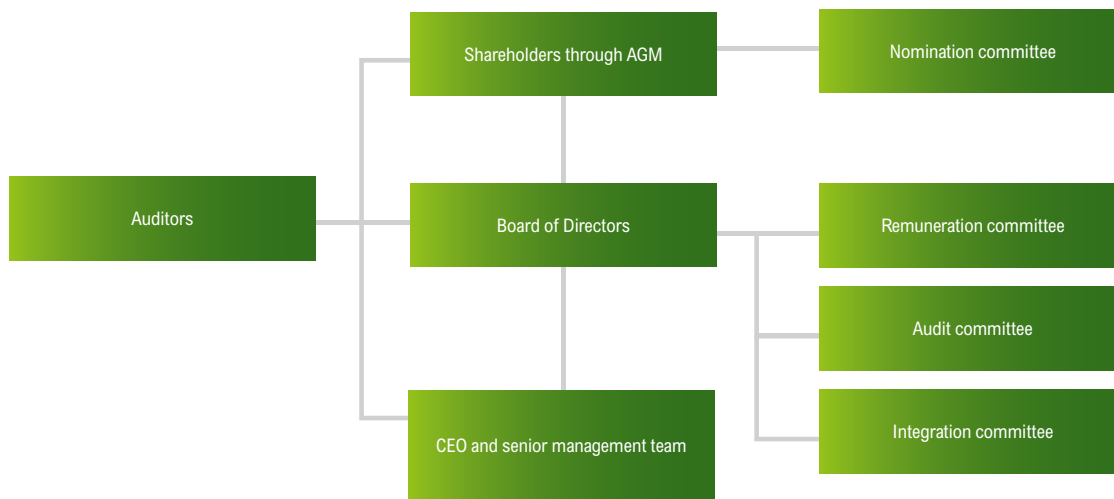


CORPORATE GOVERNANCE IN BILLERUDKORSNÄS IN 2012

This report on corporate governance in the BillerudKorsnäs Group in 2012 has been prepared in accordance with regulations in the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance. BillerudKorsnäs has been applying the code since 2005. The report has been drawn up by the Company's Board of Directors and been reviewed by the Company's auditors.



Primary external regulations affecting BillerudKorsnäs' governance:

- the Swedish Companies Act
- NASDAQ OMX Stockholm AB Rulebook for issuers
- the Swedish Code of Corporate Governance

Corporate governance in BillerudKorsnäs is based on the law, the Company's articles of association, NASDAQ OMX's Rulebook for Issuers, the Swedish Code of Corporate Governance ("the Code"), other relevant laws and regulations and internal policies and guidelines. The Code is based on the principle of "comply or explain". This means that a company that applies the Code may deviate from particular rules but will then have to provide an explanation giving the reasons for the deviation. In 2012, BillerudKorsnäs applied the Code in all respects, except for the following deviations. Prior to the 2012 Annual General Meeting (AGM), Board member Michael M.F. Kaufmann was chairman of the nomination committee and prior to the 2013 AGM, Mia Brunell Livfors has been appointed chairman of the nomination committee. This deviates from the rule in the Code that no board member shall act as chairman of the nomination committee. The deviations are in accordance with the

resolutions passed by the AGM in 2011 and 2012 regarding rules on composition of the nomination committee. According to these resolutions, the chairman of the nomination committee shall be the board member representing the largest shareholder. The resolutions are in the best interests of the Company and all shareholders, and a natural consequence of Michael M.F. Kaufmann's and Mia Brunell Livfors' association with the Company's largest shareholder at the time.

OWNERSHIP STRUCTURE AND SHARES

BillerudKorsnäs' shares are listed on NASDAQ OMX Stockholm. At year-end 2012, the total number of shareholders was 104 625, compared to 107 795 at the previous year-end. Every share carries an entitlement to one vote. The proportion of foreign ownership was 34.4% (48.6) of the number of shares in the market. Other groups of shareholders consist of private individuals

in Sweden, 25.9% (34.5), and legal entities in Sweden, 39.7% (16.9). Further details of the Company's shares, shareholders and the like are presented in the 2012 Annual Report, under "The BillerudKorsnäs share", and on the Company's website.

SHAREHOLDER MEETINGS AND RELATED MATTERS

Rules for shareholders' meetings

Under the Swedish Companies Act, the shareholders' meeting is the Company's ultimate decision-making body. Shareholders exercise their voting rights at the meeting. All shareholders entered in the share register on the record date who have notified the Company in time are entitled to participate in the meeting and vote for their total holdings of shares. Notice of shareholders' meetings will be posted on the Company's website and published as an advertisement in Post och Inrikes Tidningar. An announcement that the notice has been issued is published simultaneously

in Svenska Dagbladet. The AGM shall be held in Stockholm within six months from the end of the financial year. Normally, the AGM is held in April or May. The AGM decides on matters such as whether to adopt the Company's annual accounts, how to appropriate the Company's profit/loss and whether to discharge the members of the Board 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 compensation for the CEO and senior management team. Resolutions are usually passed at a shareholders' meeting by simple majority except in those cases when the Companies Act stipulates a higher proportion of shares represented and votes cast at the meeting. Resolutions passed at a shareholders' meeting are made public after the meeting in a press release, and the minutes of the meeting are published on the Company's website.

Annual General Meeting 2012

The 2012 AGM took place on 9 May 2012 at Hotel Rival, Mariatorget 3, Stockholm, and addressed matters customarily dealt with at the AGM. The AGM resolved inter alia to re-elect Board members Ingvar Petersson, Helena Andreas, Mikael Hellberg, Gunilla Jönson, Michael M.F. Kaufmann, Ewald Nageler and Yngve Stade. Lennart Holm and Jan Homan were elected as new regular Board members. The AGM also resolved to introduce a long-term incentive programme (LTIP 2012) and to authorise the Board take a decision on a transfer of its own shares.

Extraordinary General Meeting 2012

On 14 September 2012, an Extraordinary General Meeting (EGM) was held by reason of the combination with Korsnäs. The meeting resolved inter alia to approve the acquisition of Korsnäs and to authorise the Board to carry out new share issues relating to the transaction. The EGM also resolved to elect Hannu Ryöppönen (Chairman), Mia Brunell Livfors, Wilhelm Klingspor and Mikael Larsson as new ordinary Board members. The new Board members thus elected entered into office when the combination with Korsnäs was finally completed on 29 November 2012. On the same occasion, Ingvar Petersson, Helena Andreas, Mikael Hellberg, Ewald Nageler and Yngve Stade resigned from their positions. No other changes regarding the composition of the Board were proposed or approved.

The EGM also resolved to approve changes in Board fees.

Annual General Meeting 2013

The 2013 AGM will take place at 2 p.m. on 7 May 2013 at Hotel Rival, Mariatorget 3, Stockholm. A full text of the notice of the 2013 AGM, including details of how to register for attendance at the meeting, is posted on the Company's website.

Nomination committee

According to the Code, the Company is required to have a nomination committee, the main task of which is to prepare the AGM's decisions on elections and fees. The Company's AGM resolves on procedures determining how the members of the nomination committee are appointed and guidelines for the committee's work on drafting proposals to be considered at the next AGM. As required by these guidelines, the Chairman contacted the largest shareholders, after which a nomination committee was appointed. The nomination committee for the 2013 AGM consists of; see table below.

One task of the nomination committee is to produce proposals for Board of Directors and auditor, in the event that an auditor is to be appointed, as well as for fees for such persons, and proposals for a chairman for the AGM, prior to the 2013 AGM. Before the 2013 AGM, the nomination committee held physical meetings and kept contact by phone and e-mail. Shareholders have been welcome to submit proposals and opinions to the nomination committee by e-mail or mail. On the Company's website, a section for the nomination committee in the corporate governance area entitled "Nomination committee" provides information to shareholders regarding how they can submit proposals to the committee. No separate remuneration was paid to the Chairman or any other members of the nomination committee.

BOARD OF DIRECTORS

Composition

The articles of association stipulate that the Board of Directors of BillerudKorsnäs shall consist of at least six members and at most

ten members, with at most six deputies. Board members are appointed for one year at a time. At the EGM held on 14 September 2012 by reason of the combination with Korsnäs, it was resolved that the Board of Directors should consist of eight members elected by the Meeting, without deputies, to serve until the end of the next AGM. During the period until the next AGM, the Board of Directors shall consist of Hannu Ryöppönen (Chairman), Mia Brunell Livfors, Jan Homan, Lennart Holm, Gunilla Jönson, Michael M.F. Kaufmann, Wilhelm Klingspor and Mikael Larsson. In addition, the employee organisations have appointed two employee representatives to serve on the Board. These are Helén Gustafsson and Kjell Olsson with deputies Kurt Lindvall and Tobias Söderholm. Other than the employee representatives and their deputies, none of the Board members are employed by the Group. The composition of the Board meets the Code's requirements as to independence in relation to the Company, the Company's management and the Company's major shareholders. For more information on the independence of the Board members, their duties outside the Group and their holdings of shares in BillerudKorsnäs, see the section "Board of Directors" on pages 112-113. The Board of Directors has appointed the Group's Legal Counsel Andreas Mattsson as Board secretary.

Organisation of the work of the Board

The Board of Directors is the Company's highest administrative body below the AGM. The Board of Directors is charged with the organisation of the Company and management of the Company's affairs, ensuring that the Company's organisation is structured such that record keeping, asset management and the Company's financial affairs otherwise are supervised in a satisfactory manner and with assessing the Company's financial situation on an ongoing basis. The Board shall in the first instance focus its attention on general, long-term issues, as well as issues that are of an exceptional nature or of major importance to the Group and the Company.

The work of the Board follows written

COMPOSITION OF AND VOTING REPRESENTATION ON THE NOMINATION COMMITTEE

Representative	Shareholder	Share of voting power ¹
Mia Brunell Livfors, Chairman	Investment AB Kinnevik	25.1
Michael M.F. Kaufmann	Frapag Beteiligungsholding AG	15.7
Björn Franzon	Swedbank Robur funds	1.6
Frank Larsson	Handelsbanken funds	1.5

¹ As of 31 December 2012.



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 policies on finance and communications, as well as a policy covering quality, the environment and the community. The latter policy covers the Company's approach to ethical business conduct and the environment.

Work of the Board in 2012

During 2012 the Board held 18 meetings. The Board addressed, on an ongoing basis, strategic issues relating to the Company's operations and focus, potential acquisitions and follow-up of those completed earlier, investments above a certain level, and other matters. At the beginning of the year, the Board considered the year-end report and the annual accounts, as well as the issues that are to be submitted to the AGM. At the end of the year, the Board considered the budget for the year ahead. Every quarter, the Board reviews the Group's results and interim reports are approved for publication. Important issues that were in particular addressed by BillerudKorsnäs' Board of Directors in 2012 included the acquisition of UPM-Kymmene's packaging paper business and the combination with Korsnäs, and related integration issues. Furthermore, the Board attended to matters concerned with the continued development of new products and customer concepts in close cooperation with end customers, as well as growth, sustainability issues, cost savings, wood supply and strategy and brand building.

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

Of the total of 18 Board meetings held in 2012, 17 took place before the current Board took office on 29 November 2012. Gunilla Jönson, Ewald Nageler, Mikael Hellberg and Fredrik Nordström were absent at one of these 17 meetings, Yngve Stade and Stewe Cato were absent at two and Helena Andreas and Helén Gustafsson were absent at four meetings. Jan Homan, who was elected to the Board at the 2012 AGM, was absent at one meeting (excluding Board meetings before the AGM).

Other Board members were present at all Board meetings.¹ One Board meeting was held after the current Board took office on 29 November 2012. All Board members apart from Mia Brunell Livfors attended the meeting.

Assessment

BillerudKorsnäs has routines for assessing the work of the Chairman and members of the Board each year. The assessment serves as input for an action plan for improvements and as background to the nomination committee's work as they assemble a Board. The Board also continually evaluates the work of the CEO. Once a year an assessment is made of the CEO without the CEO being present.

BOARD COMMITTEES

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

AUDIT COMMITTEE

To support the Board in its role in supervising auditing issues, the Board has appointed a separate audit committee.

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

To ensure that the work of the Board and the audit committee is performed in a structured manner and to satisfy the Board's information requirements, the Company auditor reports directly to the Board and the audit committee on certain occasions. It continually reports the results of its work, in

the form of observations, recommendations and proposed resolutions and corrective actions, to the Board, which must make any decisions that result from the committee's work. The audit committee consists of members Mikael Larsson (Chairman), Lennart Holm, Jan Homan and Kurt Lindvall.

Work in 2012

The committee held five meetings in 2012. All committee members were present at these meetings. During the year, the committee addressed various accounting issues, the audit plan for 2012, risk analysis and internal control. The committee also met ahead of the publication of each interim report and the year-end report, when the members dealt with accounting and reporting issues related to the reports. At these meetings, accounting and reporting issues related to the reports were discussed. The chairman of the audit committee regularly reported to the Board on committee meetings. The Board's work on internal control related to financial reporting is summarised in "Internal control and risk management for financial reporting in 2012".

REMUNERATION COMMITTEE

The principal function of the remuneration committee is to prepare the Board's decisions on issues relating to compensation principles, compensation amounts and other employment terms for members of the senior management team, to monitor and evaluate programmes for variable compensation to the senior management team – ongoing and completed during the year – and to monitor and evaluate the implementation of guidelines and compensation to senior executives, compensation structures and compensation levels. More specifically, the committee's tasks include to propose a general policy on salaries, compensation and other employment terms generally within BillerudKorsnäs, and to approve the CEO's proposal for salaries and remuneration for the senior management team within the framework of the policy. The committee also makes proposals to the Board, which decides on the salary and other compensation for the CEO. The remuneration committee consists of members Hannu Ryöppönen (Chairman), Mia Brunell Livfors and Michael M.F. Kaufmann.

¹ Lennart Holm was elected to the Board at the 2012 AGM and attended all Board meetings after election to the Board.



Work in 2012

The committee held three meetings in 2012. Yngve Stade was absent at one meeting. Otherwise, all committee members were present at these meetings. In 2012, the committee considered actual variable salaries in 2011, and salary reviews for the senior management team in 2012. Further, the committee addressed the evaluation of the LTIP 2012 incentive programme and the structure of the LTIP 2013 incentive programme. The principles for remuneration to the CEO and other senior executives, as well as the actual figures, are contained in note 24 of the 2012 Annual Report.

INTEGRATION COMMITTEE

The board may also resolve that issues may be rendered by ad hoc committees dealing with specific matters and has due to the combination between Billerud and Korsnäs established an integration committee of temporary nature.

The integration committee comprises the members Lennart Holm (chairman) and Hannu Ryöppönen.

AUDITORS

The Company's auditors are appointed by the AGM. At the 2009 AGM, accountancy firm Ernst & Young AB, with lead auditor Lars Träff, was elected as the Company's auditor for the period until the end of the 2013 AGM. Lars Träff is an authorised public accountant and has experience of auditing at several other listed companies. Lars Träff is also currently serving as auditor on behalf of Boliden, PostNord, Lantmännen, the ÅF Group, Scania and Intrum Justitia.

The auditor's duties include keeping the Board informed regarding the planning, scope and content of the annual audit, auditing interim reports and the year-end accounts in order to assess their accuracy and comprehensiveness and compliance of the accounts with generally accepted

accounting practices and relevant accounting policies. Duties also include informing the Board about services provided over and above auditing services, the compensation for such services, and other circumstances affecting the independence of the auditors. To ensure that the work of the Board and the audit committee is performed in a structured manner, and to satisfy the Board's information requirements, BillerudKorsnäs' auditors met with the audit committee on four occasions and with the Board on one occasion in 2012.

CEO AND SENIOR MANAGEMENT TEAM

The CEO is responsible for the ongoing management of the Company's and Group's business operations in accordance with instructions established by the Board. The Board appoints the CEO. Per Lindberg is the Group's CEO and Christer Simrén was appointed Deputy CEO at the statutory Board meeting held on 29 November 2012. The CEO also chairs the senior management team and makes decisions in consultation with the other senior executives. On 29 November 2012, in connection with completion of the combination with Korsnäs, significant changes were made in the senior management team. The senior management team now consists of, in addition to the CEO and Deputy CEO, nine members, namely the Chief Financial Officer (CFO) and the Senior Vice Presidents for BillerudKorsnäs Forestry, Human Resources, Containerboard, Packaging Paper, Supply Chain Management & IT, Communication & Change Management, Business Support and Technology and Strategic Development. For further information about the members of the senior management team, see pages 110 - 111. After expiry of 2012, the former Senior Vice President Production, Per Bjurbom, has left his position in the senior management team.

The senior management team is responsible, within the framework of directives issued by the Board, for investment planning and follow-up, acquisitions and divestments, formulating and following up strategies and budgets, allocation of resources, supervising operational activities and preparations for Board meetings.

PRINCIPLES FOR COMPENSATION TO SENIOR MANAGEMENT

At the 2012 AGM, guidelines on compensation to senior management in the Group were adopted. The guidelines state for example that BillerudKorsnäs shall apply market-related compensation levels and employment terms that are appropriate in order to recruit and retain a senior management team with a high level of competence and capacity to achieve set goals. Compensation may be in the form of fixed or variable salary, long-term incentive programmes and other benefits such as company car and pension. Fixed and variable salary shall be determined in relation to expertise, area of responsibility and performance. Variable remuneration is paid depending on actual results measured against detailed targets, up to a maximum percentage of a fixed annual salary. The maximum percentage is between 30 and 45 percent. However, variable salary shall be paid only if the Company makes an operating profit. Notice of termination is normally 6–12 months, and if the Company gives notice severance pay shall be a maximum of 12 months' salary.

For the complete resolution on principles for remuneration, see note 24 of the 2012 Annual Report. The Board's proposal for guidelines in 2013 is presented in the Directors' report.

SENIOR MANAGEMENT TEAM

PER LINDBERG



CHRISTER SIMRÉN



UNO BRINNEN



LENNART EBERLEH



KARIN HÅGFELDT



SUSANNE LITHANDER



JOHAN NELLBECK



PER PERSSON



ULRIKA SPÅLS



MIKAEL WESTERBERG



MAGNUS WIKSTRÖM



PER LINDBERG

President and CEO

Education: MSc and PhD, Chalmers University of Technology

Year employed: 2005

Year born: 1959

Nationality: Swedish

Other assignments: Board member, Middlepoint AB

Background: President, Korsnäs AB EVP, Investment AB Kinnevik; Management and strategy consultant, Applied Value Corporation, US

Shareholding¹: 36 273

CHRISTER SIMRÉN

Executive Vice President, COO and Senior Vice President Consumer Board

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

Year employed: 2012

Year born: 1961

Nationality: Swedish

Other assignments: Chairman, Bomhus Energi AB and Vireo Energy AB, Board member, AB Geveko.

Background: President and CEO, Korsnäs AB and Wermland Paper AB. Member of Senior Management Group at Kinnevik. Chairman, Grycksbo Paper Holding AB.

Shareholding¹: 12 000

UNO BRINNEN

Senior Vice President BillerudKorsnäs Forestry

Education: MSc in Forestry, Swedish University of Agricultural Sciences, Umeå. Licentiate Degree in Forestry, Swedish University of Agricultural Sciences, Garpenberg.

Year employed: 2012

Year born: 1956

Nationality: Swedish

Other assignments: Board member, Future Position X Service AB, Svenska FSC and ACE, Brussels.

Background: Business Area Director, Forest, Korsnäs AB

Shareholding¹: 3 560

LENNART EBERLEH

Senior Vice President Containerboard

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

Year employed: 2001

Year born: 1969

Nationality: German

Other assignments: Board member, Paccess Packaging LLC

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

Shareholding¹: 6 000

KARIN HÅGFELDT

Senior Vice President Human Resources

Education: Human resources and occupational programme, Umeå University Executive MBA, Stockholm School of Economics.

Year employed: 2011

Year born: 1970

Nationality: Swedish

Other assignments: –

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

Shareholding¹: 3 000

SUSANNE LITHANDER

CFO

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

Year employed: 2011

Year born: 1961

Nationality: Swedish

Other assignments: Board member, Acando AB.

Background: President, Mercuri International Group. EVP, Head of Product Area Advise, BU Global Services, Ericsson AB. EVP Finance & Operational Development, BU Global Services, Ericsson AB. EVP, Business Operations, Ericsson Inc., TX, USA. EVP and General Manager, Head of Business Unit Private Radio Systems, Ericsson Inc., VA, USA.

Shareholding¹: 975

JOHAN NELLBECK

Senior Vice President Packaging Paper

Education: MSc Business Administration, Uppsala University Executive MBA, Mgruppen.

Year employed: 2006

Year born: 1964

Nationality: Swedish

Other assignments: Board member, CEPI Eurokraft and PaperImpact

Background: Sales Manager, Tele2 Stockholm; MD, AssiDomän Kraft Products Nordic Sales AB. Sales Manager, AssiDomän Scandinavia

Shareholding¹: 13 000

PER PERSSON

Senior Vice President Supply Chain Management & IT

Education: MSc Business Administration, Uppsala University

Year employed: 2012

Year born: 1951

Nationality: Swedish

Other assignments: Board member, Bomhus Energi AB.

Background: CFO, Korsnäs AB. Board member, Karskär Energi AB and ScanFibre Logistics.

Shareholding¹: 4 425

ULRIKA SPÅLS

Senior Vice President Communication & Change Management

Education: BSc, Planning Engineering/ Psychology Studies, University of Gävle. Senior Management Programme, International Institute for Management Development (IMD), Lausanne.

Year employed: 2012

Year born: 1973

Nationality: Swedish

Other assignments: Board member, BRC Utvecklingspartner AB and Föreningen Svenska Re.

Background: Director of HR at Korsnäs AB, with responsibility for communication and organisational development, HR and Talent Manager at Sandvik Materials Technology.

Shareholding¹: 3 046

MIKAEL WESTERBERG

Senior Vice President Business Support

Education: MSc Business Administration, Uppsala University MBA, University of Warwick.

Year employed: 2012

Year born: 1964

Nationality: Swedish

Other assignments: –

Background: Director of Strategic Planning and Sales Manager, Korsnäs AB.

Shareholding¹: 5 467

MAGNUS WIKSTRÖM

Senior Vice President Technology & Strategic Development.

Education: MSc Chemical Engineering and PhD and Senior Lecturer in Paper Technology, Royal Institute of Technology, Stockholm. Executive MBA, Mgruppen.

Year employed: 2006

Year born: 1963

Nationality: Swedish

Other assignments: Board member, Innventia AB

Background: R&D Director, Korsnäs AB; Research Manager, Korsnäs Development, Project Area Manager, Swedish Pulp and Paper Research Institute (STFI).

Shareholding¹: 5 000

¹ Own and related parties' shareholdings at 1 March 2013.

BOARD OF DIRECTORS

HANNU RYÖPPÖNEN

Board Chairman since 2012, chairman of the remuneration committee and member of the integration committee.

Education: MSc, Economics and Business Administration, Hanken School of Economics, Helsinki.

Year born: 1952

Nationality: Finnish

Other assignments: Chairman, Hakon Invest AB and Altor Private Equity Funds. Board member, Novo Nordisk A/S, Amer Sport Corporation Oyj and Value Creation Investments Ltd.

Background: CFO and EVP, Stora Enso Oyj and Royal Ahold, CFO IK Investment Partners and the IKEA Group. Board member, Korsnäs AB, Neste Oil OYJ and Rautaruukki OYJ.

Shareholding¹: 8 960

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



MIA BRUNELL LIVFORS

Board member since 2012 and member of the remuneration committee.

Education: Economics, University of Stockholm

Year born: 1965

Nationality: Swedish

Other assignments:

President and CEO, Investment AB Kinnevik. Chairman, Metro International S.A.

Board member, Tele 2 AB, Millicom International Cellular S.A., Modern Times Group MTG AB, Efta Attling Stockholm AB, H&M Hennes & Mauritz AB and CDON Group AB.

Background: Various management positions in Modern Times Group MTG AB, Board member, Korsnäs AB.

Shareholding¹: -

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



LENNART HOLM

Board member since 2012, member of the audit committee and chairman of the integration committee.

Education: MSc Chemical Engineering, Chalmers University of Technology MSc Business Administration, University of Gothenburg.

Year born: 1960

Nationality: Swedish

Other assignments: Chairman, Vida AB, Nexam Chemical AB, Vigmed Holding AB and Chamber Tech AB. Board member, BioMass C Holding AB, Nattaro Labs AB, Hempel A/S, Lahega Kemi AB and Croviva Invest AB. Deputy Chairman of SOS Children's Villages, Sweden.

Background: Chairman and President of the Perstorp Group, worked for Stora Enso and partner at PAI Partners SAS.

Shareholding¹: -

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



JAN HOMAN

Board member since 2012 and member of the audit committee.

Education: Economics, University of Vienna.

Year born: 1947

Nationality: Austrian

Other assignments: Chairman, Constantia Flexibles Group. Board member, Allianz Elementar Versicherungs AG,

Erste Group Bank AG and Slovenska Sportelna. President, European Aluminium Foil Association and Flexible Packaging Europe.

Background: President, Constantia Flexibles Group and President, Constantia Teich Group.

Shareholding¹: -

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



GUNILLA JÖNSSON

Board member since 2003

Education: MSc and PhD in Mech. Eng. and Transport Technology, Chalmers University of Technology.

Year born: 1943

Nationality: Swedish

Other assignments: Senior Professor in Packaging Logistics, Lund University Faculty of Engineering LTH. Chairman,

International Institute for Industrial Environmental Economics. Vice Chairman, Chalmers University of Technology. Board member, SIK, Invest in Skåne AB, Packbridge AB (svb), CIT and Blekinge Institute of Technology.

Background: Dean, Lund University Faculty of Engineering LTH. Various directorships and other positions in SCA Packaging. Research Director, Swedish Packaging Research Institute, Stockholm.

Shareholding¹: 3 528

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



MICHAEL M. F. KAUFMANN

Board member since 2005 and member of the remuneration committee.

Education: MBA at the Universities of Stuttgart and Erlangen-Nürnberg

Year born: 1948

Nationality: Austrian

Other assignments:

Chairman and President, Frapag Beteiligungsholding AG.

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

Shareholding¹: 9 500

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



¹ Own and related parties' shareholdings at 1 March 2013.

WILHELM KLINGSPOR

Board member since 2012.

Education: Degree in Forestry, Swedish University of Agricultural Sciences, Skinnkatteberg, and studies in Economics.

Year born: 1962

Nationality: Swedish

Other assignments: Board member and President, Hellekis Säteri AB. Board member, Investment AB Kinnevik, Handelsbanken in Lidköping, Utvecklingsaktiebolaget Ullersbro and Apotek Vita Hästen AB.

Background: Board member, Korsnäs and assignments in the Kinnevik Group.

Shareholding¹: -

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



MIKAEL LARSSON

Board member since 2012 and chairman of the audit committee.

Education: MSc Business Administration, Uppsala University

Year born: 1968

Nationality: Swedish

Other assignments: CFO, Investment AB Kinnevik; Board member, Transcom WorldWide S.A. and Bergvik Skog and most roles in the Kinnevik Group.

Background: Several assignments in the Kinnevik and Korsnäs Groups.

Shareholding¹: 3 000

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



HELÉN GUSTAFSSON

Employee Representative, PTK, since 2010.

Education: MSc Chemical Engineering, Institute of Technology, Linköping University.

Year born: 1971

Nationality: Swedish

Other assignments: Production Technician/Personnel Supervisor, Billerud Skärblacka AB.

Background: -

Shareholding¹: 517

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



KJELL OLSSON

Employee Representative, Swedish Paper Workers Union, since 2012.

Year born: 1959

Nationality: Swedish

Other assignments: -

Background: -

Shareholding¹: 45

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



KURT LINDVALL

Deputy Employee Representative, Swedish Paper Workers Union, since 2001 and member of the audit committee.

Year born: 1951

Nationality: Swedish

Other assignments: -

Background: -

Shareholding¹: -

Independent/Not independent:

Independent of the Company's management and major shareholders, not independent of the Company (employed by Company).



TOBIAS SÖDERHOLM

Deputy Employee Representative, PTK, since 2012.

Education: MSc Chemical Engineering, Chalmers University of Technology.

Year born: 1975

Nationality: Swedish

Other assignments: Development Engineer, BillerudKorsnäs Frövi.

Background: -

Shareholding¹: -

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



¹ Own and related parties' shareholdings at 1 March 2013.



INTERNAL CONTROLS AND RISK MANAGEMENT FOR FINANCIAL REPORTING IN 2012

The report on internal control related to financial reporting for financial year 2012 was prepared and submitted by the Board in compliance with the Swedish Code of Corporate Governance and the guidelines drawn up by FAR SRS and the Confederation of Swedish Enterprise and through the application of the instructions for 2007 issued by the Swedish Corporate Governance Board. The report describes how internal control related to financial reporting is organised. This year's report is presented below.

INTERNAL CONTROL

BillerudKorsnäs has set the following goals for its internal control.

1. Compliance with regulations

Internal control shall ensure that BillerudKorsnäs complies with applicable laws and regulations.

2. Financial reporting

Internal control shall ensure that BillerudKorsnäs' financial reporting is reliable and provides managers, the Board and shareholders with information adequate for assessing the Company's performance and development.

3. Operational activities

Internal control shall ensure that the Company's operational activities are effective, efficiently organised and performed in such a way that the risk of the business not achieving its financial and operational targets is assessed and dealt with continually. To achieve these goals, work is carried out in a process based on the framework for internal control. The process pays special attention to ensure that the application of internal controls achieves a balance between the control activities and the development of an effective control environment with individual accountability throughout the organisation.

PRIORITY AREAS IN 2012

Financial year 2012 was characterized by the integration process and handling risks in the financial reporting that arose in conjunction with the acquisition of the two Finnish production units, as well as the combination with Korsnäs.

During the second half of 2012 a short-term service agreement with UPM handled the transition to the BillerudKorsnäs IT environment for order processing and operations in the Finnish production units. A

strong focus was placed on ensuring proper management of the settlement between the companies and successful migration to an independent IT environment for BillerudKorsnäs was achieved in the fourth quarter. Preparations to incorporate Korsnäs into the financial reporting also took place during the second half of the year to ensure compliance with common accounting policies during consolidation.

In addition to the constant efforts to make improvements in the production units, some major projects were carried out during the year, including initiatives to reduce operational risks. In an energy and environmental project at Skärblacka, dependence on external energy will be reduced through more efficient processes. The project entails an investment of about SEK 900 million. An efficiency enhancement project in Karlsborg is aimed at reducing the unit's vulnerability and improving competitiveness.

EXTERNAL FINANCIAL REPORTING

The following report has been prepared in accordance with the Swedish Code of Corporate Governance and current instructions to the Code and constitutes the Board's report on internal control for financial reporting. The purpose of internal control for financial reporting is to provide suitable safeguards as to the reliability of external financial reports in the form of interim reports, year-end reports and annual reports and to ensure that external financial reports are prepared in compliance with all laws, applicable accounting standards and other requirements on listed companies.

Control environment

Solid internal control is fundamental to the proper functioning of the Board. The rules of procedure for the Board and Board committees as well as the instructions for the CEO are intended to establish a clear divi-

sion of roles and responsibilities that will facilitate the efficient management of risks identified in operations. The Board has also established a series of fundamental policies significant to internal control activities, such as accounting and reporting instructions, a finance policy and financial goals, and has adopted a suitable organisation, including the Company's senior management team.

The senior management team reports regularly to the Board based on predetermined procedures. In addition, reports come from the audit committee. The senior management team is responsible for ensuring that internal control is implemented as necessary to manage significant risks in day-to-day activities. This includes guidelines for how the individual employee shall understand his or her role in maintaining good internal control.

Risk assessment and control activities

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

For information regarding financial risk and important items subject to appraisal and assessment, please see the section Risk management and sensitivity analysis and note 32 in the 2012 annual report.

Information and communication

Key guidelines, manuals and the like that are significant to financial reporting are kept up-to-date and communicated continually to the staff involved. Both formal and informal information channels carry important information from staff to the senior management team and the Board. Guidelines for external communication ensure that the Company meets the strict requirements on accurate information for financial markets.

CONTROL ENVIRONMENT

- The Board adopts**
- Accounting and reporting instructions
 - Finance policy
 - Financial goals
 - CEO and senior management team

Monitoring

The audit committee prepares information that the senior management team and auditors submit prior to the Board's assessment. The audit committee's tasks include ensuring, on behalf of the Board, that actions are taken concerning the errors and proposed actions identified in the external audit.

Internal audit

Considering the monitoring performed by the accounting and controller organisation and the organisation for internal control, the Board has decided that a special internal audit or review function is not necessary at present.



AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT

To the annual meeting of the shareholders in BillerudKorsnäs AB (publ), corporate identity number 556025-5001.

The Board of Directors is responsible for the corporate governance report for the year 2012 on pages 106–115 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance report and based on that reading and our knowledge of the Company and the Group, we believe that we have a sufficient basis for our opinion. This means that our statutory examination of the corporate governance report is different and substantially smaller in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

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

Stockholm, 13 March 2013
Ernst & Young AB

Lars Träff
Authorised Public Accountant