.27	0.27	0.00	0.31	0.40
Total water withdrawal, million m³	243	183	60	187	191
Emissions to water					
Process water, million m ³	185	131	54	135	141
COD (chemical oxygen demand) ³ , tonnes	26,587	26,587	-	27,156	28,249
TSS (total suspended solids), tonnes	5,066	4,095	971	3,830	3,078
BOD (Biochemical oxygen demand) ⁴ , tonnes	660	-	660	-	-
Organically bound chlorine (AOX), tonnes	288	128	160	131	146
Nitrogen (N), tonnes	441	422	19	434	454
Phosphorus (P), tonnes	81	53	28	49	47
Waste					
Process waste, tonnes	151,418	66,773	84,645	61,503	90,292
Hazardous waste ⁵ , tonnes	-	966	1	1,803	1,201

¹ The North American operations have reported from the date of the acquisition (1 of April 2022) to the end of the year.

² Reported amount of non renewable chemicals corrected for 2021. From 407 to 416 ktonnes.

³ COD is calculated from TOC. North American operations do not have routines for calculating COD/TOC. Implementation work during 2023.

⁴ North American operations reported BOD instead of COD for 2022.

⁵ Different definitions of hazardous waste in North America and Europe.

Energy Balance	2022			2021	2020
	Total	Europe	North America ¹	Europe	Europe
Solid biofuels, self-generated, GWh	2,788	2,002	786	2,081	2,068
Waste liquor, GWh	13,576	10,191	3,385	10,241	10,419
Raw tall oil, GWh	0	0	0	0	1
Other (e.g. soap, gas, turpentine, methanol), GWh	135	135	–	135	139
Total self-generated biofuels, GWh	16,504	12,328	4,176	12,457	12,627
Solid biofuels, purchased, GWh	1,664	1,082	582	832	759
Tar oil, GWh	928	902	26	916	875
Total purchased biofuels, GWh	2,592	1,984	608	1,748	1,633
Total biofuels, GWh	19,096	14,312	4,784	14,205	14,260
Heavy and light fuel oil, GWh	239	217	23	191	165
LPG, GWh	112	112	–	113	110
Natural gas, GWh	1,743	–	1,743	92	109
Coal, GWh	6	–	6	–	–
TDF ² , GWh	94	–	94	–	–
Total purchased fossil fuels, GWh	2,194	328	1,865	396	384
Total fuel consumption, GWh	21,290	14,640	6,650	14,602	14,644
Proportion fossil fuels used, %	10	2.2	28	2.7	2.6
Steam, bio-based, GWh	197	197	–	273	211
Steam, fossil-based, GWh	2.6	2.6	–	1	2
Hot water, GWh	24.4	24.4	–	23	18
Total purchased steam and hot water, GWh	224	224	–	297	231
Sold primary energy, GWh	486	486	–	460	364
Sold secondary energy (waste heat), GWh	438	438	–	516	571
Total sold energy, GWh	925	925	–	976	935
Purchased electricity, GWh	2,226	1,928	298	1,953	1,981
Self-generated electricity, GWh	2,018	1,401	617	1,407	1,393
Sold electricity, GWh	53	53	–	55	52
Total electricity, GWh	4,191	3,275	915	3,305	3,322
Total energy consumption³, GWh	22,029	15,926	6,103	16,008	16,121
Energy intensity, GWh/tonne	5.75	5.28	7.50	5.12	5.29

¹ The North American operations have reported from the date of the acquisition (1 of April 2022) to the end of the year.

² TDF = Tire-derived fuel. Use terminated in 2022.

³ Use of electricity and energy minus fuel for self-generated electricity and sold energy.

Comments

Billerud used 10% fossil fuels in 2022, which is an increase compared to the previous year, due to the acquisition of the North American operations. The European operations used 2.2 % fossil fuels, which is a decrease from 2021 mainly due to the divestment of Beetham in 2021.

Greenhouse Gas Emissions	2022			2021	2020
	Total	Europe	North America ¹	Europe	Europe
Biogenic emissions ² , ktonnes CO ₂	6,407	4,807	1,600	4 635	4 937
Scope 1 - Direct emissions					
From biofuels ³ , ktonnes CO ₂ e	53	40	13	39	40
From fossil fuels, ktonnes CO ₂ e	454	85	370	96	91
Total emissions Scope 1, ktonnes CO₂e	507	124	383	135	131
Scope 2 - indirect emissions⁴					
Purchased electricity and steam (market based) ⁵ , ktonnes CO ₂ e	84	1	83	<1	<1
Scope 3 - indirect emissions					
Purchased goods (chemicals), ktonnes CO ₂ e	368	275	93	274 ⁶	256
Upstream transports, ktonnes CO ₂ e	58	46	12	48	54
Business trips, air and rail, ktonnes CO ₂ e	1	<1	<1	<1	<1
Car commuting, employees, ktonnes CO ₂ e	6	4	2	4	4
Downstream transports, ktonnes CO ₂ e	217	155	62	157	139
Total emissions Scope 3, ktonnes CO₂e	649	480	169	483⁶	453
CO₂e intensity, Scope 1+2					
From fossil fuels, kg CO ₂ /tonne	119	27.7	459	30.5	30.0
From biofuels, kg CO ₂ e/tonne	14.0	13.1	17.0	12.5	13.0
From purchased electricity and energy, kg CO ₂ e/tonne	22	0.4	103	0.9	3.4
Total emissions per tonne of product, kg CO₂e/tonne	154	41	579	44	46

¹ The North American operations have reported from the date of acquisition (1 of April 2022) to the end of the year.

² Bio-generated carbon dioxide only.

³ CO₂e (nitrous and methane) from biofuels. Bio-generated carbon dioxide from bio-generated fuels is not included in Scope 1.

⁴ Purchased electricity and steam (location based), ktonnes CO₂e. 2022 (total): 257, 2021: 126, 2020: 103.

⁵ Emission calculations for steam corrected for 2021 and 2020. Value changed from 3 to <1 ktonne CO₂e 2021 and from 10 to <1 ktonne CO₂e for 2020.

⁶ Reported amount of chemicals and indirect emissions from chemicals corrected for 2021. From 251 to 274 kt CO₂e for purchased chemicals. Total emissions in Scope 3 2021 corrected from 460 to 483 CO₂e.

Comments

Our Greenhouse gas emissions have increased due to the acquisition in North America. Emissions in Scope 1 and 2 from our European operations has decreased, mainly from fossil fuels due to the divestment of Beetham in 2021. The emissions from transports has decreased, and the emissions from chemicals has increased slightly during 2022 - ending up on the same level in total for scope 3 as in 2021 for our European operations.

Managed forest land

Billerud manages the forestry holding of Bergvik Skog Öst entailing almost 300,000 hectares of productive forest land in middle Sweden. The forestry management assignment includes all harvesting, forestry measures and all other practical issues related to the forest holding. Billerud also manages forestland for private smallholders in middle and northern Sweden. Some of them have chosen to certify their forest according to PEFC and FSC® by becoming members of Billerud group certification. The group consists of 223 members and a total managed productive forest area of approximately 104,400 hectares of forest land, including Marma Skog.

Forest owners and timber suppliers, 2022	Bergvik Skog Öst AB	Certified small-holders	Marma Skog
Forest land EU/FAO, ha	317,872	88,540	26,300
Low productive forest land set aside, ha	21,562	7,069	1,785
Productive area voluntarily set aside, ha	22,731	6,203	6,600
Area left for nature conservation on harvest site, ha	18,175	8,484	3,000
Forest formally set aside, ha	2,222		2,667
Total area of forest set aside, %	20	25	53

Social statistics

Comments

The number of employees has increased as a result of the acquisition of Verso 31 March 2022. Compared to last year, there is also an increased share of blue collar employees in all age groups due to acquisition.

Workers who are not employees: The most common workers who are not employees are maintenance contractors, hired to do maintenance work on the equipment which could vary from replacement, to repairs, realignment or reassembly. The Group had approximately 2,000 contractors (FTE:s) working for Billerud during 2022. The calculations are based on registered hours worked for Billerud, and estimations were made in cases where data was missing.

Performance review: Over 99% of our employees globally had performance reviews during 2022. For North America, our data on performance review only includes white collar employees.

Collective bargaining agreements: 80% of Group employees are covered by collective bargaining agreements. The number has decreased due to the acquisition of Verso.

Safety: In our European operations, the LTIFR for employees increased compared to the previous year, while the injury rate for contractors decreased somewhat.

Sick leave : The sick leave has increased in the European operations compared to last year. As previously, it is in the older group of employees, aged over 50, that we have the highest reported sick leave. The group 30-49 has the lowest reported sick leave.

Biodiversity indicators

	2022	2021	2020
<i>Follow-up of considerations, about 60 sites</i>			
Acceptable sites in terms of consideration for social values, such as trails and tracks	100	97	100
<i>Quality of nature conservation and cultural considerations in follow-up:</i>			
Sites without rutting with a major or moderate impact >85%	90	88	63
Sites with acceptable buffer zones >90%	90	100	77
Acceptable buffer zone area, %	92	99	90
Acceptable handling of sensitive habitats >85%	94	96	56
Acceptable sensitive habitat area, %	98.8	99.6	87
Correct handling of high stumps >95%	92	97	97
Average no. of high stumps/ha	4.9 no./ha	4.8 no./ha	4.14 no./ha
Correct handling of green/living/preservation trees >90%	93	97	97
Correct handling of open areas >85%	98	98	97
Correct handling of cultural relics >90%	100	100	88
Acceptable handling of individual cultural relics, %	100	100	93
Correctly handled ancient relics 100% (0, 1 and 2 means handled correctly)	100	100	100
Acceptable handling of individual ancient relics, %	100	100	100

The table above shows some of the results of the monitoring of operational indicators for biodiversity in our own forest management in Sweden 2020-2022.

Turnover rate: In total, the turnover rate was 9.9, which is the same as for 2021.

Training hours: Training hours per employee increased to 12.7, compared to 9.2 in 2021.

Employees, 2022 (2021) ¹	Total	Sweden	North America ²	Finland	Baltic region	Sales offices and other
Average number of employees	5,525 (4,370)	3,824 (3,788)	1,315 (51)	111 (126)	72 (72)	203 (333) ³
Employees at year-end, no.	6,150 (4197)	4,011 (3,766)	1,701	115 (112)	71 (73)	252 (246)
of whom women, %	22.2 (25.0)	22.2 (23.2)	16.7	16.5 (17.0)	29.6 (27.4)	58.7 (55.7)
of whom blue-collar, %	59.4 (54.5)	58.0 (57.5)	70.5	67.8 (66.1)	66.2 (67.1)	0 (0)
of whom white-collar, %	41.6 (45.5)	42.0 (42.5)	29.5	32.2 (33.9)	33.8 (32.9)	100 (100)
Proportion of female managers, %	26.3 (26.7)	24.2 (24.2)	24.3	23.5 (25.0)	33.3 (37.5)	56.1 (47.6)
Average age, years	–	48 (45)	46	43 (45)	52 (52)	47 (41)
Sick leave per age group⁴, 2022 (2021)						
Total sick leave as % of hours worked	4.0 (3.4)	4.0 (3.4)	–	6.2 (4.9)	6.5 (6.7)	0.8 (1.1)
Sick leave as proportion of hours worked, men %	3.9 (3.3)	3.9 (3.3)	–	6.4 (5.2)	6.7 (7.3)	0.5 (0.6)
Sick leave as proportion of hours worked, women %	4.3 (3.7)	4.3 (4.1)	–	5.6 (3.9)	6.1 (5.3)	1.0 (1.4)

¹ Data for Scandifibre and Bomhus are included in the table above, except for "Average age, years".

² In figures for average number of employees, all employees in North America are included. For the other employee statistics, employees from the acquisition of Verso are included in "North America". Other employees in North America are included in "Sales offices and other".

³ 2021: Includes data for Beetham, which was divested in October 2021.

⁴ Data for our North American operations is not included.

Governance bodies, 2022	Women	Men	Under 30 yrs	30-50 yrs	Over 50 yrs
Board of Directors ¹ , %	29	71	0	14	86
Group Management Team, %	18	82	0	45	55

¹ Employee representatives are not included in the table. When including employee representatives: 22% are women and 9% are in the age group 30-50 and 91% over the age of 50.

Employees by gender, 2022	Women	Men	Total
Number of employees	1,409	4,714	6,123
Number of permanent employees	1,331	4,569	5,900
Number of temporary employees	74	149	223
Number of full-time employees	1,358	4,637	5,995
Number of part-time employees ¹	47	81	128

¹ In European operations: all employees working less than 100%. In North American operations: employees working less than 30 hours/week.

Employees by region, 2022	Europe	North America	Sales offices and other	Total
Number of employees	4,170	1,701	252	6,123
Number of permanent employees	3,959	1,693	248	5,900
Number of temporary employees	211	8	4	223
Number of full-time employees	4,056	1,692	247	5,995
Number of part-time employees ¹	114	9	5	128

¹ In European operations: all employees working less than 100%. In North American operations: employees working less than 30 hours/week.

Safety	Billerud total			2022 Europe			North America			2021 Europe			2020 Europe		
	Employees	Contractors	Total workforce	Employees	Contractors	Total workforce	Employees	Contractors¹	Total workforce	Employees	Contractors	Total workforce	Employees	Contractors	Total workforce
Number of fatalities	0	1	1	0	1	1	0	–	0	0	0	0	2	2	
Number of high-consequence work-related injuries	5	2	7	3	2	5	2	–	2	4	2	6	0	0	0
Number of LTI	65	20	85	61	20	81	4	–	4	48	18	66	51	31	82
Number of TRI	102	27	129	89	27	116	13	–	13	76	23	99	75	43	118
Hours worked	11.9	2.9	14.8	8.3	2.9	11.2	3.7	–	3.7	8.1	2.2	10.3	8.3	2.3	10.6
LTIFR	5.4	6.9	5.7	7.4	6.9	7.3	1.1	–	1.1	5.9	8.3	6.4	6.1	13.7	7.7
TRIFR	8.5	9.3	8.7	10.8	9.3	10.4	3.5	–	3.5	9.4	10.6	9.6	9.0	19.0	11.1
Risk observations	7,301	303	7,604	7,140	303	7,443	161	–	161	4,813	517	5,330	–	–	–
Safety walks	1,619	–	1,619	1,619	–	1,619	–	–	–	666	–	666	–	–	–
Key Safety Performance Audit (KSPA)	687	–	687	–	–	–	687	–	687	–	–	–	–	–	–

Billerud was fined for a workplace accident in one of our production units during 2021. Billerud accepted the fine and continues to work hard to prevent similar accidents from recurring.

¹ Billerud North America will start to report data for contractors in 2023.

Training hours ¹ , 2022	Men	Women	Total
Average training hours per FTE	13.5	10.4	12.7
	20 or younger	30-49	50 or older
Average training hours per FTE	17.7	12.2	10.9

¹ Data for our North American operations is not included.

Turnover, 2022	Europe	North America	Sales offices and other
Number of people ended their employment	319	215	31
Number of new hires	340	260	26
Turnover rate, %	8.1	10.4	12.2
Voluntary (own resignation), %	7.8	9.5	9.4
Number of positions filled by internal candidates	144	26	1

Compensation ratio, 2022

Ratio of the annual total compensation for the organisation's highest-paid individual (CEO) to the average remuneration on a full-time equivalent basis of all employees (excluding the highest-paid individual): 16.47

The ratio of the percentage increase in annual total compensation for the organisation's highest-paid individual (CEO) to the average percentage increase in annual total compensation for all employees in Sweden and North America (excluding the highest-paid individual): 1.05

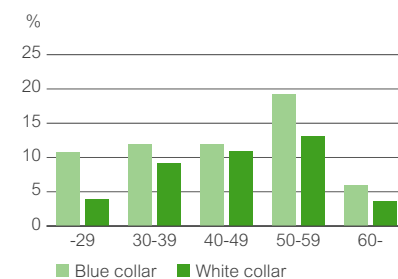
Remuneration includes fixed and variable short-term and long-term remuneration and benefits. We aim to report compensation ratio based on median remuneration for 2023.

Equal pay analysis, 2022

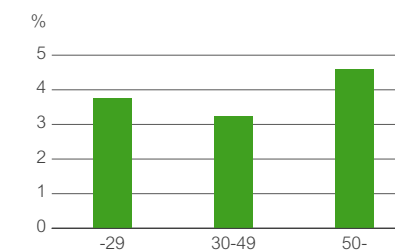
Average base pay salary, women in relation to men, %	1	2	3	4
Blue collar	95	96	98	–
White collar	91	94	–	74

The annual equal pay analysis covering the four Swedish legal entities was conducted together with union representation. The analysis resulted in three salary adjustments. The table shows women's average salary compared to men's. Group Management Team members are excluded.

Age distribution, total Billerud, 31 december 2022



Sick leave per age group¹, 2022



Climate-related information in accordance with TCFD

Background

The Task Force on Climate-related Financial Disclosures (TCFD) is an initiative under which companies can voluntarily opt to report on how climate risks and opportunities may affect future profitability. By analysing and reporting in line with TCFD's recommendations, Billerud gets a better understanding of how the company is affected by climate-related events, both in terms of risks and opportunities.

This analysis then forms the basis for strategic considerations and is also an important part of increasing transparency to make it easier for investors and other stakeholders to make informed decisions and a fair assessment of Billerud's long-term opportunities for profitable growth. Climate is a subject of high priority in Billerud, both from the perspective of how we as a company have an impact on the climate, as well as from the perspective of how the climate affects us in terms of risks and opportunities.

Many of these risks are driven by macro trends such as climate change, political developments, changing market demand and stricter sustainability requirements from both legislators and other stakeholders. Given the extensive scope, the long-term perspective, and the rapid changes in relation to climate-related risks, the assessments and information provided will be continuously updated. Recent years' rapid contextual changes regarding climate-related issues, in combination with internal changes as well as the acquisition and integration of the US-based company Verso into the Billerud Group, place increased demands on the understanding and management of climate-related risks and opportunities. During 2023, we will continue to work on improving understanding and management of the climate-related risks and opportunities that this change in the company entails.

Our reporting in line with TCFD's recommendations have also been used as input to the global climate ranking CDP, where companies' climate work is ranked based on how well the company manages climate impacts, climate risks and climate-related opportunities. In the CDP ranking, Billerud has the grade A-.

Governance

Climate-related risks and opportunities in Billerud are governed on a strategic level by the Board of Directors (BoD) and on an operational level by the CEO, Group Management Team (GMT) and the sustainability function.

The BoD continuously manages climate-related risks, opportunities and impacts as part of the work with strategic issues concerning operations, investments and acquisitions. Climate-related impacts, risks and opportunities are also a recurring agenda item at the company's board meetings. For example, the board has decided on investments that will reduce the company's climate emissions and decided on an updated corporate strategy that includes the establishment of a roadmap for Billerud to achieve

the ambitious climate targets established in line with the Science Based Targets initiative. The board annually reviews the company's sustainability policy (including climate issues) and monitors progress linked to the company's targets for energy efficiency and fossil-free production.

The CEO is responsible for the ongoing overall operational management of Billerud's business operations in accordance with instructions and regulations established by the board. This includes the ultimate operational responsibility for climate-related issues. The CEO has signed and is ultimately responsible for the commitment to climate targets in line with Science Based Targets initiative and is responsible for the quarterly follow-up of the company's two main climate related KPIs, emission intensity and energy efficiency. Executive Vice President (EVP) Commercial reports to the CEO and has overall responsibility for the Sustainability and Public Affairs function, which is responsible for the ongoing work with climate-related issues such as analyses, follow-up and reporting. The Sustainability and Public Affairs function also has the responsibility for monitoring global developments, trends and regulations linked to climate issues.

An important part of the company's climate management is also the integration of climate-related targets in the company's incentive programmes for Europe. 10% of the possible outcome in the annual bonus programme was linked to climate and energy-related goals during 2022.

Strategy

Billerud has identified and continuously manages several climate-related risks and opportunities, both those that already have an impact on the company today and those that could potentially have an impact on the company within the next 5–10 years. The most significant climate risks are included, together with the company's other significant risks, in the company's Enterprise Risk Management (ERM) process, which assesses risks within Billerud's full risk universe divided into the four categories (i) strategic risks, (ii) execution risks, (iii) compliance and regulatory risks and (iv) information and communication risks. Climate-related risks can be found within all four risk categories.

You can read more about Billerud's ERM framework and the climate risks included on pages 67-71. Outlined below are the three most significant climate-related risks that could have a substantial impact on the company within the next 5-10 years and beyond:

- Availability and the price of wood raw material: Wood and pulp account for more than a third of Billerud's operating costs. A price increase in this segment therefore constitutes a significant risk. The climate-related aspects that affect this risk are both transitional risks and physical risks.
- The growing interest in the forest as a resource for energy, materials and carbon storage is a transitional risk that drives increased demand and potentially higher prices for wood raw materials.
- Physical risks as a result of climate change, such as increased pest infections and increased frequency of droughts and forest fires, can affect availability and thus the price of the wood raw material.

- Energy prices: A volatile energy market with a high probability for increasing prices both for electricity and fuel is very likely as a result of an energy market in transition. The climate-related cost risk for energy is affected both by a change in market demand, the price of guarantees of origin, the availability of energy and political measures such as emissions trading schemes (ETS) and taxation.
- Operational disruptions: When the climate is changing with increased temperatures and increased frequency of severe weather events, operational interruptions due to physical climate effects on our production units constitute a significant climate-related risk. Our operations may be subject to flooding, water shortages or other disturbances. If a production unit is shut down due to weather events, it may affect Billerud's sales volume.

Significant climate-related opportunities have also been identified:

- Increased focus on climate-related issues can lead to increased demand for bio-based products. This opportunity can materialise as a result of political measures, increased awareness among consumers and changed preferences on the market in general.
- Demand for carbon capture and storage (CCS) is believed to increase rapidly in the next few years as states and companies are set to meet their climate targets. Through Bio-CCS, the forest industry has a significant business opportunity in developing new business based on helping other actors achieve their climate targets. Through collaboration with researchers, Billerud is now investigating this opportunity in more depth.

Billerud's analysis of climate-related risks and opportunities is based on two of the four climate scenarios in the IPCC's climate reports: The two-degree scenario (RCP 2.6) which is based on a proactive global climate policy in line with the Paris Agreement, and the four-degree scenario (RCP 8.5) which is based on "business as usual". In our assessment of financial effects for risks and opportunities linked to these two scenarios, our analyses shows that the climate-related opportunities exceed the climate-related risks in both scenarios. This is due to an increased market potential in both scenarios. In the two-degree scenario (RCP 2.6), the transitional risks as a result of policy measures and changed market behaviour are somewhat higher, while the four-degree scenario (RCP 8.5) is considered to result in more significant exposure to physical climate-related risks due to a higher degree of climate change.

Risk management

Billerud's sustainability function is responsible for identifying climate-related risks, both transitional risks and physical risks, as well as climate-related opportunities. The ongoing work with climate-related risks and opportunities informs the Board of Directors and Group Management Team of actual and potential climate-related events that may affect the company in the short, medium and/or long term.

Significant climate-related risks are also included in Billerud's ERM process, where they are systematically managed in the same way as other significant risks in the company. The effect and significance of a risk is assessed based on both primary and secondary data. An example of such an assessment is that future raw material costs in the various climate scenarios are calculated based on general market analysis in combination with internal purchasing data and internal expert knowledge.

Energy-saving measures are one of the company's most prioritised efforts to manage climate-related risks related to increased energy prices in the medium and long term. For this purpose, Billerud's internal investment fund for investing in energy efficiency measures of the company's production units is an important tool. The investments in energy efficiency measures within the framework of this investment fund are coordinated by the Operations department.

In order to reduce the risk associated with the supply and price of wood raw material, the Wood Supply unit focuses on optimising the value chain and building long-term relationships with suppliers. We also increasingly take on climate adaption measures to reduce physical climate risks in forests areas managed by Billerud, for example through cooperating with contractors to minimise rutting damages due to changes in soil condition and to utilise site adapted forestry management to increase long-term pest resiliency. To meet the growing demand for sustainable packaging solutions, the Commercial department is working in close collaboration with customers and partners to develop innovative solutions that can capture new market potential.

Metrics and targets

Billerud's climate efforts are based on our overall central climate target, which has been approved by the Science Based Targets initiative and is in line with the Paris Agreement and the 1.5 degree pathway. The target covers Scope 1, 2 and 3 greenhouse gas emissions from our European operations. We report annually on our progress towards the target by monitoring the company's emissions in Scope 1, 2 and 3.

Emission intensity and energy efficiency are central KPIs that are monitored by the Group Management Team and Board of Directors quarterly. These KPIs are used for allocation and follow-up of the company's investments for energy efficiency.









The potential financial effects of climate-related risks and opportunities are important KPIs for assessing the materiality of various risks and opportunities. The financial effects are estimated internally based on estimations of expected macro developments in various scenarios as well as the company's management of expected climate-related risks and opportunities.








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.

UN Sustainable Development Goals

Billerd has evaluated its impact on the UN's 17 global Sustainable Development Goals (SDGs) and reached the conclusion that it has the greatest opportunity to influence and contribute towards SDGs 8, 9, 12, 13, 14 and 15.

Targets	Our contribution
8.5, 9.2  	Engaging workplaces + 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.
8.6, 14.1  	Community engagement + We are committed to global issues such as plastic pollution in the oceans, and local issues such as arranging work placements and induction for young people.
8.7 	Responsible Supply chain + 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.
8.8 	Safety first + 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 should be at risk for injury in our workplaces. In 2022, our LTIFR in the European operations increased compared to 2021. This shows the importance of the issue and of further increasing the pace of the intensive work of building a safety culture.
9.4, 13.1  	Climate impact + 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 and board production is an energy-intensive process.

Targets	Our contribution
9.5, 12.2, 12.3  	Materials for the future + 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 keys 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.
12.4, 12.5 	Resource-efficient production + We are moving towards independence from fossil fuels by effectively generating and using energy made from wood products. – Paper and board manufacture entails emissions to air and water. Thanks to continuous environmental efforts, these are checked and limited.
12.6 	Responsible Business + 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.
15.2, 15.5 	Sustainable wood supply + We source wood raw material from responsibly managed forests and emphasise the importance of forest ecosystems being protected. – Managing forests has a direct impact on biodiversity.

EU Taxonomy disclosure

The European Union has introduced the EU taxonomy as part of the action plan on financing sustainable growth. For 2022, Billerud is required to report on taxonomy alignment for two of six environmental targets. For 2021 eligibility was reported, but now in 2022 an analysis on alignment has been done on the identified economic activities.

Identifying and assessing taxonomy eligible activities

Relevant economic activities for Billerud have been assessed based on the taxonomy regulation (EU 2020/852) and related delegated acts, hereafter "the taxonomy". Billerud's 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, net sales 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 have not been deemed relevant due to the fact that they don't generate external revenues, operating expenses or investments. The assessment identified three relevant economic activities described below.

An analysis has been made with the relevant departments within Billerud to make sure that the activities fulfil the requirements for alignment, both regarding significant contribution and principles regarding Do No Significant Harm. Compliance with Minimum Safeguards are supported by Billerud steering documents, including the Code of Conduct, Supplier Code of Conduct, Group Sustainability Policy, Group Health and Safety Policy, and Group Environmental Directive. Billerud has not been convicted in any legal cases related to human rights, corruption, taxation or fair competition.

Accounting policy – denominator

Total turnover for the Group equals net sales (Note 2) in the consolidated income statement according to IFRS.

Total Capex, in accordance with the taxonomy definition, are investments in tangible and intangible assets in the consolidated statement of cash flows and through business combinations and new and modified leasing contracts in Note 13 Right of Use Assets.

Total Opex, in accordance with the taxonomy definition, consists of the following items:

- Short term and low value leases according to Note 13, Right of Use Assets.
- Maintenance and Repair of Property, Plant and Equipment accounted for as other external costs in the consolidated income statement.

Forest management

The economic activity described in the taxonomy focuses mainly on forest owners. Only a small fraction of Billerud's wood supply comes from fully owned forests. However, for a share of the wood supply, Billerud has been engaged in and had some influence and insight over the forest management practices related to Bergvik Skog Öst's forests. The external revenues from this part of the wood supply is also deemed relevant from a taxonomy perspective. The main support for this conclusion is practice of the forestry plans.

The external turnover includes sale of wood to sawmills and other forestry companies, from Bergvik Skog Öst forests and fully owned forests. The external revenues that are included as taxonomy aligned is a non complex transaction and there is no risk for double counting.

No opex and capex relating to the taxonomy definition of forest management have been identified.

Cogeneration of heat/cool and power from bioenergy & production of heat/cool using waste heat

Billerud's production units produce large amounts of steam and electricity. At our production unit in Gävle there is a joint arrangement with Bomhus Energi AB, which supplies district heating to external parties and our production unit in Gävle.

External turnover include 50% of total net sales of Bomhus Energi AB, accounted for as net sales in the consolidated income statement. Opex is related to maintenance and repair in Bomhus Energi AB, of which 50% are included in the consolidated income statement as Other external costs.

Capex is related to capital expenditures in Bomhus Energi AB, of which 50% are included in Note 11 Property, Plant and Equipment on the row Investments.

Bomhus Energy AB is a standalone company and there is no risk of double counting. There are no closely related activities that are included in this taxonomy reporting.

Freight rail transport

Billerud's fully owned subsidiary, Scandfibre AB, operates freight rail transports for its own and other forestry industry companies' outbound transports. Scandfibre AB operates under the Rail 22 standard, which is assessed to be in line with the alignment requirements.

External turnover in Scandfibre AB, related to freight rail transport is included in the net sales in the consolidated income statement.

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. Opex is accounted for as other external costs in the consolidated income statement.

Capex is the new leasing contracts during 2022, and is included in Note 13, Right of Use Assets.

Scandfibre AB is a standalone company and there is no risk of double counting. There are no closely related activities that are included in this taxonomy reporting

Aquisition and ownership of buildings

Billerud has office leases accounted for as Use of Right Assets in Note 13, that is taxonomy eligible. No evaluation if they are taxonomy environmentally sustainable activities (aligned) has been made.

Taxonomy – Turnover

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

Economic activities (1)	Codes (2)	Absolute turnover (3) SEKm	Proportion of turnover (4) %	Substantial contribution criteria						DNSH criteria (Do No Significant Harm)						Minimum safeguards (17) Y/N	Taxonomy aligned proportion of turnover, year 2022 (18) %	Taxonomy aligned proportion of turnover, year 2021 (19) %	Category (enabling activity or) (20) E	Category (transitional activity) (21) T
				Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N					

A. TAXONOMY-ELIGIBLE ACTIVITIES

A.1. Environmentally sustainable activities (taxonomy-aligned)																				
Forest management	1.3	368	0.9	100	–	–	–	–	–	–	Y	Y	Y	Y	Y	Y	0.9		–	–
Cogeneration of heating/cooling and power from bioenergy	4.20	195	0.4	100	–	–	–	–	–	–	Y	Y	Y	Y	Y	Y	0.4		–	–
Production of heating/cooling using waste heat	4.25	7	0.0	100	–	–	–	–	–	–	Y	Y	Y	Y	Y	Y	0.0		–	–
Freight rail transport	6.2	465	1.1	100	–	–	–	–	–	–	Y	Y	Y	Y	Y	Y	1.1		–	–
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		1,035	2.4	100													2.4			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																				
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		–	–																	
Total (A.1+A.2)		1,035	2.4														2.4		–	–

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

Turnover of taxonomy-non-eligible activities (B)		41,555	97.6
Total (A+B)		42,590	100.0

Taxonomy – CapEx

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

Economic activities (1)	Codes (2)	Absolute CapEx (3) SEKm	Proportion of CapEx (4) %	Substantial contribution criteria						DNSH criteria (Do No Significant Harm)						Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of CapEx, year 2022 (18) %	Taxonomy-aligned proportion of CapEx, year 2021 (19) %	Category (enabling activity or) (20) E	Category (transitional activity) (21) T
				Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	"Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N					

A. TAXONOMY-ELIGIBLE ACTIVITIES

A.1. Environmentally sustainable activities (taxonomy-aligned)																				
Forest management	1.3	0	0.0	100	–	–	–	–	–	–	Y	Y	Y	Y	Y	Y	0.0		–	–
Cogeneration of heating/cooling and power from bioenergy	4.20	3	0.0	100	–	–	–	–	–	–	Y	Y	Y	Y	Y	Y	0.0		–	–
Production of heating/cooling using waste heat	4.25	0	0.0	100	–	–	–	–	–	–	Y	Y	Y	Y	Y	Y	0.0		–	–
Freight rail transport	6.2	1	0.0	100	–	–	–	–	–	–	Y	Y	Y	Y	Y	Y	0.0		–	–
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		4	0.0	100													0.0			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																				
Acquisition and ownership of buildings	7.7	93	1.1																	
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		93	1.1																	
Total (A.1+A.2)		97	1.1														0.0		–	–

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

CapEx of taxonomy-non-eligible activities (B)		8,655	98.9
Total (A+B)		8,752	100.0

Taxonomy – OpEx

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

Economic activities (1)	Codes (2)	Absolute OpEx (3) SEKm	Proportion of OpEx (4) %	Substantial contribution criteria						DNSH criteria (Do No Significant Harm)						Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of OpEx, year 2022 (18) %	Taxonomy-aligned proportion of OpEx, year 2021 (19) %	Category (enabling activity or) (20) E	Category (transitional activity) (21) T
				Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	"Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N					

A. TAXONOMY-ELIGIBLE ACTIVITIES

A.1. Environmentally sustainable activities (taxonomy-aligned)																				
Forest management	1.3	0	0.0	100	–	–	–	–	–	–	Y	Y	Y	Y	Y	Y	0.0		–	–
Cogeneration of heating/cooling and power from bioenergy	4.20	0	0.0	100	–	–	–	–	–	–	Y	Y	Y	Y	Y	Y	0.0		–	–
Production of heating/cooling using waste heat	4.25	18	0.9	100	–	–	–	–	–	–	Y	Y	Y	Y	Y	Y	0.9		–	–
Freight rail transport	6.2	133	6.2	100	–	–	–	–	–	–	Y	Y	Y	Y	Y	Y	6.2		–	–
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		151	7.1	100													7.1			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																				
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		–	–																	
Total (A.1+A.2)		151	7.1														7.1		–	–

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

OpEx of taxonomy-non-eligible activities (B)		1,990	92.9
Total (A+B)		2,141	100.0

GRI Content Index

Statement of use		Billerud has reported in accordance with the GRI Standards for the period 1 January 2022–31 December 2022.		
GRI STANDARD	Disclosure	Location	Requirement(s) omitted	Explanation
General disclosures				
GRI 2: General Disclosures 2021	2-1 Organizational details	3, 46, 118		
	2-2 Entities included in the organization's sustainability reporting	124		
	2-3 Reporting period, frequency and contact point	124, 164		
	2-4 Restatements of information	135-136		
	2-5 External assurance	124, 150		
	2-6 Activities, value chain and other business relationships	3,10-11, 31-35, 46		
	2-7 Employees	137-139		
	2-8 Workers who are not employees	137		
	2-9 Governance structure and composition	53-57, 65-66, 124, 138		
	2-10 Nomination and selection of the highest governance body	54		
	2-11 Chair of the highest governance body	65		
	2-12 Role of the highest governance body in overseeing the management of impacts	53-57, 124-125		
	2-13 Delegation of responsibility for managing impacts	56-57, 124-125		
	2-14 Role of the highest governance body in sustainability reporting	55, 124		
	2-15 Conflicts of interest	65-66, 105, 124		
	2-16 Communication of critical concerns	44, 125		
	2-17 Collective knowledge of the highest governance body	124		
	2-18 Evaluation of the performance of the highest governance body	55, 125		
	2-19 Remuneration policies	56-60, 125		
	2-20 Process to determine remuneration	56-60, 125		
	2-21 Annual total compensation ratio	139		We report compensation ratio based on average remuneration. We aim to report in median compensation next year.
	2-22 Statement on sustainable development strategy	6-7		

GRI STANDARD	Disclosure	Location	Requirement(s) omitted	Explanation
General disclosures				
GRI 2: General Disclosures 2021	2-23 Policy commitments	42-44, 125		
	2-24 Embedding policy commitments	34-35, 42-44, 125		
	2-25 Processes to remediate negative impacts	125		
	2-26 Mechanisms for seeking advice and raising concerns	125		
	2-27 Compliance with laws and regulations	42-44		
	2-28 Membership associations	41, 129		
	2-29 Approach to stakeholder engagement	131-132		
	2-30 Collective bargaining agreements	127, 137		
Material topics				
GRI 3: Material Topics 2021	3-1 Process to determine material topics	130-132		
	3-2 List of material topics	130		
Economic performance				
GRI 3: Material Topics 2021	3-3 Management of material topics	45-57, 61-62, 126		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	135		
Anti-corruption				
GRI 3: Material Topics 2021	3-3 Management of material topics	42-44, 70, 126		
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	44		
Anti-competitive behavior				
GRI 3: Material Topics 2021	3-3 Management of material topics	42-44, 70		
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	44		
Materials				
GRI 3: Material Topics 2021	3-3 Management of material topics	32-33, 38-39, 69, 126-127		
GRI 301: Materials 2016	301-1 Materials used by weight or volume	136		
Energy				
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39, 69, 126		
GRI 302: Energy 2016	302-1 Energy consumption within the organization	136		
	302-3 Energy intensity	136		

GRI STANDARD	Disclosure	Location	Requirement(s) omitted	Explanation
Water and effluents				
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39, 126-127		
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	126-127		
	303-2 Management of water discharge-related impacts	127		
	303-3 Water withdrawal	127, 135		
	303-4 Water discharge	127, 135		
Biodiversity				
GRI 3: Material Topics 2021	3-3 Management of material topics	32-33, 126-127		
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	33, 137		
Emissions				
GRI 3: Material Topics 2021	3-3 Management of material topics	26-28, 68, 126, 140-141		
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	136		
	305-2 Energy indirect (Scope 2) GHG emissions	136		
	305-3 Other indirect (Scope 3) GHG emissions	136		
	305-4 GHG emissions intensity	136	Scope 3 not included.	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	135		
Waste				
GRI 3: Material Topics 2021	3-3 Management of material topics	38, 127		
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	127		
	306-2 Management of significant waste-related impacts	127		
	306-3 Waste generated	127, 135	Disposal method not included. Hazardous waste is sent for external handling.	
Supplier environmental assessment				
GRI 3: Material Topics 2021	3-3 Management of material topics	32-35, 43, 70		
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	34-35		

GRI STANDARD	Disclosure	Location	Requirement(s) omitted	Explanation
Occupational health and safety				
GRI 3: Material Topics 2021	3-3 Management of material topics	24-25, 70, 128		
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	128		
	403-2 Hazard identification, risk assessment, and incident investigation	128		
	403-3 Occupational health services	128		
	403-4 Worker participation, consultation, and communication on occupational health and safety	128		
	403-5 Worker training on occupational health and safety	128		
	403-6 Promotion of worker health	128		
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	128		
	403-9 Work-related injuries	128, 138		
Training and education				
GRI 3: Material Topics 2021	3-3 Management of material topics	36-37, 69, 127-128		
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	137		
Diversity and equal opportunity				
GRI 3: Material Topics 2021	3-3 Management of material topics	36-37, 127		
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	137-138		
	405-2 Ratio of basic salary and remuneration of women to men	139		
Non-discrimination				
GRI 3: Material Topics 2021	3-3 Management of material topics	36-37, 127		
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	44		

GRI STANDARD	Disclosure	Location	Requirement(s) omitted	Explanation
Freedom of association and collective bargaining				
GRI 3: Material Topics 2021	3-3 Management of material topics	34-35, 70, 127-128		
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	44		
Child labor				
GRI 3: Material Topics 2021	3-3 Management of material topics	34-35, 70, 127-28		
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	44		
Forced or compulsory labor				
GRI 3: Material Topics 2021	3-3 Management of material topics	34-35, 70, 127-128		
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	44		
Rights of indigenous peoples				
GRI 3: Material Topics 2021	3-3 Management of material topics	34-35, 41, 70, 127-128		
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	44		
Local communities				
GRI 3: Material Topics 2021	3-3 Management of material topics	40-41		
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	40-41		
	413-2 Operations with significant actual and potential negative impacts on local communities	31, 40-41		
Supplier social assessment				
GRI 3: Material Topics 2021	3-3 Management of material topics	31-35, 70		
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	34-35		
Customer health and safety				
GRI 3: Material Topics 2021	3-3 Management of material topics	42-44, 70, 128		
Material topic: GRI 416: Customer Health and Safety (2016)	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	44		

GRI STANDARD	Disclosure	Location	Requirement(s) omitted	Explanation
Marketing and labeling				
GRI 3: Material Topics 2021	3-3 Management of material topics	42-44, 70, 128		
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	44		
	417-3 Incidents of non-compliance concerning marketing communications	44		
Customer privacy				
GRI 3: Material Topics 2021	3-3 Management of material topics	42-44, 69		
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	44		

Assurance Report

Auditor's Limited Assurance Report on Billerud AB's Sustainability Report and statement regarding the Statutory Sustainability Report

To Billerud AB, Corp. id. 556025-5002

Introduction

We have been engaged by the Board of Directors of Billerud AB to undertake a limited assurance engagement of Billerud ABs Sustainability Report for the year 2022. Billerud AB has defined the scope of the Sustainability Report on page 124 in this document, the Statutory Sustainability Report is defined on page 2.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO 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 page 124 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 a 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 responsibility is limited to the historical information reported and thus does not include future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 (Revised) Assurance engagements other than audits or reviews of financial information. 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 International Standard on Quality Control 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Billerud AB 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 CEO 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 CEO.

A Statutory Sustainability Report has been prepared.

Stockholm, April 4th 2023

KPMG AB

Hök Olov Forsberg

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	2022	2021	2020	2019	2018
Net sales	42,590	26,206	23,884	24,445	23,692
Other income and operating expenses (excluding depreciation, amortisation and impairment)	-34,423	-22,305	-21,172	-21,615	-20,749
EBITDA	8,167	3,901	2,712	2,830	2,943
EBITDA, %	19	15	11	12	12
Depreciation, amortisation and impairment	-2,480	-1,912	-1,938	-1,744	-1,513
Operating profit	5,687	1,989	774	1,086	1,430
Operating profit, %	13	8	3	4	6
Net financial items	186	-113	-95	179	-89
Profit before tax	5,873	1,876	679	1,265	1,341
Tax	-1,283	-391	-3	-254	-304
Profit from discontinued operations, net of tax	-	-	-16	5,709	-
Net profit	4,590	1,485	660	6,720	1,037

Summary statement of cash flows

SEKm, 31 December	2022	2021	2020	2019	2018
Operating surplus	8,054	3,932	2,406	2,674	3,219
Change in working capital	-1,080	197	-53	-463	-267
Net financial items	308	-96	-105	217	-49
Tax paid	-453	-141	83	-109	-401
Cash flow from operating activities	6,829	3,892	2,331	2,319	2,502
Investments in tangible and intangible assets	-3,330	-1,526	-1,250	-2,868	-5,120
Operating cash flow after investments in tangible and intangible assets	3,499	2,366	1,081	-549	-2,618

Operating surplus

SEKm, 31 December	2022	2021	2020	2019	2018
Operating profit	5,687	1,989	774	1,086	1,430
Reversed depreciation	2,480	1,912	1,938	1,744	1,513
Earnings from associated companies	19	-89	-89	17	-12
Pension liabilities	-147	-43	-48	-44	-43
Other provisions	47	13	-36	-168	136
Net result from electricity certificates and emission rights	-68	20	-5	10	2
Incentive programmes	22	7	6	6	10
Sale/Scrapping of fixed assets	14		-2	8	35
Revaluation of biological assets			-132		-2
Discontinued operations				15	
Unified accounting principles regarding spare parts and consumables					177
Revaluation of durrent holding related to business combinations					-30
Capital gain/loss from sale of business		123			3
Operating surplus	8,054	3,932	2,406	2,674	3,219

Key figures

	2022	2021	2020	2019	2018
Margins					
EBITDA margin, %	19	15	11	12	12
Adjusted EBITDA margin, %	19	16	11	12	15
Operating margin, %	13	8	3	4	6
Adjusted operating margin, %	13	8	3	4	9
Return (rolling 12 months)					
Return on capital employed, % (ROCE)	18	8	3	4	7
Adjusted Return on capital employed, % (adj. ROCE)	18	9	3	4	9
Return on equity, %	18	8	3	41	7
Capital structure at end of period					
Capital employed, SEKm	33,834	24,008	24,667	24,938	23,687
Working capital, SEKm	5,140	2,017	2,292	2,159	2,056
Equity attributable to owners of the parent company, SEKm	29,254	20,041	19,294	19,462	14,355
Interest-bearing net debt, SEKm	4,581	3,968	5,373	5,476	9,333
Net debt/equity ratio	0.16	0.20	0.28	0.28	0.65
Interest-bearing net debt / EBITDA	0.6	1.0	2.0	1.9	3.2
Interest-bearing net debt / Adjusted EBITDA	0.6	1.0	2.0	1.9	2.7
Key figures per share					
Earnings per share, SEK	20.13	7.18	3.19	32.50	5.01
Adjusted earnings per share, SEK	20.36	8.03	3.17	4.89	7.24
Dividend (for the financial year) per share, SEK	7.50 ¹	4.30	4.30	8.60 ²	4.30
Other key figures					
Working capital as percentage of net sales, %	11	9	11	8	8
Investments in tangible and intangible assets, SEKm	3,330	1,526	1,250	2,868	5,120
Average number of employees	5,525	4,370	4,468	4,596	4,502

1 The Board of Directors proposes an ordinary dividend of SEK 5.50 and an extraordinary dividend of SEK 2.00.

2 Whereof an ordinary dividend SEK 4.30 and an extraordinary dividend of SEK 4.30.

Items affecting comparability¹

SEKm	2022	2021	2020	2019	2018
MG Investment in Skärblacka (Operating expenses)	–	–	–	–	3
New board machine in Gruvön – additional costs (Operating expenses)	–	–	–	40	61
New board machine in Gruvön – restructuring (Operating expenses)	–	–	–	–50	–10
New board machine in Gruvön – depreciation and impairment of existing non-current assets (Depreciation and Impairment of non-current assets)	–	–	–	–	58
Restructuring (Operating expenses)	–	–	36	49	27
Workplace environment (Operating expenses)	–	–	–	–32	159
Capital loss from the sale of Beetham (Operating expenses)	–	123	–	–	–
Unification of accounting principles – Spare parts and consumables (Operating expenses)	–	–	–	–	177
Acquisition costs Bergvik	–	–	–	–	9
Acquisition costs, Verso (Operating expenses)	–	135	–	–	–
Revaluation of biological assets (Change in value of biological assets)	–	–	–132	–	–
Revaluation of biological assets in associated companies (Profit from participations in associated companies)	52	–81	–73	–	–
UPM – compensation (Raw materials and consumables)	–	–	160	–	–
Other (Operating expenses)	–	–	–	–6	107
Items affecting comparability	52	177	-9	1	591

EBITDA, SEKm and EBITDA margin, %

	2022	2021	2020	2019	2018
Operating profit	5,687	1,989	774	1,086	1,430
Depreciation, amortisations and impairment of non-current assets	2,480	1,912	1,938	1,744	1,513
EBITDA, SEKm	8,167	3,901	2,712	2,830	2,943
Net sales	42,590	26,206	23,884	24,445	23,692
EBITDA margin, %	19	15	11	12	12

Adjusted EBITDA, SEKm and adjusted EBITDA margin, %

	2022	2021	2020	2019	2018
EBITDA	8,167	3,901	2,712	2,830	2,943
Items affecting comparability ¹	52	177	–9	1	533
Adjusted EBITDA, SEKm	8,219	4,078	2,703	2,831	3,476
Net sales	42,590	26,206	23,884	24,445	23,692
Adjusted EBITDA margin, %	19	16	11	12	15

Operating margin, %

	2022	2021	2020	2019	2018
Operating profit	5,687	1,989	744	1,086	1,430
Net sales	42,590	26,206	23,884	24,445	23,692
Operating margin, %	13	8	3	4	6

Adjusted operating profit, SEKm and adjusted operating margin, %

	2022	2021	2020	2019	2018
Operating profit	5,687	1,989	774	1,086	1,430
Items affecting comparability ¹	52	177	-9	1	591
Adjusted operating profit, SEKm	5,739	2,166	765	1,087	2,021
Net sales	42,590	26,206	23,884	24,445	23,692
Adjusted operating margin, %	13	8	3	4	9

Return on capital employed, %

	2022	2021	2020	2019	2018
Operating profit over 12 months ³	5,687	1,989	774	1,086	1,430
Average capital employed over 12 months ²	31,722	24,463	25,116	24,270	21,530
Return on capital employed, %	18	8	3	4	7

Adjusted return on capital employed, %

SEKm	2022	2021	2020	2019	2018
Adjusted operating profit over 12 months ³	5,739	2,166	765	1,087	2,021
Average capital employed over 12 months ²	31,722	24,463	25,116	24,270	21,530
Adjusted return on capital employed, %	18	9	3	4	9

Return on equity, %

Net profit attributed to owners of the parent company over 12 months ³	4,590	1,485	660	6,720	1,037
Average shareholders' equity attributed to owners of the parent company ²	25,520	19,558	19,152	16,270	13,968
Return on equity, %	18	8	3	41	7

Net debt/equity ratio

	2022	2021	2020	2019	2018
Interest-bearing net debt	4,581	3,968	5,373	5,476	9,333
Total equity	29,254	20,041	19,294	19,462	14,355
Net debt/equity ratio	0.16	0.20	0.28	0.28	0.65

Interest-bearing net debt / EBITDA, multiple

	2022	2021	2020	2019	2018
Interest-bearing net debt	4,581	3,968	5,373	5,476	9,333
EBITDA over 12 months ³	8,167	3,901	2,712	2,830	2,943
Interest-bearing net debt / EBITDA, multiple	0.6	1.0	2.0	1.9	3.2

Interest-bearing net debt / Adjusted EBITDA, multiple

	2022	2021	2020	2019	2018
Interest-bearing net debt	4,581	3,968	5,373	5,476	9,333
Adjusted EBITDA over 12 months ³	8,219	4,078	2,703	2,831	3,476
Interest-bearing net debt / Adjusted EBITDA, multiple	0.6	1.0	2.0	1.9	2.7

Adjusted earnings per share

SEK	2022	2021	2020	2019	2018
Profit attributed to owners of the parent company, SEKm	4,590	1,485	660	6,720	1,037
Items affecting comparability, attributed to owners of the parent company ¹ , SEKm	52	177	-5	-5,708 ⁴	461
Adj. profit attributed to owners of the parent company, SEKm	4,642	1,662	655	1,012	1,498
Weighted number of outstanding shares, thousands	228,014	206,858	206,816	206,761	206,962
Adjusted earnings per share, SEK	20.36	8.03	3.17	4.89	7.24

Working capital as percentage of net sales, %

	2022	2021	2020	2019	2018
Average working capital for the period	4,568	2,357	2,516	1,834	1,863
Annualized net sales	42,590	26,206	23,884	24,445	23,692
Working capital as percentage of net sales, %	11	9	11	8	8

Capital employed

SEKm, 31 December	2022	2021	2020	2019	2018
Total assets	51,415	37,978	36,360	36,923	33,714
Accounts payable	-6,702	-3,809	-3,129	-2,937	-3,825
Other liabilities	-772	-465	-333	-318	-376
Accrued expenses and deferred income	-2,700	-1,955	-1,356	-1,414	-1,323
Tax liabilities	-393	-12	-29	-10	-8
Provisions	-514	-194	-185	-222	-387
Deferred tax liabilities	-4,452	-3,962	-3,609	-3,614	-3,633
Non-current receivables (interest-bearing)	-2	-15	-16	-20	-19
Cash and cash equivalents	-2,046	-3,558	-3,036	-3,450	-456
Capital employed	33,834	24,008	24,667	24,938	23,687

Working capital

SEKm, 31 December	2022	2021	2020	2019	2018
Inventories	7,305	3,836	3,629	3,572	3,633
Accounts receivable	5,006	3,047	2,350	2,408	2,807
Other current receivables	2,066	827	713	537	902
Prepaid expenses and accrued income	858	534	389	313	215
Accounts payable	-6,702	-3,809	-3,129	-2,937	-3,825
Other current liabilities	-693	-463	-304	-320	-353
Accrued expenses and deferred income	-2,700	-1,955	-1,356	-1,414	-1,323
Working capital	5,140	2,017	2,292	2,159	2,056

Interest-bearing net debt

SEKm, 31 December	2022	2021	2020	2019	2018
Provisions for pensions	1,196	816	836	871	784
Interest-bearing non-current liabilities	2,796	4,655	6,435	7,349	7,130
Non-current lease liabilities	234	169	170	144	-
Current interest-bearing liabilities	2,227	1,790	889	493	1,894
Current lease liability	177	111	95	89	-
Non-current receivables (interest-bearing)	-3	-15	-16	-20	-19
Cash and cash equivalents	-2,046	-3,558	-3,036	-3,450	-456
Interest-bearing net debt	4,581	3,968	5,373	5,476	9,333

1 Revenue = -, Cost = +

2 Average for the five latest quarters.

3 12 months is calculated by adding accumulated amounts for the current year plus full previous year, minus prior year's accumulated amounts for periods exceeding 12 months from the balance sheet date.

4 2019 includes adjustment for discontinued operations.

Quarterly data

Billrud's 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	2022					2021				
	Full year	Q4 -22	Q3 -22	Q2 -22	Q1 -22	Full year	Q4 -21	Q3 -21	Q2 -21	Q1 -21
Product area Board	17,912	4,564	4,563	4,410	4,375	14,852	3,762	3,663	3,642	3,785
Product area Paper	21,509	6,710	6,486	6,094	2,219	8,127	2,138	2,047	2,039	1,903
Solutions & Other	3,266	844	755	852	815	2,950	757	725	772	696
Currency hedging, etc.	-97	-147	10	52	-12	277	31	59	51	136
Total Group	42,590	11,971	11,814	11,408	7,397	26,206	6,688	6,494	6,504	6,520

Quarterly EBITDA per product area and for the Group

SEKm	2022					2021				
	Full year	Q4 -22	Q3 -22	Q2 -22	Q1 -22	Full year	Q4 -21	Q3 -21	Q2 -21	Q1 -21
Product area Board	3,262	292	915	1,008	1,047	2,748	809	678	556	705
Product area Paper	5,325	1,899	1,373	1,351	702	1,388	346	414	365	263
Solutions & Other	-305	14	-102	-144	-73	-512	-288	-34	-89	-101
Currency hedging, etc.	-115	-165	10	52	-12	277	31	59	51	136
Total Group	8,167	2,040	2,196	2,267	1,664	3,901	898	1,117	883	1,003

Quarterly EBITDA margin per product area and for the Group

%	2022					2021				
	Full year	Q4 -22	Q3 -22	Q2 -22	Q1 -22	Full year	Q4 -21	Q3 -21	Q2 -21	Q1 -21
Product area Board	18	6	20	23	24	19	22	19	15	19
Product area Paper	25	28	21	22	32	17	16	20	18	14
Group	19	17	19	20	22	15	13	17	14	15

Adjusted quarterly EBITDA, excluding maintenance shutdowns, per product area and for the Group

SEKm	2022					2021				
	Full year	Q4 -22	Q3 -22	Q2 -22	Q1 -22	Full year	Q4 -21	Q3 -21	Q2 -21	Q1 -21
Product area Board	3,888	461	1,101	1,199	1,127	3,262	954	859	744	705
Product area Paper	6,186	1,899	2,080	1,505	702	1,654	485	525	381	263
Solutions & Other	-253	66	-102	-144	-73	-335	-111	-34	-89	-101
Currency hedging, etc.	-115	-165	10	52	-12	277	31	59	51	136
Total Group	9,706	2,261	3,089	2,612	1,744	4,858	1,359	1,409	1,087	1,003
Costs for maint. shutdowns	-1,487	-169	-893	-345	-80	-780	-284	-292	-204	-
Items affecting comparability	-52	-52	-	-	-	-177	-177	-	-	-
EBITDA	8,167	2,040	2,196	2,267	1,664	3,901	898	1,117	883	1,003

Adjusted quarterly EBITDA margin, excluding maintenance shutdowns, per product area and for the Group

%	2022					2021				
	Full year	Q4 -22	Q3 -22	Q2 -22	Q1 -22	Full year	Q4 -21	Q3 -21	Q2 -21	Q1 -21
Product area Board	22	10	24	27	26	22	25	23	20	19
Product area Paper	29	28	32	25	32	20	23	26	19	14
Group	23	19	26	23	24	19	20	22	17	15

Quarterly operating profit/loss per product area and for the Group

SEKm	2022					2021				
	Full year	Q4 -22	Q3 -22	Q2 -22	Q1 -22	Full year	Q4 -21	Q3 -21	Q2 -21	Q1 -21
Product area Board	1,973	-32	593	687	725	1,451	486	354	231	380
Product area Paper	4,290	1,578	1,074	1,055	583	906	224	293	244	145
Solutions & Other	-461	-28	-141	-185	-107	-645	-323	-67	-122	-133
Currency hedging, etc.	-115	-165	10	52	-12	277	31	59	51	136
Total Group	5,687	1,353	1,536	1,609	1,189	1,989	418	639	404	528

Quarterly operating margin per product area and for the Group

%	2022					2021				
	Full year	Q4 -22	Q3 -22	Q2 -22	Q1 -22	Full year	Q4 -21	Q3 -21	Q2 -21	Q1 -21
Product area Board	11	-1	13	16	17	10	13	10	6	10
Product area Paper	20	24	17	17	26	11	10	14	12	8
Group	13	11	13	14	16	8	6	10	6	8

Quarterly sales volumes per product area

ktonnes	2022					2021				
	Full year	Q4 -22	Q3 -22	Q2 -22	Q1 -22	Full year	Q4 -21	Q3 -21	Q2 -21	Q1 -21
Product area Board	1,889	457	465	472	495	1,917	456	466	474	521
Product area Paper	1,704	482	480	523	219	960	231	229	245	255
Total Group	3,594	940	945	995	714	2,877	687	695	719	776

The share

Billerud's 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 2022, the share capital totalled SEK 1,843,307,607 represented by 249,611,422 shares. Each share, with exception of the company's repurchased shares, entitles the holder to one vote and an equal right in the company's capital and dividend.

Rights issue

During the second quarter 2022, Billerud implemented a rights issue with the purpose to repay a part of the debt raised to finance the acquisition of Verso. The rights issue was significantly oversubscribed, and no underwriting commitments were utilised. A total of 40,231,816 shares, corresponding to around 97% of the offered shares, were subscribed for with subscription rights. The remaining 1,159,772 shares were allotted to those who subscribed for shares without subscription rights. New shares were registered by the Swedish Companies Registration Office and began trading on Nasdaq Stockholm in July.

Through the rights issue, the number of shares in Billerud increased from 208,219,834 shares to 249,611,422 shares and the share capital increased from SEK 1,537,642,792 to SEK 1,843,307,607. The dilution effect of the rights issue was around 16.7%. Shareholders choosing not to participate in the rights issue could get economic compensation for the dilution by selling their subscription rights.

Treasury shares

In 2022 Billerud allocated 87,156 shares in accordance with a long-term incentive programme approved by the 2019 AGM. On 31 December 2022, the company's holdings of treasury shares totalled 1,261,891 shares, corresponding to 0.5% of the total number of shares 249,611,422. The number of shares on the market was 248,349,531 shares on 31 December 2022.

Share price performance

The share price declined by 26% during the year, compared with a decline of 25% in the Stockholm stock exchange, OMX Stockholm PI. The sector index OMX Stockholm Industrial Materials PI declined by 13% over the same period.

Billerud's shares closed at SEK 127.10 at year-end 2022, corresponding to a market capitalisation of around SEK 31.7 billion. The highest closing price during the year was SEK 172.50 on 5 January, while the lowest was SEK 112.50 on 14 July.

Turnover

Around 130 million shares were traded in 2022, corresponding to a value of approximately SEK 18 billion. The average daily trading turnover was approximately 510,000 shares, corresponding to a value of around SEK 70 million. On average, about 2,100 trades were made each trading day.

Ownership structure

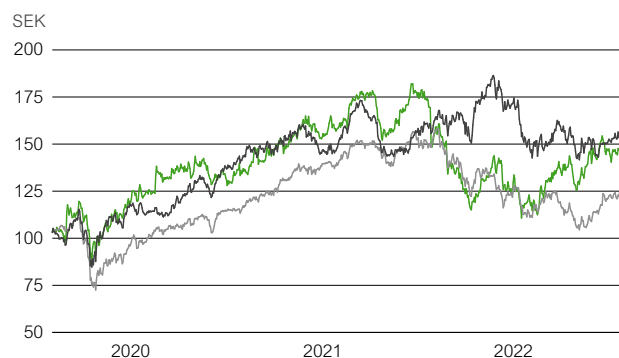
On 31 December 2022, Billerud had 98,475 shareholders, compared with 98,053 at year-end 2021. Swedish ownership accounted for around 60%, roughly two-thirds of which were legal entities and one-third private individuals. The largest foreign ownership was in Austria, the US, the UK and Norway.

At year-end, the five largest owners: AMF Pension and Funds, FRAPAG Beteiligungsholding AG, Swedbank Robur Funds, Fourth Swedish National Pension Fund and Vanguard, owned a total of 44.0% of the shares on the market. Total holdings of the ten largest shareholders amounted to 55.7% shares on the market.

Dividend

Billerud's dividend policy states a dividend to shareholders amounting to at least 50% of the net profit. The dividend will depend, for example, on Billerud's level of profits, its financial position and its future development opportunities. For 2022, Billerud's Board of Directors proposes an ordinary dividend of SEK 5.50 per share and an extraordinary dividend of SEK 2.00 per share. The total proposed dividend of SEK 7.50 corresponds to approximately 41% of net profit for 2022.

Share price performance 2020–2022



— Billerud — OMX Stockholm PI
— OMX Stockholm Industrial Materials PI

Distribution of shares at 31 December 2022

Registered number of shares	249,611,422
Repurchased shares in company ownership	-1,261,891
Shares on the market	248,349,531

Shareholder categories of shares on the market, %



- Foreign shareholders, 39.9
- Swedish mutual funds, 28.5
- Swedish individuals incl. closely held companies, 20.0
- Swedish institutions, 10.1
- Swedish foundations, 1.5

Geographical ownership distribution of total number of shares, %



- Sweden, 60.3
- Austria, 12.0
- USA, 10.0
- United Kingdom, 3.7
- Norway, 2.3
- Finland, 0.9
- Other, 10.8

Share price performance 2022



— Billerud — OMX Stockholm PI
— OMX Stockholm Industrial Materials PI

Number of shares on the market

	2022	2021	2020	2019	2018
Average number of shares	228,014,201	206,858,356	206,815,793	206,761,223	206,962,008
Average number of shares after dilution	228,421,071	207,153,264	207,116,876	206,991,854	207,292,671
Number of shares at end of period	248,349,531	206,870,787	206,831,912	206,789,722	206,700,643
Number of shares at end of period after dilution	248,756,401	207,165,695	207,132,995	207,020,403	207,031,306

Ownership structure¹

Shareholding	No. of shares	%	No. of owners	%
1–100	1,407,323	0.6	31,121	31.6
101–500	13,923,106	5.6	52,522	53.3
501–10 000	22,939,730	9.2	14,260	14.5
10 001–100 000	12,014,348	4.8	481	0.5
100 001–	177,976,063	71.3	91	0.1
Anonymous ownership	21,350,852	8.5	N/A	N/A
Total	249,611,422	100.0	98,475	100.0

¹ Including Billerud's own 1,261,891 shares.

Key figures per share

SEK per share, unless stated otherwise	2022	2021	2020	2019 ²	2018
Earnings	20.13	7.18	3.19	32.50	5.01
Diluted earnings	20.09	7.17	3.19	32.47	5.00
Dividend (for each financial year), actual	7.50 ¹	4.30	4.30	8.60 ³	4.30
Dividend as % of					
– share price (dividend yield)	5.9	2.5	3.0	7.8	4.1
– profit	41	60	135	26	86
– Equity (closing balance)	6.4	4.4	4.6	9.1	6.2
Cash flow from operating activities	29.95	18.82	11.27	11.22	12.09
Shareholders' equity	117.79	96.87	93.28	94.11	69.45
Diluted equity	117.60	96.74	93.15	94.01	69.34
Share price/closing balance of equity, %	108	176	156	118	152
P/E ratio, multiple	6.3	23.8	45.6	3.4	21.1
EV/EBITDA, multiple	4.4	10.1	13.1	10.0	10.6
Share price (closing price, last trading day)	127.10	170.70	145.55	110.65	105.50

¹ The Board of Directors proposes an ordinary dividend of SEK 5.50 per share and an extraordinary dividend of SEK 2.00 per share.

² Key figures for 2019 affected by profit from discontinued operations of SEK 27.61 per share.

³ Whereof ordinary dividend SEK 4.30 and an extra dividend of SEK 4.30.

The 10 largest shareholders

Shareholder	No. of shares	Share of votes ¹ , %
AMF Pension & Funds	38,759,642	15.6
FRAPAG Beteiligungsholding	30,000,000	12.1
Swedbank Robur Funds	17,070,325	6.9
Fourth Swedish National Pension Fund	15,810,920	6.4
Vanguard	7,688,984	3.1
Schroders	7,150,667	2.9
Handelsbanken Funds	6,787,083	2.7
BlackRock	5,240,382	2.1
Norges Bank	5,040,163	2.0
Folksam	4,739,948	1.9
Total	138,288,114	55.7

¹ Based on the 248,349,531 shares on the market.

Analysts covering Billerud

Company	Analyst
ABG Sundal Collier	Martin Melbye
Bank of America	Joffrey Bellicha Meller
Carnegie	Robin Santavirta
Citigroup	Ephrem Ravi
Danske Bank	Oskar Lindström
DNB	Johannes Grunselius
Handelsbanken	Christian Kopfer
Jefferies	Cole Hathorn
Nordea	Axel Persson
SEB	Linus Larsson

Key Figures – definitions and purpose

Result

EBITDA

Operating profit before depreciation, amortisation and impairment.

EBITDA is a central measure of operating performance, to assess the performance over time.

Adjusted EBITDA

Operating profit before depreciation, amortisation and impairment adjusted for items affecting comparability. Adjusted EBITDA is relevant for assessing performance excluding items affecting comparability.

Adjusted operating profit

Operating profit adjusted for items affecting comparability. The measure is used for assessing performance excluding 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/revaluations, litigations, specific impact due to strategic decisions, and significant earnings effects from acquisitions and disposals.

Margins

EBITDA, %

EBITDA as a percentage of net sales. The measure is used in review as well as for benchmarking with peer companies.

Adjusted EBITDA, %

Adjusted EBITDA as a percentage of net sales. The measure is used for assessing profitability excluding items affecting comparability.

Operating margin, %

Operating profit as a percentage of net sales. Operating margin shows the percentage of revenue remaining as operating profit after deducting operating expenses. The measure is used in performance monitoring as well as for benchmarking with peer companies.

Adjusted operating margin, %

Adjusted operating profit as a percentage of net sales. The measure is used for assessing performance excluding items affecting comparability.

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. 12 months is calculated by adding accumulated amounts for the current years plus full previous year, minus prior year's accumulated amounts for periods exceeding

12 months from the balance sheet date. 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 for the last 5 quarters. 12 months is calculated by adding accumulated amounts for the current years plus full previous year, minus prior year's accumulated amounts for periods exceeding 12 months from the balance sheet date. The return on capital employed is a measure that shows how effectively total 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 for business performance monitoring and benchmarking with peer companies.

Adjusted return on capital employed (ROCE)

Adjusted operating profit calculated over 12 months as a percentage of average capital employed calculated per quarter for the last 5 quarters. 12 months is calculated by adding accumulated amounts for the current year plus full previous year, minus prior year's accumulated amounts for periods exceeding 12 months from the balance sheet date. The measure is used for assessing the return on net operating assets excluding items affecting comparability.

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 (interest-bearing) and cash and cash equivalents. Capital employed 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

The sum of provisions for pensions, interest-bearing liabilities and leasing liabilities less non-current receivables (interest-bearing) and cash and cash equivalents. 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 12 months. 12 months is calculated by adding accumulated amounts for the current years plus full previous year, minus prior year's accumulated amounts for periods exceeding 12 months from the balance sheet date. 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 12 months. 12 months is calculated by adding accumulated amounts for the current years plus full previous year, minus prior year's accumulated amounts for periods exceeding 12 months from the balance sheet date. The measure is used for assessing the repayment capacity excluding items affecting comparability.

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 receivable, other current receivables and prepaid expenses and accrued income less accounts payable, other current 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 is calculated by using the average of all quarterly periods during the interim period from the beginning of the financial year, divided by annualized net sales. Annual net sales are calculated by dividing the net sales for the most recent interim period from the beginning of the financial year by the number of months in this interim period and multiplying by twelve. 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 reflects the operating profit adjusted for items that do not impact cash and shows the cash generation in the business.

Operating cash flow after investments in tangible and intangible assets

Cash flow from the operating activities, including investments in tangible 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.

Cash flow from operating activities

Cash flow from operating activities divided by the average number of shares on the market during the period.

Per share data¹***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 programmes.

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 programmes.

Earnings per share

Profit attributable to owners of the parent, divided by the average number of outstanding ordinary 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

Profit attributable to owners of the parent adjusted for items affecting comparability after tax, divided by the average number of outstanding ordinary shares in the market. The measure is used for assessing earnings per share excluding items affecting comparability.

EV/EBITDA

Market capitalisation plus interest-bearing net debt, divided by operating profit before depreciation, amortisation and impairment losses (EBITDA).

P/E ratio

Share price at year-end divided by earnings per share.

¹ For number of shares, see section "The share".

Shareholder information, key dates and contact persons

Annual General Meeting

The Annual General Meeting of Billerud will be held on Wednesday 24 May 2023 at 15:00 CET at 7A Posthuset, Vasagatan 28, Stockholm. Notice of the 2023 Annual General Meeting will be posted on the company's website www.billerud.com on 19 April 2023 at the latest.

Shareholders wishing to attend the 2023 Annual General Meeting must be registered in the shareholders' register maintained by Euroclear AB as of 15 May 2023 and must notify the company of their participation not later than 19 May 2023.

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 15 May 2023, which means that shareholders must inform the nominee well before this date.

Notification of attendance can be made by telephone on +46 8 402 90 82, at www.billerud.com/register or by post to Billerud AB, Årsstämman, c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden.

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 will be available on Billerud's website. The completed and signed form must be received by Euroclear Sweden AB no later than 19 May 2023.

Financial information

All financial information, including this Annual and Sustainability Report for 2022, is available in both Swedish and English on Billerud's website www.billerud.com.

Interim reports

Q1 report 2023	26 April 2023
Q2 report 2023	20 July 2023
Q3 report 2023	25 October 2023

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The Billerud Annual and Sustainability Report 2022 was produced in collaboration with Narva Communications.

Photos: Billerud Image bank, Jacob Nilsson, Maja Allegren, Maria Fäldt, Marie Green Eklund, Kristoffer Wahlström, Luis Alvarez, Maskot, Anne Dillner, Alexander von Sydow and Micael Carlsson.



About Billerud

Billerud provides paper and packaging materials that challenge conventional packaging for a sustainable future. We are a global leader in superior paper and packaging materials made from virgin fibres, and we are passionately committed to sustainability, quality

and customer value. We serve customers in more than 100 countries with nine production units in Sweden, USA, and Finland and around 6,100 employees in over 13 countries. Billerud is listed on the Nasdaq Stockholm.



BILLERUD

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We challenge
conventional
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