

SUSTAINABILITY REPORT 2015

**WE CHALLENGE
CONVENTIONAL
PACKAGING FOR
A SUSTAINABLE
FUTURE**



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BillerudKorsnäs' renewable packaging material is a climate-friendly alternative capable of replacing plastic, glass and metal. We are constantly working to minimise our total emissions of greenhouse gases throughout the value chain – from influencing suppliers, investing in energy-efficient technology, developing smarter working methods and phasing out fossil energy to develop strong and light packaging solutions that enable efficient logistics and protect goods all the way to the consumer.

We are part of the solution.

**PAPER AND
BOARD
CUT CLIMATE
IMPACT**



BillerudKorsnäs' Sustainability Report combines with its Annual Report and Annual Review to form the Group's comprehensive reporting for 2015. The Sustainability Report follows the guidelines of GRI G4. The Swedish original copy of the report is verified by external auditors and translated into this English version.

INTRODUCING BILLERUDKORSNÄS

BillerudKorsnäs is a **world-leading producer of high-quality paper and board for packaging.**

Smart, innovative solutions create added value for customers. With a clear strategy, efficient production, committed employees and innovation, we create the packaging solutions of tomorrow today.

Large and small customers worldwide

The company operates in the global packaging market. Our 2 000 customers are packaging manufacturers, brand owners and large retail and supermarket chains in 100 countries. Through close collaboration with customers, customers' customers and strategic partners all over the world, we take responsibility through every step of the value chain and are able to offer a customised, broad and innovative product portfolio.

Products that create value

Our materials and packaging solutions are used in the segments Food & Beverages, Consumer & Luxury Goods, Medical & Hygiene and Industrial, where consumer segments account for 74% of the company's net sales. The food sector is the largest, where our strong and clean materials help to protect, and preserve flavour and nutrients in various types of packaging which

often has to cope with long, demanding distribution. They also add value and strengthen the brand in consumer and luxury packaging, where grades with good printing capabilities are appreciated. In industry our smart solutions help to optimise customers' processes, improving resource-efficiency.

Growing market in Asia

Demand is driven by global megatrends, such as increased world trade, urbanisation, digitalisation and a greater focus on sustainability. While Europe remains our main market, we are gradually strengthening our presence in growth markets, primarily in Asia but also in Africa and the Middle East. The company has sales offices in 15 countries: China, France, Germany, India, Indonesia, Italy, Singapore, South Africa, Spain, Sweden, Thailand, Turkey, United Arab Emirates, United Kingdom and the USA. New offices were opened this year in Istanbul (Turkey) and Durban (South Africa).

Resource-efficient production

Paper, board and pulp are produced at eight production units in three countries, with approximately 90% manufactured at the integrated Swedish units in Gävle, Gruvön, Frövi/Rockhammar, Skärbläcka and Karlsborg. Other production takes place in Pietarsaari and Tervasaari (Finland) and in Beetham (UK). The raw material is primary fibre from wood from responsible forestry in the Nordic and Baltic countries.

Listed company

BillerudKorsnäs AB was formed in 2012 with the merger of Billerud AB and Korsnäs AB. The company is listed and traded on the Large Cap list of Nasdaq Stockholm. The head office is in Solna, Sweden.

2015 IN FIGURES

Net sales: SEK 21.8 billion (20.9)
Operating profit: SEK 2.6 billion (1.9)
Number of employees: 4 212 (4 246)
Products sold: 2.7 million tonnes paper and board (2.7)

THREE BUSINESS AREAS¹

Packaging Paper 39% (39%)
Consumer Board 37% (36%)
Corrugated Solutions 15% (15%)

FOUR MARKET SEGMENTS¹

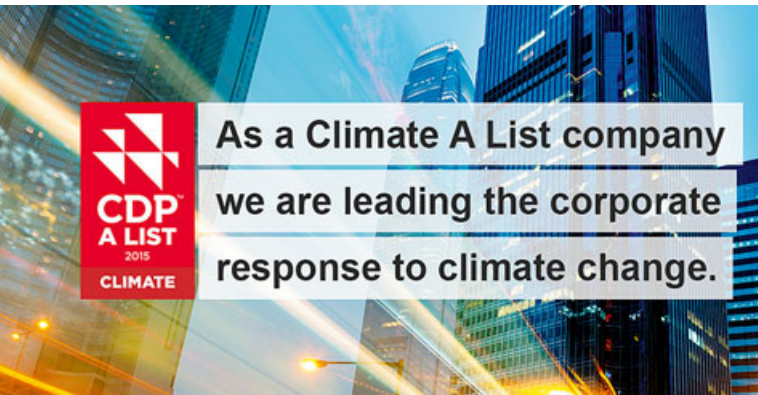
Food & Beverages, 59% (59%)
Industrial 26% (25%)
Consumer & Luxury Goods 9% (10%)
Medical & Hygiene 6% (6%)

INTERNATIONAL COMPANY¹

Europe 73% (73%)
Asia 17% (16%)
Africa 4% (5%)
Middle East 3% (3%)
South America 2% (2%)
Other 1% (1%)

¹ Share of group net sales

KEY EVENTS 2015



World-class at climate

BillerudKorsnäs was the only Swedish company and the only company in the forest industry to receive recognition for its wide-ranging work on the climate with a place on CDP's A List. The list of companies demonstrating global leadership in climate improvement measures is compiled on behalf of 822 institutional investors that manage EUR 86 000 billion in funds.

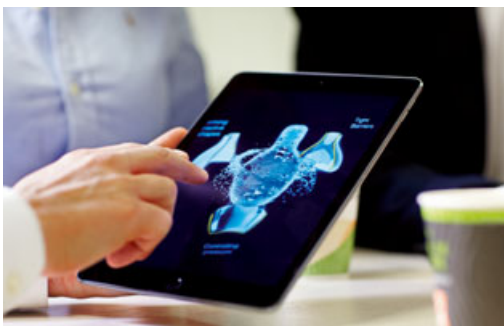
WELL DESIGNED D-SACK WINS MULTIPLE AWARDS

The D-Sack cement sack literally disappears in the cement mixer. The sack creates various added value for the customer: increasing profitability, improving efficiency for the user, eliminating waste and improving health and safety. It was launched in spring 2015 and has already won several awards. BillerudKorsnäs produced the sack in partnership with construction material company Lafarge-Holcim.



The EU gets tougher on plastic

The problem of dumping plastic is gaining increasing attention. Within the EU a decision was passed to reduce the use of thin plastic bags. The goal is to cut usage from 198 to 90 bags per person per year by 2019. **Paper bags are a more sustainable alternative to plastic bags. BillerudKorsnäs is an important European producer of materials for paper bags.**



Major focus on green innovation

BillerudKorsnäs' long-term focus on innovation and green material technologies continued. The organisation took on seven researchers with PhDs, paving the way for major innovative advances in technology.



TOP RATED BY EcoVadis – AGAIN

For the second consecutive year BillerudKorsnäs was awarded a Gold rating by EcoVadis, a system for annual evaluation of the sustainability at about 20 000 suppliers to global companies. This sees us ranked as one of the top 150 companies in the industry, and in the top 2% of evaluated companies across all sectors.

EVEN STRONGER FLUTING PRODUCES LIGHTER CORRUGATED BOXES



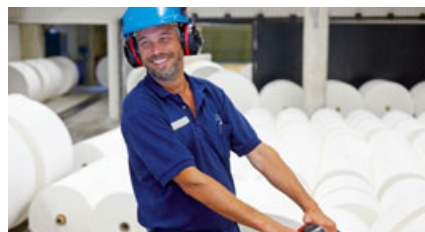
New Billerud Flute®, a fluting made from 100% primary fibre from Nordic birch, was launched. The fluting is ideal for corrugated boxes for fruit, vegetables and heavy goods, and is capable of replacing wooden and plywood crates. The strong material optimises packaging weight without compromising on strength, function or capacity.

GLOBAL CLIMATE AGREEMENT REACHED – AND A FOCUS ON THE ROLE OF THE OCEANS

At the end of the year, the world's decision-makers met in Paris and agreed a historic global climate agreement which exceeded expectations. BillerudKorsnäs was there with partner Tara Expeditions, who carried out several activities focusing on the importance of the oceans for the climate. Tara attracted visitors including UN Secretary-General Ban Ki-moon and a number of ministers from different countries.



Photo: J. Girardot



SPECIALIST TEAM IMPROVES WORK ON SAFETY

The work on safety was strengthened and coordinated. A permanent cross-functional team was created to accelerate work to build safety at workplaces, make better risk assessments and improve safety culture. A new health and safety policy was also drawn up. **The vision is zero work-related injuries with sick leave.**

BillerudKorsnäs' emissions of fossil
CO₂ per
tonne of paper,
board and pulp
produced fell by

9%
in 2015

MAJOR INVESTMENT CUTS EMISSIONS IN THE BALTIC SEA

Several major investments were made to improve efficiency, increase production, improve quality and reduce environmental impact. One of these was an investment of **SEK 450 million in Gävle, including a new pre-sedimentation basin**, which has had a major impact in cutting BillerudKorsnäs' emissions of nutrients to the Baltic Sea.





THE CEO ANSWERS EIGHT QUESTIONS

BillerudKorsnäs' mission is **to challenge conventional packaging for a sustainable future.**

Work on sustainability is part of the strategy for achieving it.

President and CEO Per Lindberg answers the main questions.

What are BillerudKorsnäs' strategic priorities and key issues in sustainability?

I would like to begin by saying that 2015 was a year in which sustainability issues were in the global spotlight in many ways. Examples of this include the agreement reached at the climate summit COP21 in Paris, the UN's new Sustainable Development Goals, the attention paid to plastic in the oceans and of course major social emergencies. Our operations are affected by global events and we need to have an approach to this.

Overall we therefore want to increase the positive and reduce the negative impact that our operations can cause. This means that we want to increase customer value and our positive contribution to social development, while also working to ensure that any negative environmental impact is as minimal as possible.

We think that our products and solutions contribute towards a more sustainable world. We challenge and can replace solutions that build on non-renewable materials. We want to strengthen our customers' business through our knowledge of sustainable packaging solutions. This is why we are increasingly approaching brand owners, in order to be able to meet their packaging needs with more sustainable alternatives. We are establishing ourselves in more mar-

kets to make sure we are on the spot where our customers and needs are. This increases our positive impact.

In our production we continue to reduce the negative environmental impact, especially in terms of emissions and fossil energy. In the long term we strive to be entirely fossil free. When it comes to wood raw material, we will naturally continue to comply with legislation, and the requirements set by certification systems and many of our stakeholders. We must constantly demonstrate that our wood raw material is an excellent basis for the products we produce. In the social sphere we will be putting a great deal of work into skills development and improving diversity. We primarily see diversity as related to experience and skills rather than based on skin colour or gender. This is as it has to be.

Our good performance enables us to continue investing to further improve the company's sustainability performance. One example is the major investments in water treatment made in Gävle during the year.

What are the most important trends affecting the company and sustainability priorities?

One major trend is greater awareness of sustainability among end users. This means a big competitive advantage for our packaging material. Investing in work on concepts and development will see us reaching new customer

groups. Here we are now also seeing this trend starting to be supported by legislation, e.g. phasing out thin plastic carrier bags. In the international packaging market, demand is driven by trends such as globalisation, urbanisation and digitalisation, e.g. e-commerce.

The most important events in 2015 for the company?

We delivered what we promised: achieved our profit targets, continued integration, made advances in the market and saw good results in the development portfolio. The company is strong and the mood is good. Our work is achieving recognition in different markets, among customers and investors alike. The brand is gradually being strengthened. We achieved external recognition for our climate work with a place on CDP's A List, the world's biggest system for companies reporting what they do to reduce greenhouse gas emissions. We're in the top ranking of companies that demonstrate global leadership in climate work. This is entirely in line with how we must be seen as a company. Put simply, this has been a very successful year.

The biggest successes and setbacks during the year?

The fact that the company is strong is the single greatest success. When it comes to setbacks, we had production problems

linked to our major refit. The production units are complex systems and it is hard to get normal production up and running quickly. It has taken longer than we originally estimated. We have not yet managed to get our work-related accident rate down as low as we are aiming for, but we have started very important work to ensure that we manage to do so.

How do you view the company's results compared with the targets set?

The company achieved all of its financial targets and the dividend target. The weak Swedish krona was a boost, and that has to be taken into account in the evaluation. Looking at the sustainability targets, we made progress on most of them. In 2015 we won several awards for our work on sustainability. We also climbed up a number of rankings on being an attractive employer. All in all, I cannot be anything other than extremely satisfied with our performance.

In the future we must also assess how the UN's Sustainable Development Goals can be introduced and followed up in our operations where appropriate. We have also signed up to the Science Based Targets initiative to make sure that our greenhouse gas emissions targets are in line with what is required, according to researchers, to halt the global temperature rise.

What do the company's main challenges and targets look like in the short and long term respectively?

Our overall objective for 2016 and forwards is profitable growth of 3–4% a year. The ambition is to reach that goal irrespective of the economic or currency situation. In the longer term we are sticking with our new financial targets and our ambitions in sustainability and innovation. We are well aware that we can't do everything all by ourselves, which is why we enter into research partnerships and work with others in these areas. One example is our involvement in financing the French research organisation Tara Expeditions to help raise awareness of the spread and impact of plastics in the oceans.

Other areas concerning the company's strategic focus?

We emphasise three things: 1) Establishing ourselves on growth markets with our own staff and technical resources. With Europe as our domestic market, we are growing in the arena outside Europe, where markets are demonstrating high growth. 2) Expanding in the value chain by approaching brand owners directly. 3) Investing major resources in innovation, where much is to do with changing customers' expectations around what a company in our industry can do and deliver in packaging materials and solutions.

BillerudKorsnäs has signed up to and reports to the UN Global Compact. How does the company view this and other overall initiatives?

We have chosen to support the UN Global Compact because their principles reflect how we as a company and as employees approach human rights, labour conditions, the environment and corruption. There are many different systems for the company's work on sustainability, but we attempt to focus on those that we see create value for us and our stakeholders. This helps to ensure that we are transparent and credible in our communication on what we are actually doing – that is what counts.

Solna, March 2016



Per Lindberg, *President and CEO*

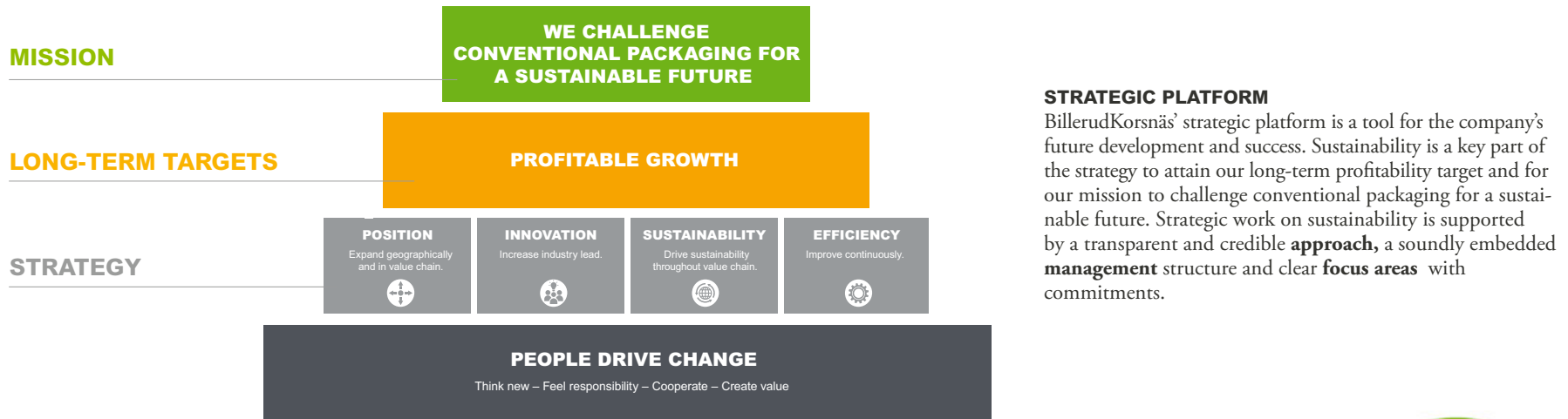


We improve
our customers'
business through our knowledge of
sustainable packaging
solutions

”

OUR APPROACH TO SUSTAINABILITY

The world is changing more quickly than ever before. As international trade grows and creates economic development for more and more people, pressure on the earth's resources increases. Today's climate change is probably the greatest challenge the planet has ever faced: **More sustainable development is essential.**



APPROACH

Our approach is to be based on the following:

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

MANAGEMENT

The Board is ultimately responsible for BillerudKorsnäs' work on sustainability. Within the business, overall responsibility rests with the CEO and Senior Management Team. Operational responsibility for sustainability is held by the Senior Vice President Communication & Sustainability and the Sustainability & Public Affairs department, which carries out the work of introducing common goals, launching activities and following up results. This work is supported by the Sustainability



Council, comprising representatives of business operations, production, HR, communication, forestry and legal issues.

FOCUS AREAS

Our work on sustainability focuses on three areas: creating greater customer value, contributing towards a sustainable and bio-based society, and taking responsibility throughout the value chain. We have made six commitments to achieve this. These will also see us maximising BillerudKorsnäs' positive contribution towards a sustainable future, while minimising the negative impact of our operations.

Commitment 3

Improve our customers' business using our knowledge on sustainable packaging solutions, [page 22](#)

Commitment 4

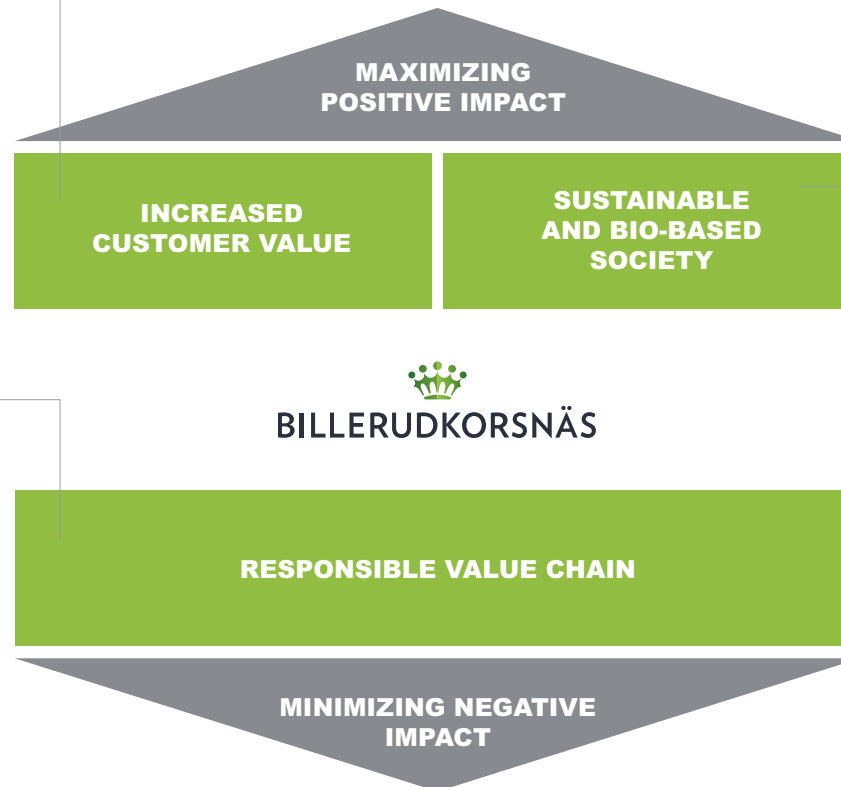
Through innovation expand the market of renewable packaging materials, [page 26](#)

Commitment 1

Promote responsibility from raw material supply and production to recycling, [page 12](#)

Commitment 2

Provide engaging workplaces where safety, diversity and human rights are a priority, [page 18](#)



Commitment 5

Combat climate change throughout the value chain, [page 30](#)

Commitment 6

Generate value for society through collaboration, both locally and globally, [page 34](#)

CHALLENGES

The global challenges are huge and we need to work together across society to attain sustainable development. Our own business is affected in many ways by the major global changes taking place, which means that the company's position has to be adapted and strengthened. We are mainly doing this by offering renewable materials and innovative solutions for the global packaging market – while taking responsibility throughout the value chain and contributing towards the development of society.

Socio-economic changes

The major global trends of today, such as population growth, urbanisation, economic development, living conditions, social stability and consumption patterns, influence the entire business environment. For BillerudKorsnäs many of these changes open up great opportunities, but they also pose challenges. Our challenge is to develop materials, packaging solutions and business operations that see us capable of meeting needs in the face of very different circumstances today and in the future.

International operations

These days, trade in goods and services is global. Global trade has grown dramatically in the past two decades. An increase in trade means more goods that have to be packaged. It also means that distances are increasing and that differences in business culture, legislation and other factors are growing. The challenge for an increasingly international BillerudKorsnäs is to ensure that business processes work in the best possible way in every imaginable situation.

Climate change

Climate change is a fact. Some effects of this are more frequent extreme weather conditions with major floods and severe drought as a result – effects that have an impact on the natural world and communities. It is now clear that if many people are affected, this leads to major social problems and tensions. For BillerudKorsnäs the challenge lies in doing our bit towards the large amount of work that it will take to cut greenhouse gas emissions.

Scarce resources

Access to the world's resources is under strain. The world's population is growing and there is a great need for better living conditions in many parts of the world. Resource-efficiency is important for financial and environmental reasons. In sustainable forestry, natural resources must be managed such that ecosystem services work and biodiversity is maintained. BillerudKorsnäs' challenge lies in handling resources responsibly and sensibly, in parallel with profitable growth.

PART OF THE SOLUTION

BillerudKorsnäs is found across the globe – via our products, customers, suppliers, partners and employees. **We wouldn't like to boast, but we are entirely convinced that we can help to solve some of the many challenges that the world faces today.**

WE ARE WORKING FOR

• SUSTAINABLE FORESTRY

Our wood raw material comes from well managed forests and is of controlled origin, where attention is paid to economic, environmental and social aspects. The forests are regenerated and total growth is greater than the amount harvested. The conservation value is assessed and careful planning is carried out before harvesting to ensure that care is taken. We are increasing the amount of certified raw materials in our products in line with customer demand and we help private forest owners to gain certification.

• REDUCED CLIMATE IMPACT

Packaging made from the company's paper and board is better from a climate point of view than the equivalent from plastic¹. It can be recycled five to six times, after which it can be turned into energy. The amount of carbon dioxide sequestered by the forests in Sweden is equivalent to the majority of all fossil emissions in the country².

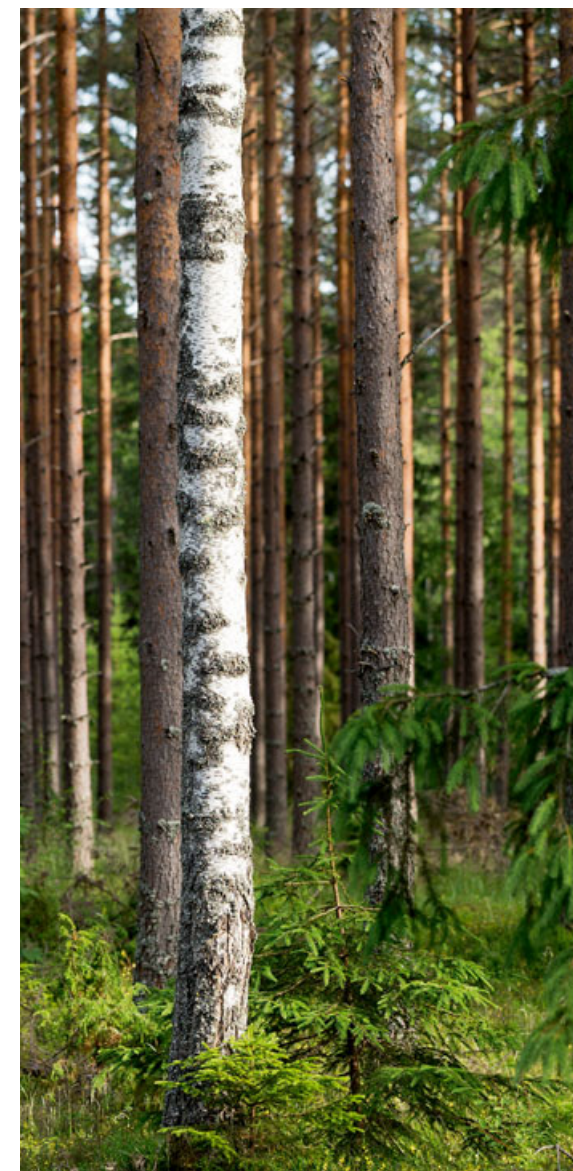
We are constantly working to cut our own emissions of greenhouse gases by investing in new energy-efficient technology, developing working methods, phasing out fossil-based energy and reviewing our transport. Our suppliers are also encouraged to make changes. Our materials produce strong and light packaging solutions that enable efficient logistics right down to the consumer, so reducing climate impact.

• BETTER FOOD FOR MORE PEOPLE

We work with our customers to develop smart packaging solutions for a number of different foods, which improve shelf-life and protect the food from external stresses throughout the value chain – from food producer to consumer. One example is the packaging Tetra Recart® where the food is sterilised inside the packaging itself. We thus help to reduce the squandering of resources caused by food being destroyed due to poor packaging. Many people who currently lack access to high-quality food – due to a lack of good refrigeration opportunities and effective distribution chains – can now also gain access to higher quality food.

• LESS DUMPING OF PLASTICS IN THE OCEANS

Plastic waste is a major problem for the world's seas. Each year 6.4–8.0 million tonnes of plastic rubbish is washed into the ocean³. Plastic products and bits of plastic cause direct damage when eaten by birds and mammals. It is not yet completely clear how plastic, which does not readily degrade, affects seas, animals and people in the longer term. BillerudKorsnäs is working with Tara Expeditions to help find out. As Europe's largest producer of paper for carrier bags, we offer a good alternative, especially now that the EU has decided to severely limit the use of plastic carrier bags.



Renewable wood raw material is the basis of our contribution towards solutions to today's challenges.

¹ Life cycle assessment, Report U5052, IVL, 2015 ² <http://www.naturvardsverket.se/Sa-mar-miljon/> ³ Tara Expeditions, 2015, and World Economic Forum, Ellen MacArthur Foundation and McKinsey & Company, The New Plastics Economy – Rethinking the future of plastics, 2016

THE VALUE CHAIN



The value chain of which BillerudKorsnäs is part starts with **extraction of natural resources, primarily wood raw material**. Via transport and **our own production of packaging material**, the material is passed on to customers to produce packaging. After final use and recycling, **the material is returned to the value chain as recovered fibre**. The company works with many actors in this chain to create added value. The impact covers the entire field of sustainability and takes place in many locations worldwide. The actors in the value chain are taking clear steps towards a circular economy.

RAW MATERIALS

Forestry

BillerudKorsnäs has a stake in and wood delivery agreements with the forest ownership company Bergvik Skog AB, has a wholly-owned timber purchasing subsidiary in the Baltic countries, carries out services for forest owners and buys in pulpwood for production. Impact primarily concerns the management of forest land and the way in which conservation value is taken into account, but greenhouse gas emissions also arise in conjunction with harvesting and forestry. At the same time large net amounts of carbon dioxide are captured through tree growth. Social aspects for employees in companies and for local communities must also be addressed.

Purchased wood raw material

Our production is based on primary fibre from the Nordic and Baltic countries. All wood raw material comes from responsibly managed forests certified under the standards FSC® or PEFC™ Forest Management or is controlled origin under FSC® Controlled Wood and the clauses on Controlled Sources in PEFC™ Chain of Custody. Wood raw material is purchased from forest owners, sawmills and other forest companies.

Purchased pulp

Our Swedish production units, which run integrated production of both pulp and paper, use only small amounts of external pulp. In Finland and the UK, production is solely based on external pulp, which produces emissions to air and water and consumes inputs in the preceding phase.

Purchased chemicals

Producing paper, board and pulp demands chemicals based on natural resources. Large amounts of fossil fuels are often used in the production of these chemicals.

Purchased energy

The energy mix varies between the production units but in total, self-generated biofuels account for approximately 80% of all energy consumption (page 31). On top of this, approximately 10% of biofuel is purchased externally, plus electricity, steam and a small proportion of fossilfuel. Higher consumption of self-generated and purchased biofuels reduces purchasing of other types of energy from external producers, which also reduces greenhouse gas emissions.

Transport

BillerudKorsnäs works with suppliers and transport companies to ensure that raw materials are transported as cost-effectively and with as little environmental impact as possible. We are part-owners of a rail system with a number of loading terminals for long-distance wood transport in Sweden. Development work is in progress to improve efficiency with heavier loads and lower fuel consumption in road transport, but emissions of greenhouse gases and other substances remain high during transport.

PRODUCTION OF PAPER, BOARD & PULP

Research and development

BillerudKorsnäs puts considerable resources into product development and innovation, work that often takes place in partnership with customers, brand owners and partners. Supported by our own laboratories, we develop optimal packaging solutions for different materials, designs and functions – minimising resource consumption, enabling more efficient logistics and facilitating recycling.

Manufacture

The production of paper, board and pulp is the step in the value chain where our direct impact is greatest of all, linked to the num-

ber of employees and material consumption. This takes place at our quality and environmentally certified production units in Sweden, Finland and the UK. Major investments are being made to increase capacity, improve quality and reduce environmental impact, in parallel with proactive work on ongoing improvements. This involves consumption of resources, emissions to air and water, and economic and social impact for employees, local communities and other stakeholders.

PRODUCT DISTRIBUTION

Transporting paper and board out to customers and on to consumers requires good teamwork throughout the logistics chain. As with raw materials, BillerudKorsnäs works with transport companies to ensure that the products are transported as cost-effectively and with as little environmental impact as possible, e.g. by increasing the proportion of transport by rail and sea. During 2015 BillerudKorsnäs was part-owner of a rail system with terminals in Europe to ensure safe and efficient transport solutions. A decision has been made that the rail system is to be wholly owned by BillerudKorsnäs during 2016. Long distances and the fuels available today mean that distribution causes relatively high emissions to air.

CUSTOMERS

BillerudKorsnäs' customers – packaging manufacturers, brand owners and large retailers and supermarket chains – are in the international packaging market. A local presence via sales offices strengthens the company's offering and improves service. Products and services are evaluated by customers on an ongoing basis. Many of them require specific information on sustainability performance in order to strengthen their own value chain and the end product.

We therefore keep these customers updated with transparent information, either directly or via external analysts and reporting systems.

CONSUMERS

Consumers encounter BillerudKorsnäs' paper and board everywhere. at work, in shops, at home or in the pizzeria, etc. Our aim is for consumers to pick paper-based packaging with good sustainability performance, that preserves the contents well and enables good use.

RECYCLING

We contribute to work on recycling through our responsibility as a producer. We also make sure that it is possible to recycle our products. BillerudKorsnäs uses a marginal amount of recycled fibre in production, but those who make paper using recycled fibre constantly need new input in the form of material from primary fibre. This is because recycled fibre eventually wears out and cannot be used for paper products, which also makes it unsuitable for more demanding, high-quality paper products. The proportion of paper products collected for recycling amounts to approximately 72% in Europe¹. There is potential for more, but the problems of contamination and collection costs must be managed so that a circular economy based on renewable and recycled raw materials can be developed.

¹ The European industry organisation CEPI, 2015, www.cepi.org

RESPONSIBLE VALUE CHAIN – Commitment 1

Promote responsibility from raw material supply and production to recycling

1

BillerudKorsnäs works to constantly improve sustainability performance in our own activities. At the same time we are aware that opportunities to exert influence run backwards as well as forwards in the value chain.

For this reason far-reaching responsibility is a guiding principle for us – from the extraction of raw materials to recycling.

TARGET 2020

- Proportion of purchasing value with supplier assessment: 75% per three-year cycle.
- Number of private forest owners certified through BillerudKorsnäs: 200.

For follow-up of the targets see pages 40–41.

MANAGEMENT

The unit managers, supported by staff and specialists, are responsible for issues including the environment, quality, performance and working conditions in line with legislation and the company's standards. Regarding the environment, for example, there are staff at the production units who ensure, with the support of management systems, that current legislation, production conditions and certification requirements are met and drive improvements. Specialist groups for areas such as chemicals and product safety work with the production units and business areas to meet relevant requirements. The Forestry unit is responsible for making sure that forest management and wood purchasing operate in line with legislation, certification and guidelines. Forestry and the Supply Chain Management unit improve the efficiency of and environmentally adapt transport via supplier dialogue and guidance. The Purchasing unit is responsible for all purchasing, apart from wood raw materials, and for developing the supplier assessment model. The Senior Management Team decides on overall measures and policies.

Read more about policies on page 47 and about the management's approach in the appendix.

KEY EVENTS IN 2015

MODELS AND MANUAL

Our supplier assessment process covers all the company's purchasing apart from wood raw material, where responsibility is safeguarded in other ways. An adapted model for suppliers of transport services for wood raw material was developed in Forestry and will be introduced in 2016. Shared requirements ensure that suppliers live up to BillerudKorsnäs' Code of Conduct, international standards, applicable laws and regulations.

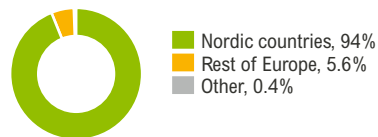
The assessment covers eight perspectives. One vital part of this work is self-assessment, plus improvement and follow-up meetings at the supplier's premises. In 2015 work began to develop a supplier manual which will further clarify requirements regarding safety equipment, alarms and evacuation, health and safety, the environment and sustainability.

Read more about improvement meetings on page 16.



Our assessment of all suppliers – excluding suppliers of wood raw material – covers eight perspectives: strategy, finance, production, quality, health and safety, food and sustainability.

PROPORTION OF PURCHASE VALUE IN DIFFERENT REGIONS¹, 2015



¹ Other relates to Asia, America and Africa

FOCUS ON CONTRACTORS AND ENERGY

For the large group of suppliers handled by Purchasing, the assessment is focused on those who represent purchasing value greater than SEK 100 000. Taking this into account, all of BillerudKorsnäs' new suppliers were assessed during the year.

The focus in this year's assessments was on contractors and energy. In risk assessment suppliers were selected for examination where deficiencies in any of the perspectives might have a significant impact on BillerudKorsnäs. Self-assessments and improvement meetings were carried out equivalent to a purchasing value in the region of SEK 1.5 billion. This achieved the target for 2015 of evaluating suppliers representing at least 50% of the purchasing value in the past two years.

In our assessments of suppliers, we have not found anything to indicate child labour, forced labour or the lack of freedom of association. However, we buy starch from companies where the raw material, primarily industrial potatoes, is partly obtained from family farms. According to our assessments, it cannot be excluded that some work is carried out in agriculture which involves the whole family. All starch deliveries, which amount to just over 1% of

total purchasing come from countries within the EU. Within the framework of supplier assessments, dialogue is in progress to ensure that the work is compatible with legislation.

TRAINED IN NATURE CONSERVATION

Those who plan forest harvesting need excellent skills in nature conservation, threatened species, cultural assets, forest management and harvesting work. We therefore continued to train our planners and wood buyers in nature conservation evaluation with a focus on key biotopes, in other words areas with particularly important natural assets which are usually exempt from harvesting.

CONSULTATION WITH REINDEER HERDERS

Part of responsible forestry is carrying out consultation with directly affected stakeholders where specific needs arise. Therefore there is a formal procedure for consultation with reindeer herder representatives aimed at preventing conflict or other incidents arising in forestry that might negatively affect the operations of the parties. Consultation was carried out with the Kall reindeer herding representatives on six planned harvesting sites where we agreed on dates and how to carry out forest regeneration.

SUSTAINABLE INVESTMENTS

The company makes major investments to improve efficiency and environmentally adapt production, improve results and reduce the risk of negative environmental impact in the surrounding area. During the year two major projects were completed at the production unit in Gruvön, for example, producing capacity, quality and environmental gains. The screening plant was modernised and a fluting machine gained a new press section. The new screening plant is more resource-efficient and cuts energy

consumption. A new water treatment plant was completed in Gävle, which meets production criteria and significantly reduces emissions to the Baltic Sea.

Read more about water treatment on page 17.

SELECTED TRANSPORT PARTNERS

We selected a small number of partners to transport our products – one partner per transport type. This makes it easier to carry out proactive, joint work towards improvements, which will help to strengthen responsibility and sustainability performance in the value chain. For several years Scand Fibre Logistics has been hired for rail and Schenker Dedicated Services for road. During the year BillerudKorsnäs entered into a contract with the Bertling Group to run all shipments by sea to markets outside Europe. Supply Chain Management also drew up new targets for greenhouse gas emissions from transport, which are being introduced in dialogue with the transporters.

BETTER CONTROL OF RISKS

BillerudKorsnäs has recognised the need for a more structured process to handle and report the different types of risk which may be significant to the company. A Group Risk Manager was therefore appointed during the year to lead and develop this work. A risk management policy was drawn up and planning for a new risk management model began, drawing on the Enterprise Risk Management, ERM, concept.

EXTERNAL OPINIONS

If our business is to develop well, it is important that it is seen as responsible by its stakeholders. For this reason an opportunity for stakeholders to tell us what they think is provided via our website, information material, direct contact and, where necessary, consultation meetings.

Their views are registered in internal systems, evaluated and resolved through dialogue. Regarding forest operations, eleven views came in during the year – three regarding social aspects and two environmental aspects (for the production units see page 34). Examples of social issues that were resolved straightaway following personal conversations included marking boundaries, branches on the road and transport noise. Two views concerned natural assets in planned harvesting sites and one a risk of damaging tourism. Following consultation, proposals for changes to planning were therefore drawn up. Two social issues and one environmental issue remaining from 2014 were also resolved.

PLANS FOR 2016

- Establish three-year cycles for the target figures for supplier assessments, which for 2016 is 60% of the purchase value.
- Introduce a supplier manual clearly setting out requirements and procedures.
- Introduce a supplier assessment procedure adapted to transporters of wood raw material.
- Improve the efficiency of processing group certificates for private forest owners to increase their proportion of certified land.
- Optimise the water treatment plant in Gävle to reduce emissions of nitrogen and phosphorus, to be completed by April 2017 at the latest.
- Review the process of checking our agents and intermediaries, partly based on an anti-corruption perspective.
- Introduce a new model for the company's overall risk management.

MANAGED SWEDISH FOREST LAND WITH AREAS SET ASIDE FOR BIOLOGICAL DIVERSITY, 2015 (EN 11)

Forest owners and timber suppliers ¹	Managed productive area, ha	Productive area voluntarily set aside, ha	Proportion voluntarily set aside out of total productive area, %
Bergvik Skog AB	317 746 ²	25 314	8,0
Private, certified forest owners	33 843	2 343	6,9

¹ Our own harvesting activities took place within purchased harvesting rights in Sweden and Latvia, where, however, no forest land was held by BillerudKorsnäs. All harvesting activities concerned land use and land-based ecosystems for extracting wood raw material above ground. Current protected status of certain neighbouring areas where the company runs operations were national park and nature reserve (589 000 ha), nature conservation agreement (12 972 ha) and biotope protection area (10 457 ha). At two Swedish production units there are just over 30 ha of land with high protection values that are not managed.

² Plus 68 044 ha low-productive forest land, impediment, where no forestry operations occur.

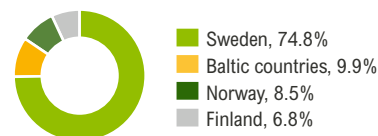
WOOD SUPPLY

BillerudKorsnäs does not have significant forest assets itself and instead buys in wood raw material and harvests forest via Forestry. The majority of wood raw material, approximately three-quarters, comes from Swedish forests. This is supplemented by wood raw material from abroad to meet changing needs through the year. How wood supply is carried out is vitally important to our responsibility in the value chain: On the one hand we manage forest land for large land owner Bergvik Skog AB and smaller private forest owners where certification requirements must be met, and on the other customers' requirements to be able to buy certified products must be met for all wood raw material purchased.

All wood raw material is approved under the traceability criteria in the standards FSC® and PEFC™ Chain of Custody. An increasing proportion also comes from FSC or PEFC-certified forests, which

means further raised requirements throughout the supply chain, e.g. through voluntary set-aside of productive forest land and general nature conservation considerations. The proportion of wood from certified forest land varies and is adapted to customers' demand for certified products. Responsible forest management and customers' increased need for certified products motivate our sustainability target of certifying private forest owners. Our target of having 100 certified forest owners in 2015 was not met, but an increase to 91 was achieved. Procedures are in place to check that prohibited wood raw material – such as wood from forests with high preservation value, illegally harvested forests or areas with serious social conflicts – is not bought in by the company. Checks are made under the FSC Controlled Wood standard, the clauses on Controlled Sources in PEFC™ Chain of Custody and the EU's timber legislation (EUTR).

WOOD SUPPLY³, 2015



³ The figure for the Baltic countries contains a marginal volume from Russia and Belarus after transit through the Baltic countries



CONCLUSIONS

Major projects for improving efficiency and environmentally adapting production were completed.

Initiatives were put in place to increase awareness of work on biodiversity in forest management. Stakeholder dialogue procedures and consultation procedures worked as planned. Wood supply met the company's needs for wood raw material in a manner which also met certification requirements. The model to ensure responsible purchasing was developed further and work was carried out to design even clearer guidelines and requirements for suppliers. In total we consider that the work carried out this year and ambitions for the year ahead support our commitment.



The mark of responsible forestry



FSC – Forest Stewardship Council – is an independent membership-based organisation that promotes environmentally appropriate, socially beneficial and economically viable use of the world's forests. www.fsc.org

PEFC – the Programme for the Endorsement of Forest Certification schemes – is an international system for sustainable forestry. PEFC Sweden covers standards for forestry, contractors and timber traceability. www.pefc.se

CONSIDERATION IN THE FOREST

BillerudKorsnäs takes into consideration and takes responsibility for conservation value as well as cultural and social value in forestry. This is done during planning, when measures are being carried out on forest properties and on the boundaries of protected areas.

General consideration

- In productive forest land, elements are increased that today's forests need more of to support biodiversity, such as dead wood, tall stumps, trees that constitute natural values, deciduous trees and buffer zones around watercourses.
- In clearcutting, approximately 5–10% of wood volume is left standing, in addition to voluntary set-aside forest land.

Voluntary set-aside

- The land owner exempts forest land with high conservation value or significance for outdoor recreation from ordinary forestry without financial compensation. The size

varies from small areas containing important trees to hundreds of hectares.

- Most of these areas are left to develop freely, but some are managed to retain or increase their conservation value. One example of this is conservation burning to increase biological diversity.

Formal protection

- In Sweden there is legislation to protect and monitor areas with particularly high conservation value, such as national parks, nature reserves and Natura 2000 areas.
- The land owner is paid compensation for national parks and nature reserves, but

can also receive compensation for biotope protection areas and nature conservation agreements.

- There are similar legislation and protection opportunities in other countries from which we purchase wood raw material. In Latvia, where BillerudKorsnäs organises harvesting without managing the land, approximately 24% is formally protected as nature reserves and national parks¹. In addition, approximately 12% of forest land – such as buffer zones bordering water, wetlands and other areas of conservation value – is protected by legislation.



It is important to take into account the species that depend on dead wood in the forest and this is why new dead wood, in the form of tall stumps and fallen trees, is left to rot. The endangered species darkling beetle (*Upis ceramboides*) thrives on burned surfaces and is benefitted by such voluntary set-asides.

¹ www.zm.gov.lv, www.daba.gov.lv



WORKING WITH OUR SUPPLIERS TO KEEP IMPROVING

Coldwater in Kil in Värmland has been supplying spare parts for Billerud-Korsnäs' machinery since the 1980s. Last year, in 2014, the company in its capacity as a supplier had to fill out a self-assessment on how they are working on strategy, finance, production, quality, health and safety, food and sustainability, which was then followed up by a face-to-face improvement meeting. A year later, in October 2015, it was time for a follow-up visit.

"It wasn't about potentially losing the business, it was a joint effort to work for improvements. It was an eye-opener to have someone coming in from outside, able to spot areas for improvement. You sometimes don't notice things when you're too close to them. We got help in improving and BillerudKorsnäs can be more secure in its choice of supplier," says Coldwater CEO Mats Lindström.



ENVIRONMENTAL INVESTMENT IN GÄVLE FOR A CLEANER BALTIC SEA

A major environmental project has been running at the production unit in Gävle since 2012. An investment of SEK 450 million was made to reduce BillerudKorsnäs' emissions to the Baltic Sea of nutrient salts, total organic carbon and suspended solids.

In September 2015 a new preliminary sedimentation basin was taken into operation, 70 metres in diameter. It is the first step in treating process water from the unit. It separates out suspended substances in the form of fibre and

particles – which also bind phosphorus. **The initial results show a cut in suspended solids of an impressive 80% thanks to the new preliminary sedimentation step.** This is equivalent to a reduction from about 35 to 5 tonnes a day. The treated waste water is then piped into the existing waste water treatment facility. The sludge filtered out is dewatered and used as fuel in a biofuel boiler, which meets almost 1% of the production unit's energy needs.

RESPONSIBLE VALUE CHAIN – Commitment 2

Provide engaging workplaces where safety, diversity and human rights are a priority



BillerudKorsnäs' employees are the foundation of all our operations. We want to **offer an engaging and learning-focused workplace** to continue to attract, develop and retain competition employees who increase our competitiveness and contribute towards the company growing and meeting its targets. This demands that we prioritise safety, diversity and human rights in the long term.

TARGET 2020

- Proportion of performance reviews: 100%.
- Number of work-related injuries followed by sick leave: 1.0 per 100 employees.
- Proportion of women in total and in management: 23% and 30% respectively.

For follow-up of the targets see pages 40–41.

MANAGEMENT

Operationally the unit managers – supported by specialists – are responsible for ensuring that safety, skills development, diversity and human rights are upheld in the business. The HR unit has overall responsibility for ensuring that support systems are in place, and it follows up and initiates employee development programmes. Putting in place company-wide teams on diversity and safety ensures that knowledge is passed on and improvements are worked on in these areas.

Developing employees and working methods takes place within the overall structure for Operational Excellence, in other words an internal group of experts who help and engage the business in systematically solving problems and improving results.

The CEO is ultimately responsible for the company's Code of Conduct, but it is the responsibility of each and every employee to be aware of its contents. A policy for the company's whistleblower function on the intranet governs the handling of any breaches of the code. Collective agreements and cooperation form the basis of dialogue between the company and unions.

Read more about policies on page 47 and about the management's approach in the appendix.

KEY EVENTS IN 2015

CONTINUOUS IMPROVEMENTS

Being world class demands systematic work on continuous improvements that stand the test of time. Our Operational Excellence initiative was reinforced to create a common approach that runs throughout BillerudKorsnäs. This is based on shared values and is about learning from each other and sharing good examples – an approach which develops the business and employees. A network has been created for this work, which during the year produced a digital improvement tool to provide inspiration and contribute towards exchanging knowledge and experiences. A programme to follow up on targets and skills development, called Performance Management, incorporates structured dialogue between employees and their immediate superior. 87% of all employees participated in this dialogue, a figure which was lower than the target of 100%.

BOOSTING WORK ON SAFETY

Work on health and safety is driven by a zero vision for work-related accidents leading to sick leave. It focuses on technology, processes and safety culture. The number of work-related injuries fell during the year to 1.7 per 100 employees, but failed to achieve the target of a maximum injury rate

of 1.0. Risks which we are attempting to eradicate vary between the production units but common areas to tackle are handling chemicals, hot liquids and rotating machinery. To see quicker results on health and safety, a cross-functional group was set up and a new health and safety policy was drawn up to support this work. Despite the focus and the work carried out, unfortunately serious accidents still occur. A few days after the start of 2016, an operator's arm became stuck in a conveyor at Frövi and the operator was seriously injured.

During the year 90.1% of all employees were covered by cooperation in some form of formal grouping, such as collaboration councils, safety committees or safety groups. If accidents or other major work-related problems arise, an active rehabilitation programme is run to combat long-term sick leave. Following an inquiry, measures can include, e.g. adapting duties, aids, training or re-assignment.



WORKING FOR GREATER DIVERSITY

The BillerudKorsnäs of the future needs new ways of thinking. A broad mix of experiences and skills is required. Consequently we increased our focus on diversity within the company during the year. An initial workshop was held with senior management and managers at the production units to see the next step carried out in the rest of the company.

Hand in hand with the work on diversity, guidelines and an action plan were drawn up on how to prevent and tackle victimisation and harassment. At the end of the year women accounted for 19.9% of employees, slightly above the target of 19.5%. For managers, the figure was 22% women, which did not meet the target of 24%.

PAY SURVEYS

Pay surveys continued during the year, shedding light on office and production facilities. More information on the pay surveys is available in the employee statistics on page 45. Analyses did not find any unjustified pay differences for comparable occupational groups.

EMPLOYEE SURVEY

During the year we worked on action plans and activities linked to priority areas, based on the results from the most recent employee survey in 2014. At the production unit in Skärblacka, for example, individual performance reviews were supplemented by group performance reviews, which gather a shift together to discuss their work and strengths and weaknesses within the team.

The employee survey generally gives us a very good basis for seeing which subjects are relevant to raise in the appraisals. In some cases it has also led to more major initiatives, with shifts and operational management improving and deepening their

cooperation. The next survey will take place in the second quarter of 2016.

WEB-BASED TRAINING ON CODE OF CONDUCT ...

Web-based training on the company's Code of Conduct was completed by 80% of all the company's employees and will continue during 2016. A new procedure was drawn up which ensures that all new employees also complete the training. The aim is to train all employees on an ongoing basis in the Code of Conduct, which involves human rights and the fact that discrimination, forced labour and child labour are unacceptable and that freedom of association prevails. The code guides us in how we are to behave, what we should do in the event of conflicts of interest and the demands we make of our partners.

... AND IN ANTI-CORRUPTION

BillerudKorsnäs has zero tolerance of corruption and anticompetitive behaviour and therefore runs internal training to ensure that no deviations occur. A web-based training course on these areas was drawn up at the end of the year. It will start in 2016 and targets the company's sales and purchasing staff as well as other priority groups, who will receive in-depth training in the area in addition to training in the Code of Conduct. The most relevant groups will also continue to receive direct training.

WHISTLEBLOWING

BillerudKorsnäs employees can use a whistleblower function to anonymously report serious breaches of the Code of Conduct and other serious irregularities. The function is safeguarded by a whistleblower policy which entered into force in 2015 and which sets out procedures for handling



OUR VALUES THINK NEW

Feel
responsibility

Cooperate

CREATE VALUE

reports via the function. Reports are sent to those responsible for law and internal audits within the company or directly to the chair of the audit committee, all of whom take appropriate measures in line with the policy. The procedures for the function were reinforced during the year.

NO SIGNIFICANT BREACHES

Seven reports came in via our internal whistleblower function during the year. None of these reports concerned circumstances covered by the Whistleblower policy. They were handled within the framework for normal measures for dealing with leadership and information issues. No complaints about breaches of human rights, or incidents linked to discrimination or corruption were reported in our internal systems. In addition to organisational control functions, compliance with the law was followed up internally through a model under development which is based on self-declaration. No significant fines or other sanctions due to breaches of the law were imposed on the company in 2015. Nor was any legal action taken against the company regarding anti-competitive behaviour, cartels or monopolies.

TWO TRAINEE PROGRAMMES

In a few years' time BillerudKorsnäs will face a major generational shift in production. To pass on experience and skills to new generations of employees, a programme was launched at the start of the year for professional trainees with training and work experience, such as process operators or electricians.

Our one-year trainee programme for 15 new employees with university education was completed. The programme for new employees includes work experience abroad in sales offices and shift work to see the company from different perspectives.

ATTRACTIVE EMPLOYER

We received confirmation that BillerudKorsnäs is an attractive employer on several occasions. For example, in Universum's annual survey in which employees and students rate Sweden's 100 Most Attractive Employers we came in at number 76 and 99 among university and engineering students respectively – a major leap compared with 2014 – which saw us named one of the year's shooting stars¹.

PLANS FOR 2016

- New graduate trainee programme.
- New employee survey.
- Careers day for young people offering experience of the world of work and safeguarding the next generation.
- Continue work on diversity issues.
- Participate in a benchmarking study on safety at work in the company and in the industry.
- Greater focus on safety culture.
- Continued internal work on Operational Excellence.
- Web-based training on anti-corruption.
- Including contractors more clearly in work-related injury statistics.

CONCLUSIONS

An internal network was created for work on continuous improvements, which is important for motivating and learning-focused workplaces. Many initiatives were carried out to improve work on safety. Despite a drop in the number of injuries, unfortunately serious accidents did occur. This shows that the focus must continue, as is planned. Pay surveys were carried out in line with a model that enables continued equal pay. Activities are being run to attain a good balance regarding the proportion of women and men and for diversity among employees, but the focus must continue. Initiatives were taken for internal, broad training on the Code of Conduct, and for a whistleblower function with good personal privacy protection. There are several examples of ambitions on ethical issues also being maintained for 2016.

DID YOU KNOW

BillerudKorsnäs is the largest private sector employer in four out of five Swedish municipalities in which our production is located².



¹ FöretagsBarometern 2015, Universum Sweden

² Report "BillerudKorsnäs' Social and Economic Contribution", Sustainergies, 2015

INCREASED CUSTOMER VALUE – Commitment 3

Improve our customers' business using our knowledge on sustainable packaging solutions

3

BillerudKorsnäs creates value for customers by developing smart packaging solutions based on renewable materials. Our solutions are **resource-efficient, reduce waste, improve logistics, are attractive on the shelf, are functional and replace fossil materials**. This enables us to create profitability and concrete sustainability benefits for our customers.

TARGETS 2020

– Targets linked to the commitment will be decided in 2016.

MANAGEMENT

The business areas, supported by the Strategic Development Unit and other units, are responsible for communicating the performance and opportunities offered by our materials and packaging solutions. In a broader perspective, the Forestry unit contributes by providing knowledge and information to customers on sustainable forestry and the responsible supply of wood raw material.

The production units contribute by providing knowledge and information on environmental adaptation and performance in the industrial processes. The Communication & Sustainability unit contributes general information, training and reporting on the company's sustainability work and the performance of the products in line with credible standards to complement customers' own expertise. The Supply Chain Management unit contributes transport solutions that support customers' business in terms of logistics, costs and environmental adaptation.

Read more about policies on page 47 and about the management's approach in the appendix.



KEY EVENTS IN 2015

EVEN STRONGER FLUTING

At the industry fair in Barcelona in October we presented our new fluting—New Billerud Flute®. It is used as the middle layer in corrugated board packaging for demanding distribution and climatic conditions. The material's strength has been improved by up to 8%, which enables customers to manufacture an equally strong box with less material. In turn, this leads to lighter packaging and greater efficiency throughout the logistics chain. For example, it is possible to create strong, light corrugated board packaging capable of replacing heavy wood or plywood crates. This enables customers in the industrial segment to cut their costs and their environmental impact. Intensive development work, and an investment of SEK 180 million in a paper machine in Gruvön lie behind the improved fluting. In addition, production capacity was increased by about 40 000 tonnes a year.

MORE LIQUID PACKAGING BOARD

To meet customers' needs and facilitate growth, during the year BillerudKorsnäs completed phase two of an extensive investment programme at the production unit in Frövi/Rockhammar. Amounting to a total SEK 900 million, this is one of the biggest investments in the industry in the past decade. The refitted board machine will be capable of producing 550 000 tonnes of packaging and liquid packaging board a year once the project is complete. Capacity for producing CTMP pulp is also being increased. In total this amounts to a potential 25% increase in Frövi/Rockhammar's board production compared with before the investments.

BETTER SACK PAPER

By the end of the year the upgrade of a paper machine for brown sack paper at Skärblacka was completed – an investment of SEK 260 million. The work was done to improve product quality and create greater efficiency for customers in sack manufacturing. The machine's maximum capacity has also increased by 20 000 tonnes to 180 000 tonnes a year. The upgrade gives us a higher quality brown sack paper, which is used for sacks mainly for cement, other building materials and chemicals. The paper has strong potential in growth markets in South-East Asia, where building materials are currently often packaged in plastic sacks. Our sack paper gives brand owners several advantages when it comes to production economics, the environment, and health and safety.

STRATEGIC PARTNERSHIPS

During the year we worked further on moving forward in the value chain by systematically developing strategic partnerships in which the brand owner is in focus. Together with partners, we have direct and indirect offerings for brand owners.

One example of a strategic partnership was the one with LafargeHolcim in developing the new cement sack, D-Sack, launched in 2015 (page 25).

One partnership was with the former Paccs, where we offer packaging and distribution solutions to brand owners and major retail chains, often with manufacturing or purchasing in Asia and global sales. On 1 January 2016 the company was integrated as part of the Corrugated Solutions business area, formerly Containerboard.



Photo: On

BillerudKorsnäs took a holistic approach with On, a young shoe brand from Switzerland. The entire value chain of the shoe manufacturer was examined to give the packaging a desired lift. Innovative packaging was produced, a new packaging manufacturing technique was proposed to increase lifetime and new materials were introduced to cut costs.





Another close partnership is that with machinery manufacturer Bosch, in which we launched Axello Zap, an entirely new packaging system for airtight paper bags for dry foodstuffs.

Other types of partnerships involve exchanging knowledge, for example on consumer trends, packaging needs, insight studies and trend-spotting.

KNOWLEDGE FOR STRONGER BUSINESS

Within the Solution Services concept, we continued to help customers to find better packaging solutions for their particular value chains. Improvements can cover everything from design to printing, manufacture, filling, logistics, end use and environmental performance. Application laboratories for Sack, Carton, FibreForm®, Bag, Sterile Barrier and Corrugated Solutions have long been involved in work on packaging solutions. Pulp Lab joined them in 2015. The technical services a laboratory provides include testing print quality, surface and porosity, thermographic analyses of internal wear in the material, microscope analyses, and optical measurements, climatic tests, etc.

PRODUCT RESPONSIBILITY WORKS

Product safety is maintained by several parts of the organisation. The business areas ensure that the right product is sold for the intended purpose. The plants are responsible for product safety in production. Continuous management, control and verification, plus information on the products' use, are our tools. This applies throughout

the entire chain from development to manufacture, marketing, distribution and use of the finished product and the waste or recycling phase.

Follow-up of our product responsibility shows that no breaches of legislation or voluntary codes of practice occurred regarding health and safety, product information and labelling or market communication. Nor were there any complaints regarding breaches of customer privacy or confidentiality. Consequently no fines were imposed for breaches of legislation on product responsibility.

LIFE CYCLE ANALYSIS COMPLETED

To place BillerudKorsnäs' continued climate work on a sound footing, and for customer evaluation of our products, IVL Swedish Environmental Research was commissioned to complete a new life cycle analysis of paper packaging with our materials, to be published in 2016. The first study¹, which was published at the start of the year, compared four types of paper packaging - carrier bag, pasta bag, cement sack and bottle - using our materials with equivalent plastic packaging. The study examined the entire product life cycle - from material production to the finished packaging being thrown away or recycled. The result clearly highlights paper packaging as an environmentally better option than plastic. The emissions of greenhouse gases were 49-72% lower. In almost all the other comparisons of nutrients, acidifying substances and ground-level ozone the emissions from paper packaging were lower.

PLANS FOR 2016

- Explore the feasibility of moving the paper machine in Tervasaari to the integrated production unit in Skärblacka.
- Investigate and reach a decision on a new board machine in Gruvön.
- Put into operation a new pulp mill in Rockhammar.
- Retain the focus on strategic partnerships.
- Continue work to harmonise international legislation, e.g. China's stricter legislation on materials in contact with food.
- New life cycle analysis on products' emissions of greenhouse gases and other substances.
- Update environmental product declarations (EPD).

CONCLUSIONS

Production investments were made to strengthen the business of the company and its customers. The company continues to invest in the application laboratories that help customers to develop packaging solutions. To build knowledge of sustainable packaging solutions, the company follows the progress of legislation on product safety and carries out life cycle analyses of the products' sustainability performance. Strategic partnerships help to improve knowledge and results in line with the commitment.



Information on the environmental performance of the products is a customer benefit. A carrier bag made from paper from BillerudKorsnäs means 49% lower greenhouse gas emissions compared with a plastic carrier bag. There are also other environmental factors to take into account when choosing materials. Following a decision by the EU, the use of plastic carriers is to be hugely curtailed in order to reduce dumping - from today's level of 198 carrier bags per person per year to 90 in 2019 and 40 by 2025².

¹ Life cycle assessment, Report U5052, IVL, 2015
www.billerudkorsnas.se/Sustainability/Environment/

² <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32015L0720>



SUSTAINABLE SACK THAT BECOME ONE WITH THE CEMENT

Cooperation with LafargeHolcim produced the cement sack, D-Sack – the paper sack that dissolves in the cement mixer. The fact that the paper material dissolves in contact with water means that we are providing numerous advantages, especially in terms of ease of handling and the environment.

The sacks do not need to be opened, they are simply placed in the cement mixer. This makes the job easier and quicker for users.

It also provides a cleaner, healthier and safer workplace due to the lack of dust and cement spillage. Because there are no empty sacks to deal with, the work and cost of waste management disappears as well.

The sacks were launched in spring 2015 and are an example of how BillerudKorsnäs works in partnerships all the way down the value chain.

INCREASED CUSTOMER VALUE – Commitment 4

Through innovation expand the market of renewable packaging materials

BillerudKorsnäs seeks to challenge conventional packaging choices through innovation. The aim is to change the drivers in the market **by boosting the role of renewable packaging materials and developing solutions that meet the sustainability challenges of the future.**

TARGET 2020

- Proportion of sales accounted for by new products: 20%.

For follow-up of the targets see pages 40–41.

MANAGEMENT

The Strategic Development unit, with the R&D, Investment Management and New Business Lab departments, is responsible for innovation strategy and development work. Our own laboratories support and are involved in the work of developing new packaging solutions.

Read more about policies on page 47 and about the management's approach in the appendix.

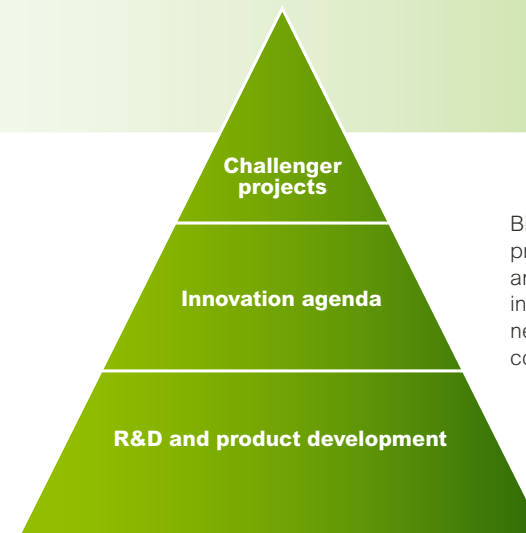
KEY EVENTS IN 2015

INNOVATION AGENDA IN PLACE

During the year work on the innovation agenda, launched in autumn 2014, intensified. The aim is to gather together and accelerate all BillerudKorsnäs' ongoing initiatives and identify entirely new ones. This work is focused on three areas: **Green material technologies, service and logistics, and innovative business models.**

A BOOST FOR RESEARCH RESOURCES

With the aim of becoming a leader in innovation, we launched a recruitment campaign geared towards business developers, technical specialists and development and laboratory engineers. New employees recruited included seven with PhDs in green material



BillerudKorsnäs invests at three levels to produce innovative, sustainable material and solutions. The target for the level of innovation, 15% of sales comprising new products in 2015, was exceeded, coming in at 17%.

technologies. By the end of the year the unit had a staff of about 50. Our research equipment at laboratory and pilot project scale is also being upgraded.

SUPERIOR RESEARCH ENVIRONMENT

We increased our competence to enable us to exploit research results at an early stage by stepping up our collaboration with leading universities and recruiting more specialists at PhD level. The aim is to pave the way for more radical strides in product and process development.

BillerudKorsnäs also actively participated in work to strengthen Sweden's infrastructure in the research area of new mate-

rials using the forest as their raw material. This is primarily being carried out through our commitment to making the Wallenberg Wood Science Center a world-leading research centre. This also sees us strengthening our ties with some of Sweden's foremost seats of learning, such as KTH, Chalmers and Lund University. Besides the research results themselves, these links are also important for future recruitment and form part of work to establish international research partnerships.



A BREAKTHROUGH FOR SYSTEMS SALES

Our FibreForm® material offers environmental benefits and is a strong alternative to plastic. The material makes it possible to create shapes and effects that cannot be achieved with traditional board.

During the year, our joint venture with Curti, FreeForm Packaging, sold its first

complete system solution comprising a FreeFormPack machine and deliveries of FibreForm material. The Dutch customer, Vetipack, one of Europe's biggest contract packing companies, packs products for multinational companies. This is a significant breakthrough for our new business model.



Today large supermarket chains such as Aldi, Carrefour, Marks & Spencer and Tesco sell everything from sliced cheese and salami to smoked salmon in compression moulded paper trays in FibreForm®.



MICROFIBRILLATED CELLULOSE TESTED

The year saw us make further strides in our work on green material technologies. One example is our testing of microfibrillated cellulose, MFC, which is extracted from wood fibre. This is an exciting material which gives the paper new improved properties and offers fantastic potential in many areas.

In partnership with the research institute Innventia and the agency Vinnova, we are building a small, flexible, mobile factory to initially develop board properties at the production unit in Frövi with the help of MFC. The next step will be to produce MFC ourselves, with the long-term ambition of offering new, advanced applications.

CHALLENGER PROJECTS

Work took off to turn BillerudKorsnäs' future products into reality. One example is the Paper Bottle for beverages that have never before been packaged in paper. Another is interactive packaging. In these projects, we challenge ourselves to raise our innovation work to new levels. We will gradually identify and take on projects with the potential for learning and opportunities, over the long term, to generate new revenue streams for us and our customers.



In challenger projects, we challenge ourselves to raise our innovation work to new levels.

SUSTAINERGIES CUP PRODUCES IDEAS

BillerudKorsnäs took part as a company partner in Sustainergies Cup – a competition in which students take on real assignments for companies looking for good ideas to help them perform even better at sustainability. This year our challenge to the students was “Help BillerudKorsnäs’ work on innovation by giving your own description of how we will be packing and buying food in 50 years’ time!”

COOPERATION ON FOOD WASTE

BillerudKorsnäs joined other companies and organisations in a unique R&D project which will lead to less waste of resources. Today large amounts of food are destroyed before they get to be eaten. The “Packaging systems to reduce food waste” project will run for two years and is backed by the agency Vinnova. The aim is to develop innovative packaging solutions that cut food waste throughout the value chain – from food producer to consumer.

CAMPAIGN HIGHLIGHTS SUSTAINABILITY

BillerudKorsnäs’ digital brand campaign “Challenge conventional” was launched in the spring and had a major impact. It clearly sets out ambitions on innovation and a sustainable future.

www.challengeconventional.com

PLANS FOR 2016

- Focus on the innovation agenda.
- More visionary innovation projects.
- Full-scale trial with microfibrillated cellulose in Frövi.

CONCLUSIONS

During the year PhD holders were recruited in the field of green material technologies. Our challenger projects continued with moulding paper, developing paper packaging for drinks and microfibrillated cellulose. The business model for FreeForm Packaging started to be commercialised. Several initiatives were taken externally to stimulate innovation, such as involvement in setting up the Wallenberg Wood Science Center and projects to combat food waste. In total, innovation work has been strengthened considerably, entirely in line with the commitment.

INNOVATION LEVEL

TARGET
2015
15%

**OUT-
COME**
17%

TARGET
2016
>15%

TARGET
2020
20%



SUSTAINABLE AND BIO-BASED SOCIETY – Commitment 5

Combat climate change throughout the value chain

5

BillerudKorsnäs will phase out fossil fuels from industrial production and work to reduce emissions of greenhouse gases along the value chain. **BillerudKorsnäs wishes to play an active part in the transition to a fossil free society.**

TARGET 2020

- Emissions of fossil carbon dioxide from fuels in production: 25 kg per tonne product.
- Emissions of greenhouse gases from transport of products: 20.8 g per tonne km.
- Energy consumption: 5.1 MWh per tonne product.

For follow-up of the targets see pages 40–41.

MANAGEMENT

Operational responsibility for the climate strategy, seeing it introduced and supporting and driving improvements, rests with the Sustainability & Public Affairs department together with specialists in the business. Analyses of technical and economic opportunities to continue to reduce emissions are carried out by specialists in the respective production units, supported by central expert groups for investment and energy.

The Energy Council coordinates the plants' work on energy use and improving efficiency, backed by the management systems and a steering group on strategic issues. Decisions on investments and overall action plans are taken in the company's Senior Management Team.

Improving the efficiency of transport and adapting to the environment to cut greenhouse gas emissions is work done within the Forestry and Supply Chain Management units. This is done through dialogue with, management of and follow-up suppliers.

Read more about policies on page 47 and about the management's approach in the appendix.

KEY EVENTS IN 2015

WORLD-CLASS CLIMATE WORK

Reporting to CDP on emissions of greenhouse gases, strategies, risks and opportunities continued during the year. BillerudKorsnäs' wide-ranging climate work was rewarded with a ranking in the international CDP Climate A List, which covers the 5% of companies that demonstrate global leadership in climate work. The list is compiled on behalf of 822 institutional investors that manage EUR 86 000 billion in funds.

CLIMATE STRATEGY ADOPTED

BillerudKorsnäs adopted a climate strategy which was presented on the website. The vision is to entirely phase out fossil fuels from our own production. We must work to reduce greenhouse gas emissions all the way along the value chain. We will also contribute to minimising climate change through our products made from renewable raw materials replacing packaging materials with a greater negative climate impact.

FOSSIL-FREE SWEDEN

BillerudKorsnäs supports Fossil-free Sweden, a Swedish government initiative ahead of the climate meeting in Paris. By participating, we hope to learn from and contribute to work on the transition towards a fossil-free society.

When it comes to the current situation for BillerudKorsnäs 97.6% of the fuel in production was renewable bioenergy in 2015 (see page 42). We came in 5.7% lower than the target for emissions of fossil carbon dioxide from fuel, 30 kg per tonne of product, with a figure of 28.3 kg. The old target of a 20% reduction in emissions from transport of finished goods within EU27 was attained and a new target was introduced for all transport globally, initially for 2016 and 2020.

SCIENCE BASED TARGETS

To ensure that our targets really do help to ensure that the global temperature rise does not exceed two degrees, we signed up to the Science Based Targets initiative. Backed by CDP, the UN's Global Compact, the World Resources Institute and the WWF. It makes sure that our targets are examined to tie in with what research says is needed. We also undertake to examine suppliers' emissions, set targets and work systematically to reduce them.



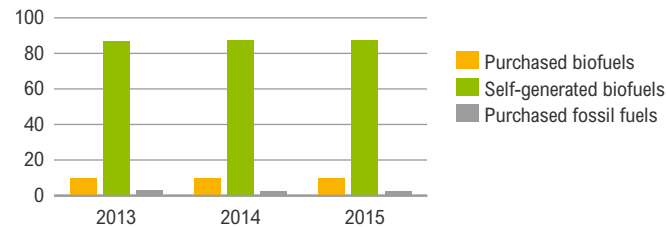


GREATER RESOURCES FOR ENERGY

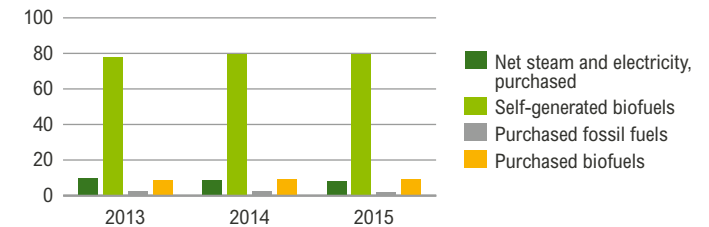
To coordinate and report BillerudKorsnäs' energy work in line with different regulations and succeed with our own initiatives in this area, the organisation was strengthened with the addition of an energy coordinator. This gives us more resources to analyse our future initiatives in energy efficiency and the phasing out of fossil fuels. In 2015, however, energy consumption failed to reach the target of 5.31 MWh per tonne of product due to certain production disruptions and paper machine refits.

During the year our Energy Council also developed to become an integrated part of the company's contingency planning and decision-making processes. The Council carries out follow-up work and draws up proposals for additional initiatives. It includes the energy coordinator, energy manager, representatives of the Swedish production units and the Sustainability & Public Affairs department. Information is also obtained from the units in the UK and Finland.

FUEL CONSUMPTION,¹ %



ENERGY CONSUMPTION,¹ %



¹ See environmental statistics page 42

ENERGY MANAGEMENT SYSTEM

Energy consumption is crucial to reducing greenhouse gas emissions. Work is in progress to draw up a common energy management system in line with ISO 50001 for the Swedish production units – what is known as a multi-site certificate – instead of each unit having its own. During the year the general documentation was worked out, which will now be adapted to the different units. The Swedish production units

were responsible for approximately 96% of the whole company's energy use in production. This work will improve communication and cooperation within the company on these issues.

GRUVÖN REDUCES ITS ENERGY NEEDS

The projects carried out at the production unit in Gruvön reduced energy consumption. One of the changes was constructing a

new press section for the fluting machine, which presses more water out of the pulp, so reducing the need for steam and energy during drying. This a positive step in continuing to phase out fossil energy.

LONGER TRAINS...

The Swedish Transport Agency and Swedish politicians were informed of the advantages of longer, heavier trains being able to operate in Sweden, including improving transport efficiency and reducing environmental impact. In the view of the Swedish Transport Administration, switching from today's 630 metre-long trains to 740 metres is possible, but making the idea a reality would require longer passing loops to be built at various nodes. Up until now all BillerudKorsnäs' deliveries that are transported by rail to Europe have involved a time-consuming and costly shunting process.

During the year rail forwarding agent ScandFibre Logistics, in which BillerudKorsnäs has an ownership stake, was notified of its first rail slot for a 740 metre-long train from the start of the new timetable for 2016.

... AND LONGER LORRIES

BillerudKorsnäs continued to participate in the industry's work to change the rules on the maximum gross tonnage of lorries. On 1 June 2015 the approved gross weight was

increased from 60 to 64 tonnes for correctly configured vehicles. We immediately incorporated the higher gross tonnage in our transport contracts with an immediate positive effect on the environment and finances. Today the vehicle fleet comprises both 62 and 64-tonne vehicles, about 50:50. As vehicles and trailers are replaced, the proportion of 64-tonne vehicles will increase. We are also involved in a project spanning several years to measure the performance of a wood chip lorry with an even higher gross tonnage, 68 tonnes, in practical operation.

MORE EFFICIENT WOOD TRANSPORT

We continued to improve our data system, Lever, which radically improves the ability to manage wood flows to optimise transport. It is now easier to monitor flows in to reception points and this is now done all the time, improving the efficiency of wood transport. BillerudKorsnäs avoids unnecessary transport by swapping with other companies that buy wood, in other words we sell wood raw material to each other to minimise transport distances.



A train with 20 wagons is equivalent to 52 lorries on the roads! This means major potential for cutting greenhouse gas emissions. In Sweden, trains run on electricity have extremely minimal greenhouse gas emissions.

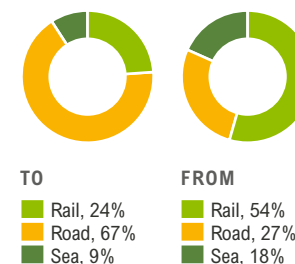
ELECTRIFICATION OF INDUSTRIAL TRACK

Today trains have to be pulled with diesel engines on the last stretch to and from some of the production units because the industrial tracks are not electrified all the way. We therefore entered into a dialogue with the Swedish Transport Administration, and the local municipalities and regional cooperation councils on the possibility of electrifying these sections of track.

RENEWABLES IN DOMESTIC TRANSPORT

We began discussions with selected Swedish hauliers who distribute our products on switching to renewable fuels such as rapeseed oil, ethanol and biodiesel. This particularly concerns local transport as these fuels often depend on local infrastructure.

TRANSPORT TO/FROM PRODUCTION UNITS, 2015

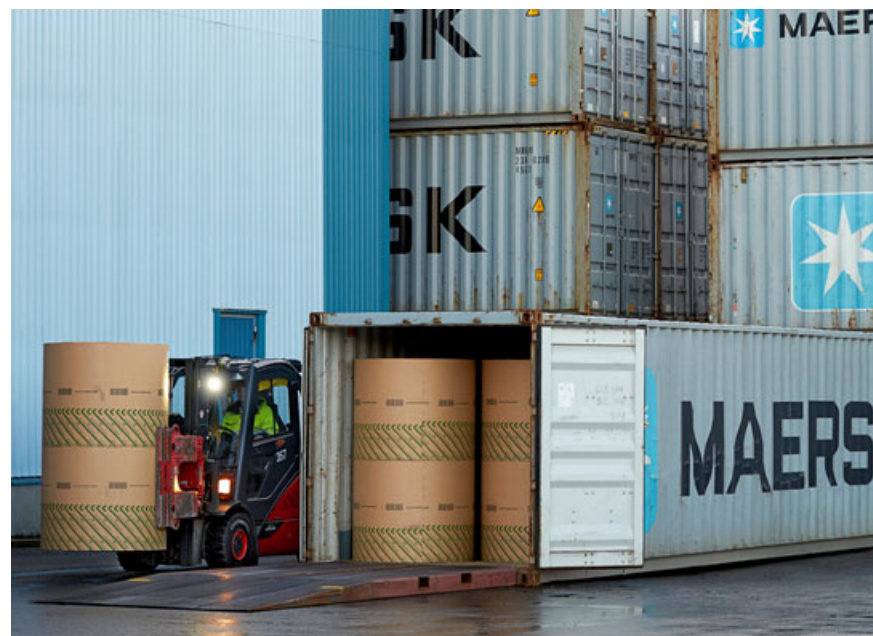


PLANS FOR 2016

- New extensive target for emissions of greenhouse gases from transporting finished products.
- Analyse emissions in the supply chain and draw up long-term targets in line with Science Based Targets.
- Reduce emissions in production.
- Review the feasibility of offering “Good Environmental Choice” transport to customers.
- Start to use long trains out in Europe and larger railway containers for Norwegian wood chip transport.
- Work together to reduce emissions from outward-bound transport by sea.
- Test GPS positioning for more efficient rail transport.
- Have the common energy management system for the Swedish units externally audited.

CONCLUSIONS

Work to combat climate change in the value chain is actively in progress. Ambitions were reinforced by the climate strategy and signing up to external initiatives, primarily Science Based Targets. Improvement work continued with preparations for a company-wide energy management system, Energy efficiency improvements continued to be put in place, although some production disruptions caused problems. Initiatives to cut emissions were introduced for transporting wood raw material and finished products.



SUSTAINABLE AND BIO-BASED SOCIETY – Commitment 6

Generate value for society through collaboration, both locally and globally



Social development is fundamental to a sustainable future, both locally where we have operations and globally where there are major challenges. Cooperation is central to creating value for society – whether this concerns developing local business, social initiatives or environmental issues. **A society that is sustainable in the long term must also build on renewable, bio-based materials.**

TARGET 2020

- Provide work experience by arranging internships and occupational introduction: 1 500 weeks of work experience per year.

For follow-up of the targets see pages 40–41.

MANAGEMENT

Responsibility for contact and cooperation in local communities primarily lies with the production units and the Forestry unit, often involving site and HR managers as well as those responsible for the environment and communications.

More wide-ranging cooperation with society and its organisations is the responsibility of centrally located functions such as HR and Communication & Sustainability.

Read more about policies on page 47 and about the management's approach in the appendix.

KEY EVENTS IN 2015

WORK EXPERIENCE

BillerudKorsnäs organises internships and occupational introduction to provide an experience of the world of work. During the year we arranged internships for 260 young people over a total of 1 333 weeks, equivalent to about 33 school years.

At the production unit in Gruvön an initiative began with the Swedish Public Employment Service. Known as “Korta vägen”, its aim is to reduce the time it takes for people with a foreign background and qualifications from outside Sweden to find a job. The programme offers a six month work placement at BillerudKorsnäs with

the Swedish Public Employment Service responsible for most of the costs. Universities and colleges help to validate the foreign qualifications.

During the year we also started an occupational introduction project for unemployed young people at the production unit in Gävle. This too is a joint initiative with the Swedish Public Employment Service. The aim of a shared model to give young people experience of the world of work through various occupational introduction projects and work placements for students is starting to have an impact.

DIALOGUE WITH SOCIETY

Every year BillerudKorsnäs holds an open day for the general public at several of the places where our production units are located. We also hold other types of public information meetings with local residents and other local stakeholders to encourage successful dialogue in the event of problems. People to contact about the company's operations are listed on the website. A total of 53 views were received from local residents on community-related issues in 2015. Most concerned smells and were submitted in Skärblacka, where a group of local residents (a panel) help the company to monitor odours, providing extra evidence for improvement work. The second most common comment concerned noise,

while two concerned lorries taking the wrong route due to inaccurate signage and so disturbing residents.

LOCAL COOPERATION

BillerudKorsnäs participated in local development in and around the areas where we have a presence in many different ways.

When it comes to **the business community**, for example, we joined Paper Province, a cluster of companies working in the forest bioeconomy and across Värmland to strengthen the region's competitiveness through good collaborative partnerships between private and public actors. In Gruvön we also supported the gender equality project “An equal Värmland” which highlights and spreads good examples, creates a forum for swapping experiences and for skills development. In Skärblacka we attended the Östergötland Industry Day, a long-term collaborative project for the future of the industry in the region and to give young people a picture of future job opportunities.

Activities for children and young people were supported partly via comprehensive and upper secondary schools, e.g. by offering work placements and funding grants. This year also saw us involved as an official partner in the ice hockey club Brynäs IF's initiative for children and young people in the Gävle region – the “A good start”

project – and working with the Rapatac youth centre which seeks to give children and young people good opportunities for a secure and meaningful upbringing. Billerud-Korsnäs also sponsored local sporting and cultural activities to varying extents.

During the year local communities continued to use surplus heat from Billerud-Korsnäs' production. Through co-owned companies or delivery agreements, the **local district heating network** was supplied with 952 GWh for residential heating, equivalent to about 47 000 detached homes. For example, the production unit in Frövi delivered 89% of the heating requirement in communities in Lindesberg municipality.

WORKING TOGETHER ON ENVIRONMENTAL PROJECTS

We are also involved in environmental projects in partnership with nature conservation organisations, agencies and landowners. Examples include work to ensure that protected species such as the white-backed woodpecker and the pool frog are able to survive and enjoy better conditions in the future.

Read more about the pool frog on page 39.

SCHOOLS LEARN IN THE FOREST

We took part in "Forests in Schools", a national Swedish cooperation programme between schools and the Swedish forest sector to increase knowledge and interest in the forest. The programme's tools are outdoor learning.

PACK CHALLENGE 15

BillerudKorsnäs and Berghs School of Communication work together every year on the Pack Challenge – a competition for students at Berghs aimed at generating creativity and arousing interest in packaging solutions among the designers, marketers and decision-makers of the future. This is one way in which we support students' education while benefitting our industry in the longer term. The competition is now an integrated part of the full-time courses in Graphic design and Production management. The challenge this year was to use a packaging concept with a difference to support UNICEF's work for children across the globe. This year's winning entry was five different badges, each symbolising a different superpower.

PIDA 2015

For the past ten years BillerudKorsnäs has been running PIDA, the Packaging Impact Design Award, in partnership with leading universities and colleges in France, Germany and Sweden. The aim here too is to contribute towards the best possible training and benefit the long-term future of the industry. The design contest highlights innovative packaging solutions and is run three times a year – one in each of the countries. This year's theme, "Style & Smart on the Go", was about developing smart packaging solutions for meals eaten on the move.



How to package your superpowers.



NETWORKING WITH STUDENTS

To forge contacts with students with a special interest in sustainability and contribute towards their education, BillerudKorsnäs works with Sustainergies – a network for businesses, higher education and students, focusing on sustainability. During the spring we hosted CSR Live, an event in which a group of students visited BillerudKorsnäs' sustainability department.

FUTURE LAB FOR STUDENTS

In September the National Museum of Science and Technology in Stockholm unveiled its MegaMind exhibition, aimed at opening young people's eyes to technology. As well as technical challenges that visitors can try out, there are also three future labs. BillerudKorsnäs is responsible for the packaging lab, where, with the help of an educator, young people get to solve tasks concerning the strength and origin of pack-

aging material and consider how they think the material can be improved or used in a new way. The goal is to encourage students to come up with creative, sustainable innovations for the lives of the future.

WORKING WITH ACTION AID

BillerudKorsnäs' partnership with the Action Aid movement continued during the year. This gives employees an opportunity to donate an amount to Action Aid,

which BillerudKorsnäs then tops up. Some of the employees who contributed then get the chance to participate on a trip and an aid project. This year's trip was to Mozambique, where four employees helped to build a centre for victims of violent crime.



Photo: F. Latreille

HIGHLIGHTING A GLOBAL PROBLEM WITH TARA

During the year BillerudKorsnäs began collaborating with the French non profit organisation Tara Expeditions, which works to draw attention to and plug the knowledge gap regarding a major problem affecting the world's oceans – plastic rubbish. Our range of products based on primary fibre enables us to offer alternatives to plastic – entirely in line with Tara's goals.

At the end of August, we invited decision-makers, stakeholder organisations, researchers and the business community to “Challenge 15” to discuss and highlight pressing environmental challenges faced by the world's oceans and opportunities to solve them using renewable materials.

Each year 6.4–8 million tonnes of plastic rubbish is washed into the ocean¹. And nobody really knows what happens to all this plastic and how it affects the sea, sea life and people. Our partner Tara Expeditions has carried out several research expeditions to gather plastic and understand its effect on the marine ecosystem.

¹ Tara Expeditions, 2015, and the World Economic Forum, Ellen MacArthur Foundation and McKinsey & Company, The New Plastics Economy – Rethinking the future of plastics, 2016



CREATING VALUE IN SOCIETY

A survey to evaluate BillerudKorsnäs' social and economic contribution to society in 2014 was run with the organisation Sustainergies. Areas highlighted included the number of direct and indirect employees and the proportion of these in the local business community. It showed that in addition to 4 246 employees, the company's operations directly provided jobs for approximately 685 people calculated on an annual basis, equivalent to approximately 16%. In 2015 the company also provided summer jobs for 437 young people and about 260 people carried out work experience as part of their education. The jobs arising due to the consumption of employees and contractors must also be factored in.

In addition to the tax that BillerudKorsnäs has paid as shown by the account in the table "Economic value distributed", a large amount of tax is included in the item for employees. This includes tax at source on staff salaries, social security contributions and pension contributions. Other taxes are income tax, tax on returns on funds and

property tax. In total this means that the company paid SEK 1.3 billion in tax in 2015. The taxes paid to the municipalities are of great importance for local services such as care of the elderly, libraries and

preschools. Assuming that the employees at our production units live in the same municipality in which they work, these taxes amounted to 2–39% of the local tax bases.

ECONOMIC VALUE DISTRIBUTED (EC1)

SEKM	2015	2014
Direct economic value generated:		
Revenue	22 441	20 990
Economic value distributed by:		
Suppliers	-14 998	-14 715
Investments	-1 672	-1 382
Salaries and employee benefits	-3 167	-3 020
Interest to lenders	-199	-259
Dividend to shareholders	-727	-465
Taxes paid ³	64	-37
Total	-20 699	-19 878
At the company's disposal	1 742	1 112

DISTRIBUTION BY COUNTRY, SEKM

Country	2015	2014
Sweden ³	103	-18
Italy	-9	-6
China	-4	0
Latvia	-19	-8
Estonia	-1	
USA	-2	-2
France	0	0
Netherlands	-1	-1
Germany	-2	-1
United Kingdom	-1	-1
Total	64	-37

² Report "BillerudKorsnäs' Social and Economic Contribution", Sustainergies, 2015.

³ In Sweden the Swedish Tax Agency has repaid preliminary tax of approximately SEK 300 million, resulting in a repaid net amount of SEK 103 million in Sweden.

JOBS CREATED IN ADDITION TO OWN EMPLOYEES²

- 311 full-time equivalent jobs for contractors working on short assignments at production units
- 375 full-time equivalent jobs in forest operations
- 437 summer jobs in production – equivalent to 98 full-time jobs (2015).

PLANS FOR 2016

- A new three-year marine research partnership with Tara Expeditions.
- Continued activities to provide experience of the world of work.
- Co-financing the Swedish Society for Nature Conservation's "White-backed woodpecker" project at JärvZoo.
- Event to boost interest in the industry in under-represented target groups.
- Involvement in "Introduce a Girl to Engineering day".

CONCLUSIONS

The model to provide experience of the world of work, particularly to young people, started to be established during the year. The occupational introduction project was carried out at three production units, while the entire company was on board with providing work placements for students. Procedures to identify and pass on views from surrounding society worked. Local collaboration was run in a number of forms and created value for education, business and the environment. New knowledge emerged on how the company creates value in society, benefitting continued work on this commitment.

A photograph of a pool frog (Pelophylax lessonae) in a pond. The frog is green with dark spots and is partially submerged in the water. A large green circle is overlaid on the left side of the image, containing the text 'A BETTER CHANCE OF SURVIVAL FOR THE POOL FROG' in white capital letters.

A BETTER CHANCE OF SURVIVAL FOR THE POOL FROG

Today the little green-brown pool frog (*Pelophylax lessonae*) is on the Red List of endangered species. It is threatened in Sweden because it is living at the limit of its area of distribution here. It only occurs in small areas, such as along the North Uppland coast, where BillerudKorsnäs has operations. The pool frog lives there in the pools that were formed when the land levels rose.

To improve the conditions for the frog's survival in the area, Billerud-Korsnäs and the landowner Bergvik Skog are involved in a project to plan an aquatic landscape, to a certain extent in partnership with the county adminis-

trative board and the Swedish Forest Agency. This means that aquatic values are focused on improving the frog's habitat and opportunities to spread. This can be done through wider buffer zones around watercourses and re-establishing wetlands.

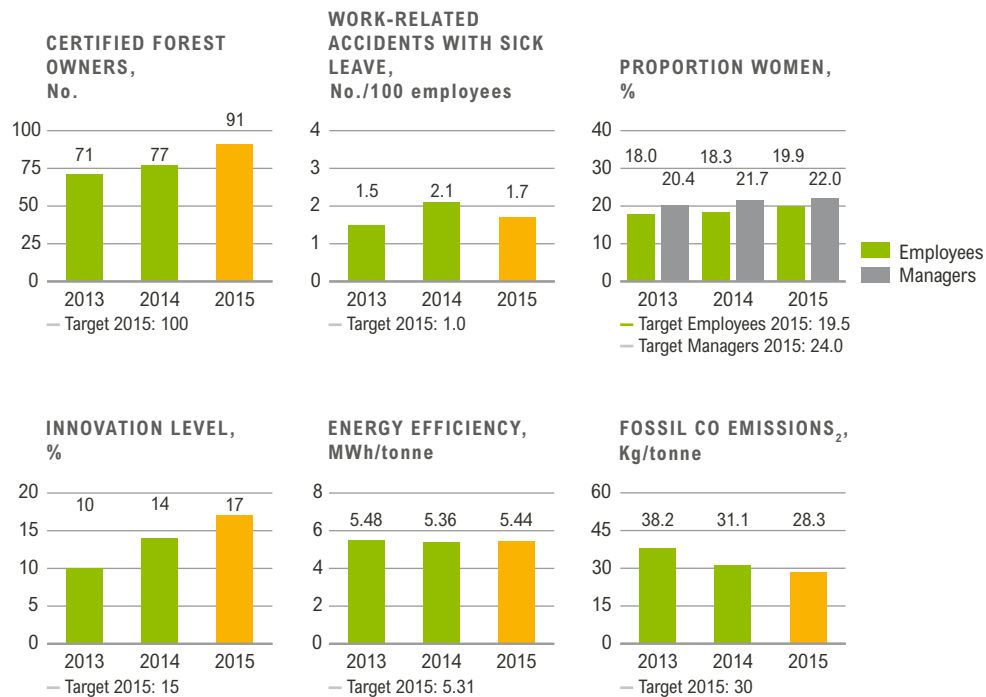
The project also involves producing a planning tool in order to assess the importance of waterways, damp areas and paths for the frog to spread, to improve its habitat and so create conditions for the pool frog's long-term survival in the area.

SUSTAINABILITY TARGETS

	KEY PERFORMANCE INDICATORS (BASE YEAR)	OUT- COME 2013	OUT- COME 2014	OUT- COME 2015	TARGET 2015	TARGET 2016	TARGET 2020	TARGET FULFILMENT AND COMMENTS ON OUTCOME 2015
Responsible value chain	Sustainability in the supply chain (2014) Proportion of purchasing value with supplier assessment, %	(10 assess-ments)	40 (in one year)	53.5 (in two years)	50 (in two years)	60 (in three years)	75 (in three years)	✓ The target was reached well. The target for 2016 establishes a three-yearly follow-up cycle with supplier assessments.
	Certified wood raw material (2013) Group-certified forest owners in the company's group certificates for FSC and PEFC, number	71	77	91	100	120	200	– The target was not completely reached but a relatively large increase in the number of certified private forest owners was seen nevertheless.
	Workplace safety (2013) Work-related accidents with sick leave, number/100 employees Work-related accidents with sick leave, number/million hours worked ¹	1.5 9.4	2.1 12.7	1.7 9.5	1.0	1.0	1.0	– The number of work-related injuries fell compared with 2014 thanks to work by an internal group of specialists and cooperation between the units. However, much work remains to achieve the target.
	Skills and equality (2013) Proportion of female employees, % Proportion of female managers, % Proportion of performance reviews, %	18.0 20.4 80	18.3 21.7 88	19.9 22.0 87	19.5 24 100	20.5 25 100	23 30 100	(✓) The targets were partly reached. The proportion of women as employees and managers continued to rise. The proportion of performance reviews remained at the same level as the year before.
Increased customer value	Innovation level for products (2013) Proportion of sales accounted for by new products ² , %	10	14	17	15	>15	20	✓ The target was reached well. The ambition is to gradually increase this percentage to 20%.
Sustainable and bio-based society	Energy efficiency (2013)³ Energy consumption per tonne of product produced, MWh/tonne product (net)	5.48	5.36	5.44	5.31	5.31	5.1	– The target was not reached due to certain production disruptions and major refits of paper machines which temporarily caused a drop in efficiency.
	Fossil free production (2013) Emissions of fossil CO ₂ in production, kg/tonne product	38	31.1	28.3	30	27	25	✓ The target was reached with a good margin. Emissions of fossil carbon dioxide in production per tonne produced fell significantly, by about 9% compared with 2014. Important reasons for this were successful investments in energy efficiency at Skärblacka and other units.
	Environmentally adapted transport (2015) Emissions from transporting products, global ⁴ , kg CO ₂ eq/tonne km	-	-	21.7	-	<21.1	<20.8	✓ The old target was reached. The new target for BillerudKorsnäs is more wide-ranging than previous targets and covers all the company's transport of products worldwide. The methodology was tested in 2014 and 2015.
	Work experience through internships and occupational introduction (2014) Work experience projects ⁵ , number Work internships ⁵ , number of weeks	- -	2 1 128	4 1 333	3 -	1350	1 500	✓ The target was reached. Several projects were started at the production units. The model of work experience placements and projects mainly for young people started to become well established. The target for the future is for the number of weeks of work placements provided, including projects.

¹ The calculation per million hours worked may need to be corrected subsequently. ² The key ratio for innovation level refers to sales of paper and board, which excludes pulp. Definition (Innovation factor x novelty value x sales)/total sales. A product is judged to be new for the first five years. ³ Energy consumption is corrected upwards by 0.06 after recalculation for the soda recovery boiler in Karlsborg. Emissions of fossil carbon dioxide are corrected downwards for 2014 by 0.1 kg per tonne. ⁴ New emission target for BillerudKorsnäs' transport globally. The previous industry-wide target for transport within EU27, to reduce emissions of fossil CO₂ by 20% by 2020, was attained by BillerudKorsnäs (-22%) and ended in 2015. ⁵ Weeks of internships may include projects such as Tekniskpråget for technicians, Korta vägen for immigrants and Occupational introduction for different categories.

BillerudKorsnäs' follow-up of three years' work on the sustainability targets **shows that most areas have developed positively, even if not all the targets for 2015 were reached.** In 2016 we will be reviewing the targets and adapting them better to the three focus areas.



ENVIRONMENTAL STATISTICS

	UNIT	2015	2014	2013
Production (G4-9)				
Paperboard, paper and pulp	ktonnes	2 908	2 881	2 799
Wood pellets ¹	ktonnes	0	498	433
Total production	ktonnes	2 908	3 379	3 232
Materials used (EN1)				
<i>Renewable</i>				
Wood	km ³ sub	9 900	11 038	10 611
Pulp, purchased externally	ktonnes	318	356	329
Pulp, purchased internally	ktonnes	125	115	114
Chemicals	ktonnes	70	71	79
Total renewable materials	ktonnes	10 413	11 580	11 134
<i>Non-renewable</i>				
Chemicals	ktonnes	381	428	387
Total materials used	ktonnes	10 794	12 008	11 521
Air emissions (EN21)				
Sulphur (S)	tonnes	411	404	464
of which various sources	tonnes	164	202	272
Nitrogen oxides (NO _x)	tonnes	3 098	3 231	3 151
Dust	tonnes	688	1 168	1 024
Water withdrawal (EN8)²				
Surface water	billion m ³	203	215	217
Water discharge (EN22)				
Process water	billion m ³	148	152	145
COD (oxygen-consuming organic compounds) ³	tonnes	30 132	31 891	29 681
TSS (suspended solids)	tonnes	3 906	3 674	3 953
Organically bound chlorine (AOX)	tonnes	165	160	158
Nitrogen	tonnes	499	447	472
Phosphorus	tonnes	46	47	47
Waste (EN23)				
Process waste	tonnes	91 711		
Hazardous waste	tonnes	1 154		

¹ Some figures are affected by the sale of Latgran in 2015. ² Rain and waste water are not used. Groundwater 0 billion m³, municipal water 0.25 billion m³ a year. ³ COD is calculated from TOC. Discharge is to watercourses neighbouring the production plants. ⁴ The calculation of energy efficiency has been changed for one of the soda recovery boilers, and therefore the total result has been corrected upwards by 1.1% since the first review (G4-22). BillerudKorsnäs is covered by the European Union Emission Trading Scheme (EU-ETS). The emissions reported in this report are the actual emissions from operations and are not affected by this system. The conversion factor from GWh to TJ is 3.6. ⁵ Use of electricity and energy minus fuel for self-generated electricity and sold energy. ⁶ Only CO₂ reported under EU-ETS. The emission factor for fossil CO₂ is 76.2 kg CO₂/TJ. ⁷ Bio-generated CO₂ for 2014 has been subsequently adjusted by more detailed calculations. ⁸ The emission factors for purchased electricity in Sweden and Finland were lower compared with the previous year.

	UNIT	2015	2014	2013
Energy consumption (EN3)⁴				
Solid biofuels	GWh	1 988	2 044	2 183
Waste liquor	GWh	10 371	10 018	9 574
Raw tall oil	GWh	117	113	104
Other (e.g. soap, gas, turpentine, methanol)	GWh	167	154	142
Total self-generated biofuels	GWh	12 643	12 329	12 002
Solid biofuels	GWh	767	690	639
Tar oil	GWh	721	737	722
Total purchased biofuels	GWh	1 488	1 426	1 361
Total biofuels	GWh	14 131	13 756	13 363
Heavy and light fuel oil	GWh	142	167	235
LPG	GWh	92	87	76
Natural gas	GWh	113	117	119
Total purchased fossil fuels	GWh	347	371	430
Total fuel consumption	GWh	14 478	14 127	13 793
Proportion fossil fuels used	%	2.4	2.6	3.1
Steam, bio-based	GWh	250	261	274
Steam, fossil-based	GWh	32	54	56
Hot water	GWh	15	13	14
Total purchased steam, hot water	GWh	298	328	345
Primary energy (ex. steam)	GWh	376	396	249
Secondary energy (waste heat)	GWh	576	582	673
Total sold energy	GWh	952	977	921
Purchased electricity	GWh	1 783	1 739	1 784
Self-generated electricity	GWh	1 351	1 406	1 377
Sold electricity	GWh	47	48	19
Total electricity	GWh	3 086	3 097	3 143
Total energy consumption⁴	GWh	15 814	15 434	15 345
Energy intensity (EN5)⁵	MWh/tonne	5.439	5.357	5.482
Greenhouse gas emissions CO₂ eq⁶				
Bio-generated fuels (EN15) ⁷	ktonnes CO ₂ eq	5 092	4 855	5 133
Fossil fuels (EN15)	ktonnes CO ₂ eq	82	90	106
Total direct greenhouse gases	ktonnes CO₂ eq	5 168	4 945	5 239
Purchased steam (EN16)	ktonnes CO ₂ eq	11.1	4.1	4.2
Purchased electricity (EN16)	ktonnes CO ₂ eq	12.8	14.2	58.9
Total indirect greenhouse gases	ktonnes CO₂ eq	24.0	18.3	63.1
Intensity fossil CO₂ eq (EN18)				
From fuels	kg CO ₂ eq/ton prod.	28.3	31.1	38.0
From purchased electricity and energy	kg CO ₂ eq/ton prod.	8.2	6.4	22.5
Total emissions for products	kg CO₂ eq/ton prod.	36.5	37.4	60.5

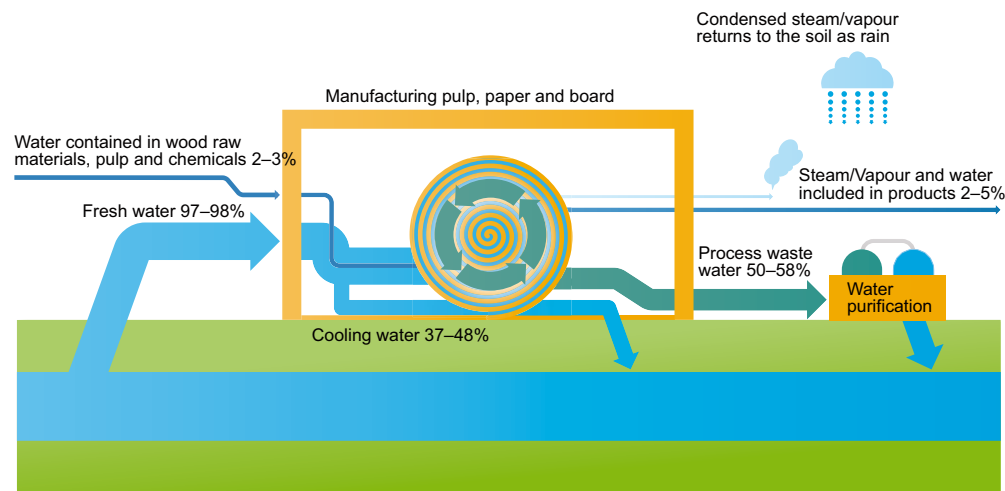
COMMENTS

BillerudKorsnäs consumed 97.6% biofuels, which means a slight further increase in the proportion of renewable fuels.

The reduced use of chemicals was a combination of actual reductions and changes in reporting, as in 2014 certain chemicals were not reported with 100% dry content.

Direct emissions of fossil carbon dioxide fell by 9% to 28.3 kg per tonne of product. Indirect emissions increased, however, by 31% compared with 2014 due to higher emission factors for purchased steam for the paper machine in Tervasaari. As electricity from the spot market, as in 2014, was purchased with guarantees of origin, the indirect emissions only amounted to 22% of the total.

During the year there were no significant economic sanctions due to breach of environmental legislation. However, white liquor accidentally entered Gruvön's factory water system during a maintenance shutdown. No emission criteria were breached and control measurements in the lake downstream showed normal values. To prevent a repetition, a safety system was introduced. The county administrative board and the environmental prosecutor were informed. In 2014 the threshold value for emissions of dust from the lime kiln in Karlsborg was exceeded. In 2015 the environmental prosecutor had not yet determined whether the legal proceedings were to be instigated.



RECYCLING WATER – EXAMPLES FRÖVI AND GÄVLE

The water that enters the production process is 97–98% surface water from neighbouring watercourses, the rest is from wood and chemicals. The water is used to wash pulp in several stages during manufacture. The paper pulp is moved in a water mixture over to the paperboard machine, where it is further diluted with circulating water to form a suspension, which then consists of almost entirely water. In total, virtually all the process water is recycled and reused. For the company as a whole, this means approximately 147 million m³ water (page 42) is reused, corresponding to 72% of all water withdrawn.

How many times the process water is used before purification varies between the sites. According to our examples, process water is used an average of more than 30–50 times before being sent for biopurification. Almost all of the water withdrawn is returned to the watercourse from which it was taken. The remaining water is mainly emitted as steam and vapour to the surrounding air, but some remains as moisture content in the products.

TRANSPORT EMISSIONS (EN17 AND EN30)

	CO ₂ eq greenhouse gas		NO _x nitrogen oxides		CO carbon monoxide		HC hydrocarbons		SO ₂ sulphur dioxide		PM particulates		Energy TJ	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Staff ¹ , air and rail, tonnes	1 735	1 328	-	-	-	-	-	-	-	-	-	-	-	-
Wood raw material ² rail, sea and road, tonnes	56 662	58 475	688	745	26.6	28.3	14.8	16.8	138	157	19.9	22.4	-	-
Finished products ³ rail, sea, road, tonnes	205 708	193 653	3 746	3 524	393	382	307	292	1 543	1 548	212	216	2 785	2 597

¹ There were no opportunities to report all the emission parameters from the travel agencies that BillerudKorsnäs hired. ²Proportion of biodiesel assumed to be 5% according to information from transport partners. The calculation refers to emissions in direct transport work. The conversion factor from fossil CO₂ to CO₂ eq (1.014396) uses input data in the calculation tool NTM Calc <https://www.transportmeasures.org/en/>. ³ For finished goods, the calculations concern emissions from source to transport, in line with the calculation tool NTM Calc.

EMPLOYEE STATISTICS

EMPLOYEE STATISTICS 2015 (2014)		TOTAL	SWEDEN	FINLAND	UK	BALTIC ⁴	SALES OFFICES ⁵
Employees							
Average number of employees ¹ (G4-10)		4 223 (4 195)	3 519 (3 448)	181 (178)	138 (140)	160 (237)	225 (192)
Employees at year-end	No.	4 212 (4 246)	3 574 (3 488)	181 (178)	136 (140)	99 (249)	222 (191)
of whom women	%	19.9 (18.3)	18.4 (17.0)	16.0 (13.5)	8.8 (7.9)	22.0 (20.2)	52.2 (53.9)
of whom blue collar/workers	%	60 (62)	63 (64)	66 (67)	68 (68)	83 (76)	0 (1)
of whom white collar	%	40 (38)	37 (36)	34 (33)	32 (32)	16 (24)	100 (99)
Proportion of female managers ²	%	22.0 (21.7)	22.6 (20.1)	14.3 (22.2)	9.1 (20.0)	66.7 (26.3)	25.7 (32.6)
Average age (LA12)	Year	46.7 (46.5)	47.0 (47.1)	48.0 (46.2)	48.0 (48.0)	52.7 (42.9)	35.0 (39.9)
Sick leave (LA6)							
Total sick leave as % of hours worked	%	3.6 (3.4)	3.7 (3.4)	5.0 (6.2)	3.7 (2.9)	6.1 (4.1)	0.6 (0.6)
Sick leave as proportion of hours worked, men	%	3.7 (3.9)	3.6 (3.3)	5.3 (7.0)	3.9 (2.8)	6.8 (4.2)	0.4 (0.3)
Sick leave as proportion of hours worked, women	%	3.5 (1.9)	4.0 (3.9)	3.7 (1.5)	1.2 (4.0)	3.9 (3.6)	0.8 (0.9)
Work-related accidents (LA6)							
Work-related injuries ³ with sick leave	No.	73 (85)	65 (80)	6 (2)	2 (2)	0 (1)	0 (1)
Work-related injuries with sick leave/100 employees	No.	1.7 (2.1)	1.8 (2.3)	3.3 (1.1)	1.4 (1.4)	0 (0.4)	0 (0.4)
Work-related injuries with sick leave/million hours worked	No.	9.5 (12.7)	9.9 (13.9)	23.2 (7.9)	7.9 (8.0)	0 (2.4)	0 (6.0)
Work-related injuries without sick leave	No.	478 (417)	421 (375)	28 (18)	29 (24)	0 (0)	0 (0)

¹ Contractors are not covered by these statistics. 92.4% of employees in Sweden, Finland, the UK and the Baltic countries are covered by collective agreements (G4-11).

² There were 33% women on the Board of Directors, and 27% women in the Board and Senior Management Team overall.

For 2014 the equivalent proportions of women were 27% and 24%. The age distribution was 32% in the group 30–50 and 68% over 50.

³ The number of work-related injuries was reported monthly in 2015 for the whole company and was compared with the overall target.

⁴ Latgran was sold in 2015.

⁵ Paccess is included in this accounting group.

COMMENTS

Changes compared with 2014 are minimal. The number of employees in the Baltic countries fell due to the sale of pellet production at Latgran, which also led to a major decrease in the average age of employees. The proportion of women increased in the company in general, although the pace was slower than planned at management level. Sick leave increased

somewhat, mainly in the Baltic countries and Finland, but is generally at normal levels. As previously, it is in the older group of employees, aged over 50, that sick leave is highest. There are still far too many work-related accidents although they have fallen quite a lot, which hopefully indicates that the initiatives carried out will result in a further reduction. The compilation and analysis of statistics on work-related injuries

was expanded during the year to support continued measures. In 2016 analysis of work-related injuries will be expanded to also include contractors and their sick leave. In 2015 an external lorry driver was involved in a road accident at one of the production units but no decision has yet been reached on whether or not to prosecute.

Pay surveys are carried out in line with legislation at least every three years at our

production units and larger offices so the sites of the surveys reported here vary over the years. The pay surveys completed during the year did not show any unjustified differences between women and men in comparable occupational groups.

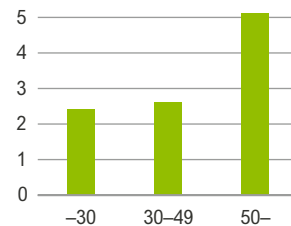


PAY SURVEYS (LA13)⁶

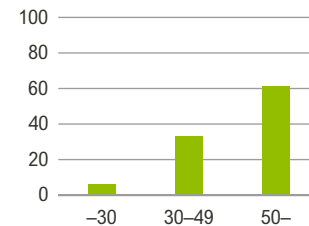
Comparable posts	Average salary,
	women/men %
Section heads, engineers	104.2%
Operators, technicians	101.8%
Operators, mechanics	102.9%
Laboratory staff, specialists	98.9%
Operators, drivers	98.7%
Drivers, service	97.7%
Total all employees	99,9%

⁶ The report here concerns a production unit where a pay survey was processed in 2015, i.e. a different unit from that in the sustainability report for 2014. A survey was also processed for one office, but here the different posts were judged to be too dissimilar to be reported in a comparable manner here. The surveys are based on identifying comparable occupational groups. At the production units a model (BAS/ BVA) was used which evaluates the different requirements of the posts within the unit and allocates them points to attain comparability.

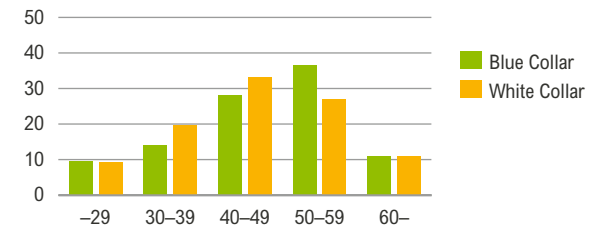
PROPORTION SICK LEAVE
PER AGE GROUP, %
(LA6)



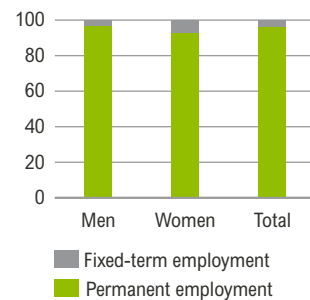
PROPORTION OF TOTAL
SICK LEAVE PER AGE
GROUP, % (LA6)



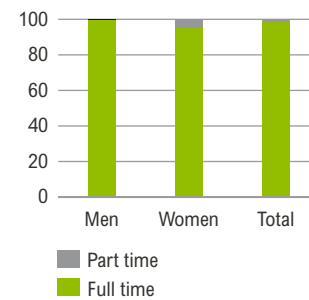
AGE DISTRIBUTION, %
(LA12)



EMPLOYEES'
FORM OF EMPLOYMENT, %
(G4-10)



EMPLOYEES'
WORKING HOURS, %
(G4-10)



PROPORTION OF
EMPLOYEES BY GENDER
(G4-10)



¹ Relates to employees in Sweden.

UN GLOBAL COMPACT

Since 2009 BillerudKorsnäs has been signed up to the **UN's responsible business initiative, Global Compact**. This shows the world around us that we have taken a stand on the initiative, support its ten principles and are working for them together with many other large companies worldwide.

HUMAN RIGHTS

Principle 1

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

Principle 2

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

LABOUR

Principle 3

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

Principle 4

the elimination of all forms of forced and compulsory labour;

Principle 5

the effective abolition of child labour; and

Principle 6

the elimination of discrimination in respect of employment and occupation.

ENVIRONMENTAL

Principle 7

Businesses should support a precautionary approach to environmental challenges;

Principle 8

undertake initiatives to promote greater environmental responsibility; and

Principle 9

encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10

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

PART OF CORPORATE CULTURE

The principles are based on a few central documents in the field of sustainability:

- The Universal Declaration of Human Rights
- The ILO's fundamental conventions on human rights in the workplace
- The Rio Declaration
- The United Nations Convention against Corruption

The companies that have signed the convention undertake to introduce the ten principles in their strategies, work to embed the principles in their corporate culture and undertake to publically express their support for the UN Global Compact. The company must report on its work on the principles once a year.

FRAMEWORK FOR US

For BillerudKorsnäs the UN Global Compact serves as a framework for the entire business. Our Code of Conduct is founded on the ten principles, which in turn steer policies and the way employees are to act. This Sustainability Report in line with GRI G4 serves as part of the annual reporting – Communication on Progress – to the UN Global Compact. We have reported at Advanced level since 2014.

THE UN'S NEW DEVELOPMENT GOALS.

In 2016 we will be reviewing how our sustainability targets can be adapted to the UN's 17 new Development Goals for sustainable development worldwide.



MANAGEMENT SYSTEMS AND CERTIFICATES

COMPANY-WIDE SYSTEMS

Today the majority of the production units have their own certificates for quality, the environment, energy, food safety and health and safety. Work is under way to create more company-wide management systems. Achieved during the year:

- **Quality (ISO 9001) and environment (ISO 14001).** Continued introducing a company-wide certified management system for quality and the environment – a multi-site quality and environmental management system. Initially the management system will only include all the production units, to be followed by the sales offices as well. A shared certification service was procured to create a similar approach throughout the company to quality and the environment and also energy.
- **Energy (ISO 50001).** Planned for a company-wide certified energy management system for the Swedish production units.
- **Forestry (FSC FM/PEFC FM) and traceability (FSC CoC/PEFC CoC).** Started to procure a shared certification service to create a similar approach throughout the company. The procurement process will be completed in 2016. Drew up guidelines for work on wood traceability. A multi-site solution is also being explored for traceability certification.

- **Food safety (FSSC 22000/ISO 22000) and health and safety (OHSAS 18001).** Evaluated benefits of coordinating management systems in food safety and health and safety but found that they should continue to be specific to each production unit.

COMPANY-WIDE IT SUPPORT

New company-wide IT support was introduced to facilitate operation of the company-wide management systems. A great deal of work was put into combining the different aspects during the year. The work is planned to be complete in 2016.

DATA SECURITY

A pilot study was carried out to assess the level of the company's data security. Head office took part in a gap analysis under the ISO 27000 standard. The analysis results will be used to determine the measures that should be prioritised in future work.

DEVELOPMENT GROUP

Work on management systems is coordinated via the management system development group. It includes representatives of each production unit, the forest section and central responsible officers at the Operational Excellence unit. The group also follows up work on environmental and quality management. Other management systems and forest certification are followed up in more competence-based groupings.

CERTIFICATES AT BILLERUDKORSNÄS 2015¹

	ISO 9001	ISO 14001	ISO 50001	FSSC 22000/ISO22000	OHSAS 18001	FSC FM/PEFC FM	FSC CoC/PEFC CoC
Frövi	X	X	X	X			X
Gruvön	X	X	X	X			X
Gävle	X	X	X	X			X
Karlsborg	X	X	X				X
Skärblacka	X	X	X	X			X
Pietarsaari	X	X		X	X		X
Tervasaari	X	X			X		X
Beetham	X	X			X		X
Forestry	X	X				X	X

¹ Today there are two differences in the company's certification. All the Swedish production units have energy management systems but the others do not. These others instead carry health and safety certification, which the Swedish plants do not. For the Swedish production units the motivation for introducing energy management systems was both financial and environmental, while the Swedish Work Environment Agency's regulations for systematic work environment work have been seen as sufficiently rigorous to attain ambitious work environment targets. Not all units need food safety certificates, and this therefore varies.

POLICIES AND GUIDELINES

- Alcohol and drug policy
- Health and safety policy
- Purchasing policy and guidelines
- Climate strategy
- Communication policy
- Pay policy
- Policy for compliance with international sanctions
- Policy for compliance with competition law
- Whistleblower policy
- Anti-corruption policy
- Guidelines on health work
- Credit guidelines
- Guidelines for work on diversity
- Timber supply guidelines
- Guidelines and action plan for victimisation and harassment
- Risk Management Policy
- Treasure Policy
- Code of Conduct
- Operational policy



EXTERNAL NETWORKS

BillerudKorsnäs is a member of a number of networks of various kinds **to learn from, contribute towards and influence development in the forest industry, packaging and sustainability, but also for society as a whole.** Working together produces results.

BILLERUDKORSNÄS IS REPRESENTED ON THE BOARDS OF OR HELPS TO FUND THE FOLLOWING NETWORKS:

- **Alliance for Beverage Cartons and the Environment (ACE)** – European platform for beverage carton manufacturers and their carton suppliers on environmental issues affecting the industry
- **Asian Corrugated Carton Association (ACCA)** – international organisation for the corrugated carton industry
- **Bio-based Industries Initiative** – an EU initiative to support bio-based industry's use of renewable natural resources and innovative technology
- **Confederation of European Paper Industries (CEPI)** – European industry organisation for the pulp and paper industry
- **Energiforsk** – network for Swedish energy research
- **European Federation of Corrugated Board Manufacturers (FEFCO)** – European industry organisation for producers of corrugated board
- **Innventia** – a research institute with a world-leading position in pulp, paper, graphical products, packaging and biorefining
- **Miljöpack** – business group within Innventia that works for resource-efficient packaging
- **Normpack** – business group within Innventia that works for safe food packaging
- **Paper Province** – company cluster for forest bioeconomy
- **The Swedish Forest Industries Federation** – Swedish industry organisation for the pulp, paper and wood mechanical industry
- **SSG Standard Solutions Group** – a knowledge centre that helps industry to be more efficient and safer in the field of asset management
- **Wallenberg Wood Science Center** – a research centre in the new materials sector with the forest as a raw material

STAKEHOLDER DIALOGUE

What did stakeholders think?

BillerudKorsnäs reviews the aspects and indicators that are of vital importance to the business and stakeholder decision-making on an annual basis. **We use GRI G4** – international guidelines for sustainability reporting – as our starting point.

UPDATED MATERIALITY ANALYSIS

BillerudKorsnäs' most important stakeholder groups are investors, customers, suppliers, employees and society. The previous materiality analysis was updated during the year. Experiences from ongoing stakeholder dialogue, on the following spread, were taken into account. The analysis was based on these two materiality criteria:

- Relevance to BillerudKorsnäs given the operations the company carries out and the sustainability impact the company has.
- Relevance to the company's stakeholders in their decision-making.

FOUR NEW INDICATORS

In 2015 indicators were added that shed light on the risks, trends and major challenges affecting the company and what the strategies are for meeting them.

- **EN17** – The increasingly critical climate change situation and the initiatives taken internationally led to the company expanding its ambitions in terms of analysis, targets and reporting on **greenhouse gases to its suppliers**.

- **EN21** – In the light of the ongoing stakeholder dialogue, it was found that reporting needed to be extended to include information on NO_x, SO_x and other significant **emissions to air**.

- **EN23** – As previously, the company reports amounts of waste to the supervisory authorities, which shows that the indicator for **waste from operations** is important. A generally increased focus on littering in the oceans, the EU's decision to phase out the use of thin plastic carrier bags and the EU's circular economy initiative contributed towards this conclusion.

- **PR9** – The analysis also led to the aspect of product safety, for the sake of transparency, being expanded with the addition of an indicator for **economic consequences** of any breaches of legislation or other agreements.

BROADER SCOPE

To ensure that the sustainability report covers all key areas, since the first analysis in 2013 it has been expanded with a total of eight GRI indicators. This year's report thus covers 35 aspects (approximately 78%) and 43 indicators in the GRI system (about 47%).

Read more in the GRI Index appendix on BillerudKorsnäs' website.



Our ongoing stakeholder dialogue

STAKEHOLDER GROUPS	DEFINITION	TYPE OF DIALOGUE	QUESTIONS/FOCUS	RESPONSE/OUTCOME
INVESTORS	Shareholders Analysts Potential investors	Annual Report including Annual Review and Sustainability Report, interim reports, external reporting systems, questionnaires from analysts, website, investor meetings, meetings with analysts, press conferences, capital market day, questionnaires from investors, materiality analysis. Questionnaires from ethical and environmental investment funds.	Economic value development sustainable in the long term, strategies, challenges, risk management, climate change, environmental impact, labour practices, health and safety, ethics, Code of Conduct, human rights in the supply chain.	Sustainability Report, strategic platform, risk management policy, reporting climate work and forestry in CDP, Climate Leader award, sustainability ranking from analysts, Code of Conduct based on UN Global Compact, Tara Expeditions, Action Aid, Science Based Targets.
CUSTOMERS	Existing customers Potential customers Customers' customers End-consumers	Personal meetings, daily contact, network collaboration on liquid packaging board, fairs, seminars & customer meetings, customer surveys, external reporting systems, questionnaires from customers, materiality analysis.	Sustainable business, Code of Conduct, economy, environmental issues (e.g. carbon dioxide emissions and biodiversity, life cycle analyses and environmental impact, product labelling PEF, water supply and discharges), working conditions (e.g. safety in the workplace, human rights in the supply chain, EUTR).	Sustainability Report, strategic platform, sales support and sustainability training, product development, responses to surveys, life cycle analyses for products, Gold CSR ranking EcoVadis, projects with WWF on biodiversity, EUTR report.
EMPLOYEES	Current employees	Workplace meetings, management meetings, internal training, employee surveys, cooperation council, incident follow-up, performance reviews, materiality analysis.	Code of Conduct, business ethics questions, performance management, work environment and safety, cooperation, fitness measures, diversity.	Sustainability Report, strategic platform, talent management, model for improvement work, health and safety working group, health and safety policy, whistleblower policy, action plan on victimisation, extended trainee programme, responses to questionnaires, web-based training on the Code of Conduct.
	Union representatives	Local collaborative meetings, collaborative forum at Group level, European Works Council, materiality analysis, pay survey analysis.	Health and safety, young people's work experience, performance management, finance, terms of employment, human rights, sustainability in the supply chain.	Open and constructive dialogue, pay surveys.
	Future employees	Visits to plants/forestry, careers fairs at colleges and universities, fairs, talks, interviews/questionnaires for dissertations/ essays, articles, Forest in School, student organisation Sustainable Energies.	Business descriptions, products, customer requirements, focus on sustainability, certification, environmental impact, energy, ethics, attractive employer, working conditions, terms of employment, sustainable products, economic and social benefit for society.	Sustainability Report, Employer Branding initiative, sponsorship, grants, trainee programme, work placements. Tekniksprånget, documented school projects, passing on information about the industry, ranking the company, assignments.

STAKEHOLDER GROUPS	DEFINITION	TYPE OF DIALOGUE	QUESTIONS/FOCUS	RESPONSE/OUTCOME
BUSINESS PARTNERS	Partners	Close contacts and development projects.	Developing sustainable and resource-efficient packaging, developing microfibrillated cellulose, business models.	Sustainability Report, strategic platform, launching new products (e.g. D-Sack), new business models.
	Existing suppliers	Procurement, supplier evaluations, improvement meetings, materiality analysis, discussion meetings.	Code of Conduct, requirements regarding internationalisation, finance, reduced environmental impact, safety in the workplace.	Sustainability Report, new supplier assessment model and manual.
	Lenders	Personal meetings, financial communication.	Economic value development sustainable in the long term.	Strategic platform
SOCIETY	Local residents Local societies	External viewpoints, information meetings, environmental reports, materiality analysis.	Emissions to air and water, events and plans for the future at plants, planning forestry, nature conservation issues.	Sustainability report, dialogue for understanding, measures to reduce disruptions, sponsorship of local activities, collaboration projects.
	Schools Universities	Ongoing contacts and collaboration, networks, study visits.	Talent requirements, content of training, work placements, the company's strategies, talent management activities, industry issues.	Dialogue between business and education, a stronger recruitment base, wider range of technical training, designing upper secondary school programmes.
	Agencies Ministries	Contacts with county administrative boards/municipalities, statutory environmental reports, scrutiny for production permits, consultation, harvesting reports, representations.	Emissions to air and water, noise, energy, land issues, waste, use of chemicals, protecting the natural and cultural environment in forestry, delimiting nature conservation initiatives.	Better understanding of each other's points of view on environmental issues, new production permits, go-ahead on key biotopes from Swedish Forest Agency.
	External auditors Certification bodies	On-site visits and other kinds of dialogue in conjunction with audits, social issues in working groups for standard audits.	Legislation and criteria of the standard in question.	Certification for operations, designing new standards.
	Industry organisations	Information meetings, working groups, board work, inquiries, development work, consultation on legislation.	Legislation, standardisation, sustainability, circular economy, waste directive, bio-based products, industry targets, policies and strategies.	Industry information, shared targets, development activities, representation in EU working groups, response to consultation, designing new standards.

EXTERNAL REVIEW



BillerudKorsnäs is evaluated on an ongoing basis by many customers and analysts through surveys on performance and working methods. This is in line with our ambitions to provide stakeholders with data so that they can evaluate our operations. Below are the **major, public reviews carried out in 2015.**

- **CDP CLIMATE. World Leader for Corporate Action on Climate Change.** Commissioned by institutional investors, CDP (Driving Sustainable Economies) compiles its A List of companies that demonstrate global climate leadership.

Nordic Climate Disclosure Leadership Index (CDLI). BillerudKorsnäs was praised for detailed and transparent climate reporting.

- **EcoVadis.** System for annual evaluation of sustainability among about 20 000 suppliers to global companies. BillerudKorsnäs was rated Gold for the second year in a row.
- **UN Global Compact.** In the report “Communication on Progress” on work with the UN Global Compact, BillerudKorsnäs was classified as Advanced.

- **Walking the talk?** Students at the Stockholm School of Economics worked with the Misum research centre to study how companies on the NASDAQ OMX Large Cap Index communicate sustainability compared with how they report it. Most of the companies on the list were considered to communicate more than they report.

- **WWF Environmental Paper Company Index 2015.** WWF states that their index shows a positive trend towards greater transparency and sustainability among the world’s more progressive pulp and paper producers.

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 – Driving Sustainable Economies	Three reports: Greenhouse gases, Forestry and Supply Chain
Oekom Research	Environmental and social aspects
Environmental Product Declaration (EPD)	Environmental Product Declarations for 9 products
WWF Environmental Paper Company Index	Environmental performance for the whole of BillerudKorsnäs
WWF Check Your Paper	Environmental data for three unbleached sack papers
EcoVadis	Working conditions, the environment, supply chain
Sedex (Supplier Ethical Data Exchange)	Working conditions, environment for individual production units
EU Ecolabel and Nordic Ecolabel	Pulp from Gruvön and Karlsborg

ABOUT REPORTING

This is the third report for BillerudKorsnäs and thus builds on data from three comparable years. We have chosen to follow GRI G4 in line with the “in-accordance” criterion at “Core” level.

SCOPE

The reporting comprises this Sustainability Report 2015 with associated GRI Index, which can be downloaded from the company's website www.billerudkorsnas.se/en/Sustainability/.

The report covers all the companies in which BillerudKorsnäs has operational control, i.e. majority-owned companies in line with BillerudKorsnäs' Annual Report 2015.

ANNUAL REPORTING

Sustainability reporting is carried out annually and the most recent report was published in March 2015. The report also constitutes reporting to the UN Global Compact, the Communication on Progress.

THREE COMPARABLE YEARS

To provide a holistic picture of BillerudKorsnäs' impact, strategies and approach in the field of sustainability, the most relevant aspects to the company and its stakeholders have been included in this report. The base year for the report is 2013, the first full year of operation for the company.

NEW INDICATORS

The extensive materiality analysis carried out before the 2013 report was updated together with stakeholders in 2014. In 2015 the analysis was followed up and the number of indicators reported was extended with the addition of four new indicators, (see page 49).

CHANGES TO REPORTING

The only major change this year compared with the report for 2014 is that pellet production in Latgran, Latvia, was sold on 1 July 2015. BillerudKorsnäs thus did not own Latgran during the majority of the year, and consequently detailed data has not been included in this report. Pellet production differs considerably from pulp and paper production. For this reason reporting on these businesses was previously kept separate, which means that comparability between the years remains the same. The indicator EN19 was removed as reduced emissions of greenhouse gases could not be linked individually to specific initiatives.



Department for Sustainability & Public Affairs:
Daniel Badman, Louise Wohrne and Bengt Brunberg.

TARGET GROUP

The primary target group of the report is investors. Other stakeholders such as customers, suppliers, employees and society will find their most essential questions answered in this report.

EXTERNAL REVIEW

The Sustainability Report has been subject to a limited review by KPMG, see the auditor's report on page 56.

COMMENTS OR QUESTIONS?

If you have any comments, questions or views on the Sustainability Report, please contact:

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GLOSSARY

PRODUCTS

Market pulp is pulp that is sold.

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

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

FibreForm® is paper with high elasticity, which can be shaped to produce thermoformed and deep-drawn food and consumer packaging such as trays, blister-packs, etc.

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

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

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

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

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

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

FORESTRY

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

Pulpwood is primarily softwood (spruce and pine) and birch used to make paper. Wood volumes are usually given in the unit solid cubic metres under bark, m³ sub.

PEFC™ (Programme for the Endorsement of Forest Certification schemes) is an international certification of sustainable forestry and forest raw material.

ENERGY AND CLIMATE

Waste liquor (black liquor) – a biofuel – is used cooking liquid from cooking chips to produce pulp. The liquor is burnt in the soda recovery boiler in which the wood solids released (lignin) provide the highest proportion of a pulp mill's energy requirements. The chemicals in the liquor are also recovered in the process.

Tar oil is a by-product in refining tall oil, and is a biofuel.

Biofuels are renewable fuels originating from the plant kingdom.

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

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

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

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

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

EMISSIONS

COD (Chemical Oxygen Demand) is a measure of the amount of oxygen required to break down organic material in our processes. Often analysed as TOC (Total Organic Carbon) and recalculated using a conversion factor.

Nitrogen oxides NO_x are formed during combustion in steam boilers and, like sulphur dioxide, can lead to acidification. Cleaning equipment and optimising combustion result in lower air emissions.

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

Dust consists of small particles formed during combustion, arising in BillerudKorsnäs' operations from soda recovery boilers, bark boilers and lime kilns. High quantities of fine particulate dust are harmful to health and in the event of operational problems can cause dirt in the neighbouring area. Scrubbers and electrofilters are examples of how we ensure that emissions remain at a low level.

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

Total suspended solids are suspended particles in our process discharges.

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

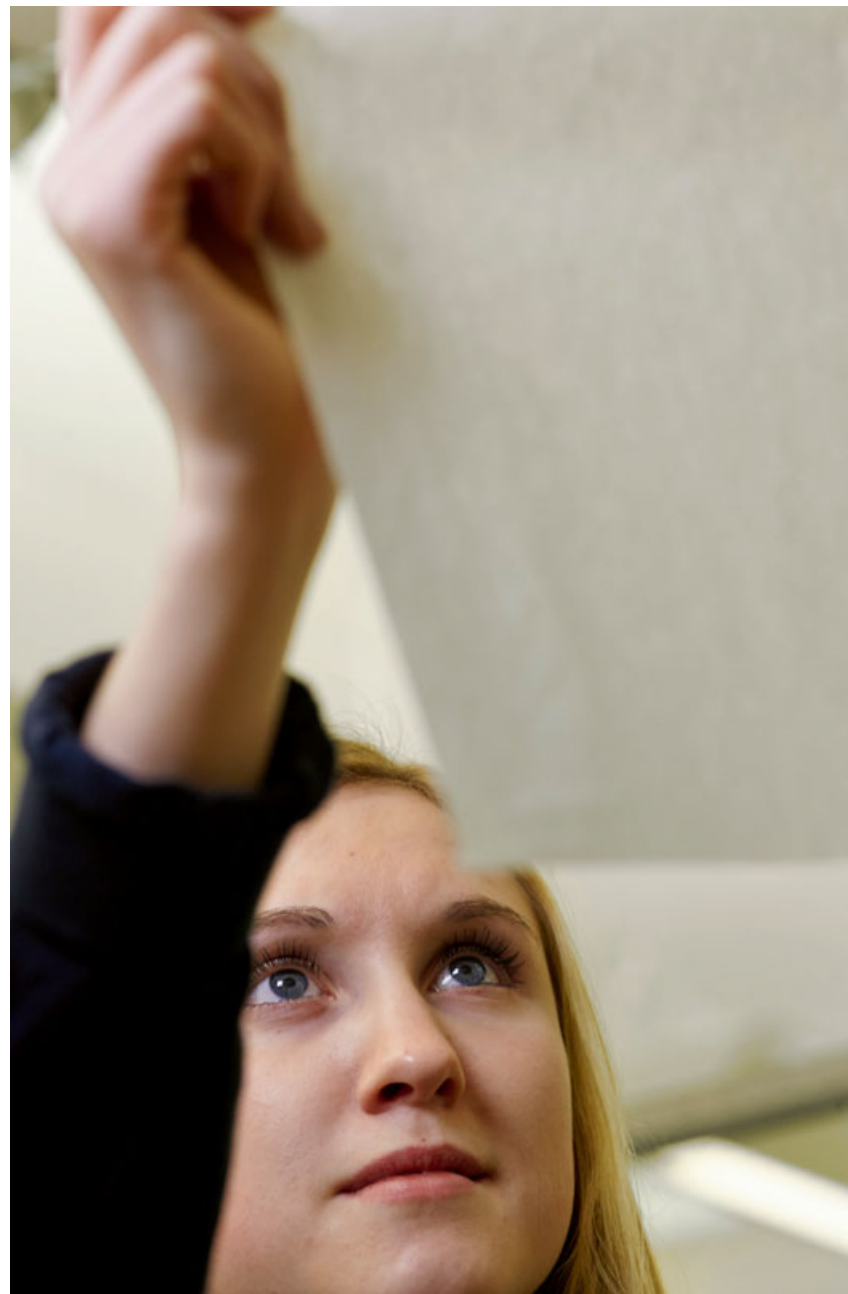
WASTE AND RESIDUES

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

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

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

Lime sludge is used calcium, calcium carbonate, which is normally burned in a lime kiln to produce active lime, but which must be removed from the process in the event of disruption, etc. Lime sludge is normally not sent to landfill and can be recycled or used for other purposes. It can be sent to be burned into lime in an external kiln, used as a filler when building roads and is spread on agricultural land to adjust the pH.





ASSURANCE REPORT

Auditor's Limited Assurance Report on BillerudKorsnäs' Sustainability Report

This is the translation of the auditor's report in Swedish.

To BillerudKorsnäs AB (publ)

Introduction

We have been engaged by the Board of Directors of BillerudKorsnäs AB (publ) to undertake a limited assurance engagement of BillerudKorsnäs Sustainability Report 2015. The sustainability report is accompanied by a separate GRI Index in English, GRI Index – Appendix to BillerudKorsnäs Sustainability Report 2015, on www.billerudkorsnas.se/en/Sustainability/. The company has defined the scope of the sustainability report on page 53 in the sustainability report.

Responsibilities of the Board of Directors and the Group Management for the Sustainability Report

The Board of Directors and the Group Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 53 in the sustainability report, and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) which 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.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. 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. The procedures performed in a limited assurance engagement vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Consequently, the procedures performed do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have 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 Group Management.

Stockholm, March 23, 2016
KPMG AB

Ingrid Hornberg Román
Authorized Public Accountant

Jenny Fransson
Expert Member of FAR

GRI INDEX

APPENDIX¹ TO BILLERUDKORSNÄS SUSTAINABILITY REPORT 2015

- 58 G4 Content Index GRI Standard Disclosures
- 65 Index Disclosures on Management Approach
- 72 Aspect-Specific G4-DMA-b
Supplier Assessments

¹ www.billerudkorsnas.com/Sustainability/

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Feel responsibility
Cooperate
CREATE VALUE





Home delivery of groceries is a strong growing trend. Successful company Linas Matkasse wants to reduce customers' food waste and save the planet's resources with its carefully planned bags of food. When the company was choosing the material for its paper carrier bags – which are packed with a week's worth of food and delivered to the customer's front door – BillerudKorsnäs' kraft paper won the day. **A carrier bag using our paper generates about 50%¹ lower emissions of greenhouse gases overall, compared with the equivalent plastic bag.** **We are part of the solution.**

¹ Life cycle assessment, Report U5052, IVL, 2015

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