

BILLERUD'S CORPORATE GOVERNANCE IN 2011

This report on corporate governance in the Billerud Group for 2011 has been prepared in accordance with regulations in the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance, which took effect 1 July 2005 and was last revised on 1 February 2011. The Code was introduced at Billerud in spring 2005.

In 2011, Billerud complied with the Swedish Code of Corporate Governance in all respects except for item 2.1.2 concerning the composition of the Board of Directors, the reason for non-compliance being, regarding composition of the nomination committee, that the 2011 AGM resolved that the chairman of the nomination committee shall be the Board member representing the largest shareholder in terms of the number of shares. Michael M.F. Kaufmann represents the largest shareholder and is therefore chairman of the nomination committee. He is also a Board member and Deputy Chairman of the Board. Other exceptions to the Code were item 6.2 concerning the Chairman of the Board and item 9.3 concerning remuneration of senior management. The latter two items are not applicable to the Billerud Group.

OWNERSHIP STRUCTURE AND SHARES

At year-end 2011, the total number of shareholders was 107 795, compared to 120 733 at the previous year-end. The proportion of foreign ownership increased, to 48.6% (44.0), excluding shares that Billerud bought back (1 720 314). Other groups of shareholders consist of private individuals in Sweden, 34.5% (38.5), and legal entities in Sweden, 16.9% (17.5). Further details about the Company's shares, shareholders and the like are presented in the 2011 annual report, under "The Billerud share", and on the Company's website.

SHAREHOLDER MEETINGS AND RELATED MATTERS

2011 Annual General Meeting

The 2011 AGM took place on 4 May 2011 at 3 p.m. at Hotel Rival, Mariatorget 3, Stockholm. Among other matters, the AGM voted to re-elect Ingar Petersson, Gunilla Jönson, Michael M.F. Kaufmann, Ewald Nageler and Yngve Stade. Per Lundberg and Meg Tivéus declined re-election and Helena Andreas and Mikael Hellberg were thus elected new Board members.

COMPOSITION OF AND VOTING REPRESENTATION ON THE NOMINATION COMMITTEE

Representative	Shareholder	Share of voting power, % ¹
Michael M.F. Kaufmann, Chairman	Frapag Beteiligungsholding AG	21.0
Björn Franzon	Swedbank Robur Fonder	2.4
Hans Ek	SEB Fonder and SEB Trygg Liv	2.1
Ingvär Petersson, Chairman of the Board of Billerud, convening but not a member	Billerud	–

¹ As per 29 February 2012

Rules for shareholders' meetings

Under the Companies Act, the shareholders' meeting is the Company's ultimate decision-making body. Shareholders exercise their voting rights at the meeting. All shareholders entered in the share register on the record date who have notified the Company in time are entitled to participate in the meeting and vote their total holdings of shares. Resolutions are usually passed at a shareholders' meeting by simple majority except in those cases when the Companies Act stipulates a higher proportion of votes cast and shares represented at the meeting. Resolutions passed at a shareholders' meeting are made public after the meeting in a press release, and the minutes of the meeting are published on the Company's website. The meeting decides on matters such as whether to adopt the Company's annual accounts, how to appropriate the Company's profit/loss and whether to discharge the members of the Board and the CEO from liability for the year. The Annual General Meeting also elects members of the Board and auditors, and votes on the establishment of a nomination committee, fees for the Board of Directors and auditors and guidelines for determining the salaries and other remuneration for the CEO and senior management team. The AGM shall be held in Stockholm within six months from the end of the financial year. Notice of the AGM will be published as an advertisement in Post och Inrikes Tidningar and an announcement in Svenska Dagbladet and be posted on the Company's website. Information about Billerud's major shareholders is provided under "The Billerud share" in the Directors' report.

2012 Annual General Meeting

The 2012 AGM will take place on 9 May 2012 at 3 p.m. at Hotel Rival, Mariatorget 3, Stockholm. Billerud's website contains information about how to register to attend the AGM and how to submit a matter to be dealt with by the AGM.

Nomination committee for the 2012 AGM

Pursuant to a decision by Billerud AB's AGM held 4 May 2011, the Chairman of the Board contacted the largest shareholders, after which a nomination committee was appointed. On 2 November 2011, the nomination committee for the 2012 AGM was announced; see table above.

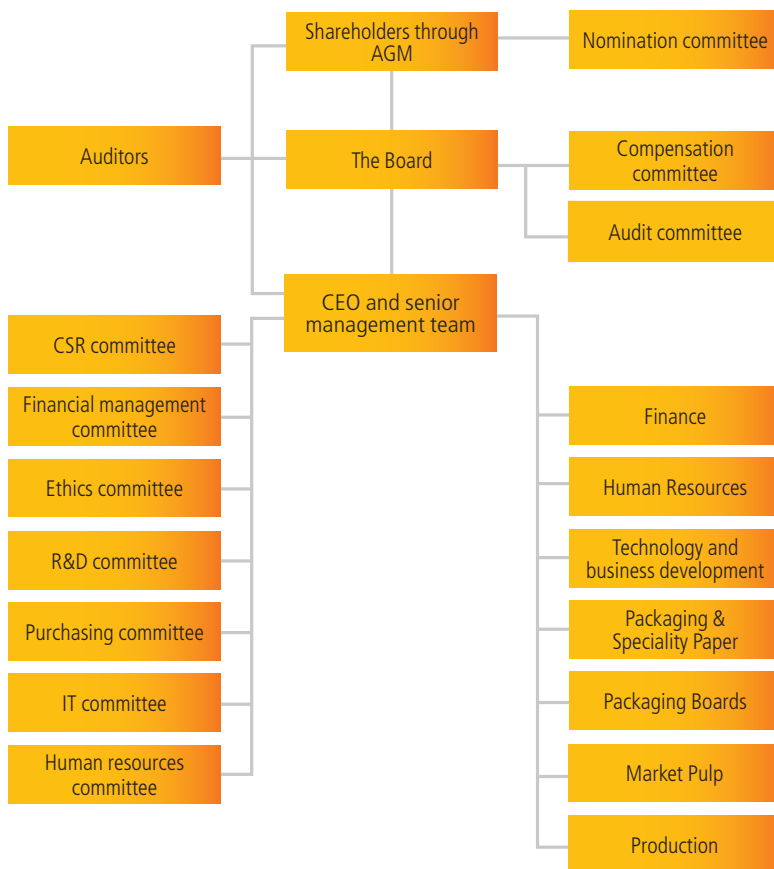
No separate remuneration was paid to the Chairman or any other members of the nomination committee.

Ahead of the 2012 AGM, the nomination committee held four meetings (with minutes taken), keeping in contact in between meetings by phone and e-mail. Shareholders have been welcome to submit proposals and opinions to the nomination committee by e-mail or mail. On Billerud's website, a section for the nomination committee in the corporate governance area provides information to shareholders regarding how they can submit proposals to the committee.

THE BOARD Composition

The articles of association stipulate that the Board of Directors of Billerud AB contain at least six members and at most 10 members, with at most six deputies. Board members are appointed for one year at a time. The

CORPORATE GOVERNANCE AT BILLERUD



Primary external regulations affecting Billerud's governance:

- Swedish Companies Act
- Regulations of Euroclear and NASDAQ OMX Stockholm AB for issuers
- Swedish Code of Corporate Governance

Company's CEO is not a member of the Board. All but two members of the Board elected by the AGM are independent of the Company, senior management team and major shareholders. Michael M. F. Kaufmann is the CEO and Ewald Nageler the CFO of the parent company of Frapag Beteiligungs-holding AG, Billerud AB's largest shareholder, and are thus not independent of the Company's major shareholders, as defined by the Swedish Code of Corporate Governance and the regulations of NASDAQ OMX Stockholm AB. The Board also includes two members and two deputies appointed by the trade unions in accordance with the Board Representation (Private Sector Employees) Act. These four Board members are employees and thus not independent of the Company.

In 2011, the Board's external secretary was Wilhelm Luning, of the legal firm Advokatfirman Cederquist.

All Board members have completed NASDAQ OMX Stockholm AB's training for board members and senior executives at listed companies.

Organisation of the work of the Board

The work of the Board follows written rules of procedure and a meeting schedule, to ensure that the Board receives comprehensive information and that all Company activities concerning the Board are dealt with. The rules of procedure prescribe the information to be supplied to the Board, among other things, and are available on the Company's website, as are the instructions for Billerud's CEO.

The Board has also established a number of general policies for the Company's activities. These policies are revised as necessary. They include policies on corporate governance, finance and communications and a single policy covering quality, the environment and the community. The latter policy covers Billerud's approach to ethical business conduct and the environment.

Work of the Board in 2011

During 2011 the Board held 12 meetings, of which two were per capsulam, in addition to the constituent meeting. One meeting is mainly devoted to strategy and one to finance issues. The Chairman leads the work of the Board, monitors the business in dialogue with the CEO and is responsible for the other Board members receiving the information and documentation necessary for discussions and decisions. During 2011 the work of the Board focused on managing, in addition to ordinary agenda items:

- ✦ January/February: annual financial statements, year-end report, audits and sustainability
- ✦ March: AGM agenda, financing matters
- ✦ April/May: AGM, interim report, investments, audits and financing
- ✦ June: mill visit, review of corporate governance, legal issues relating to competition and financing
- ✦ September: strategy, investments
- ✦ October: interim report
- ✦ December: financing including finance policy, issues regarding the annual financial statements and budget for 2012, audit, sustainability report and evaluation of the work of the Board and CEO

In 2011, extra emphasis was placed on the continued development of new products and customer concepts in close cooperation with end customers, growth, sustainability issues, cost savings, wood supply as well as strategy and brand building.

During the year, mill managers and other

senior management have also made presentations about and discussed their areas of responsibility with the Board. Minutes are taken at all Board meetings and distributed to Board members in compliance with the Swedish Code of Corporate Governance.

Assessment

Billerud has routines for assessing the work of the Chairman and members of the Board each year. The assessment serves as input for an action plan for improvement as well as background for the nomination committee's work as they assemble a Board.

The Board also continually evaluates the work of the CEO. Once a year an assessment is made of the CEO without the CEO being present.

BOARD COMMITTEES

The Board currently has two committees: the audit committee, established in 2004, and the compensation committee, established in 2001. The Board appoints the members of



these committees. The composition of these committees in 2011 is presented on pages 102–103.

AUDIT COMMITTEE

The Board is ultimately responsible for ensuring that satisfactory controls are in place for risk management, accounting, financial reporting and similar issues.

To support the Board in its supervisory role, an audit committee was established in 2004.

The chief task of the committee is to contribute to and adopt policies for financial reporting and internal control and to ensure compliance with those policies as well as to maintain an appropriate relationship with the Company's auditors as per the Board of Directors' instructions to the audit committee. The audit committee is a preparatory body and part of the Board. It continually reports the results of its work, in the form of observations, recommendations and proposed resolutions and corrective actions, to the Board, which must make any decisions that result from the committee's work. Further, the committee shall monitor the Company's accounting policies, risk management and internal control. Finally, it shall organise the election of the auditors and their fees. Minutes are kept of the meetings of the audit committee and provided to the Board. The rules of procedure for the audit committee are presented in full on the Company's website. The audit committee consists of four members: Mikael Hellberg (chair), Ingvar Petersson, Kurt Lindvall and Gunilla Jönson. All members except one are independent of the Company. Kurt Lindvall is a Billerud employee and thus not independent of the Company. During 2011, the secretary of the audit committee was Wilhelm Lüning, of the legal firm Advokatfirman Cederquist.

Work in 2011

During 2011, the audit committee held seven meetings, two of which were teleconferences. The table on pages 102–103 presenting members of the board shows meeting attendance by the committee members. During the year, the committee addressed various accounting issues, the audit plan for 2011, risk analysis, internal control and policy issues. The committee also met ahead of the publication of each interim report and the year-end report, when the members addressed accounting and reporting issues related to the reports. The chairman of the audit committee regularly reports to the Board on committee meetings. The Board's work on internal control related to financial reporting is summarised in "Internal controls and risk management for financial reporting in 2011".

COMPENSATION COMMITTEE

The 2011 AGM voted on guidelines for remuneration of senior executives; see note

24 in the 2011 annual report. The Board set up a compensation committee tasked with proposing a general policy for salaries, remuneration and other general employment terms within Billerud as well as approving the CEO's proposal for salaries and remuneration for the senior management team within the framework of the policy. The committee also makes proposals to the Board, which decides on the salary and other remuneration for the CEO. The rules of procedure for the compensation committee are presented in full on the Company's website. The members of the committee are Ingvar Petersson, (chair), Michael Kaufmann and Yngve Stade.

Work in 2011

The committee held two meetings in 2011. The table on pages 102–103 presenting members of the board shows meeting attendance by the committee members. In 2011, the committee considered actual variable salaries in 2010, and salary reviews for the senior management team in 2011. Further, the committee addressed the evaluation of LTIP 2011 and the structure of LTIP 2012.

The principles for remuneration to the CEO and other senior executives, as well as actual figures, are contained in note 24 of the 2011 annual report.

AUDITORS

The accounting firm is Ernst & Young AB, represented by authorised public accountant Lars Träff, managing auditor, for three years until the 2013 AGM.

Lars Träff

Born 1954. Authorised public accountant at Ernst & Young AB. Auditor of Billerud from 2009 until the financial year of 2012.

Public accountant for Boliden, Posten, Lantmännen, the ÅF Group, Scania and Öresund.

To ensure that the work of the Board and the audit committee is performed in a structured manner and to satisfy the Board's information requirements, Billerud's auditors met with the audit committee on three occasions and with the Board on one occasion in 2011.

CEO AND SENIOR MANAGEMENT TEAM

The CEO is appointed by the Board and is responsible for the ongoing management of the Company's and Group's business operations in accordance with instructions established by the Board. The CEO also chairs the senior management team and makes decisions in consultation with the other senior executives. The senior management team has seven members in addition to the CEO: the Chief Financial Officer (CFO), Senior Vice President Corporate Human Resources, Production Director, Technical Director and the three Business Area Directors. The senior management team normally meets once a

week, alternate weeks in face-to-face meetings and in video- or teleconferences.

In 2011, the senior management team addressed issues concerning financing, acquisitions, crisis management, cost savings, wood supplies and wood prices, production, energy, markets and pricing, environmental issues and permits, investments, strategy, human resources and brand building. The executives also report on projects under way in their areas of responsibility. At each meeting, a situation report is presented for each unit in the Company and the current financial report is reviewed.

Billerud is divided into three business areas: Packaging & Speciality Paper, Packaging Boards and Market Pulp. Each business area is responsible for sales, marketing and development in its own product area, as well as being accountable for its own profit, based on predetermined production costs. The Billerud mills are responsible for production and efficiency, which is the basis for their financial accountability. The senior management team has organised several group-wide networks, each of which is convened and chaired by a member of the team or some other person who reports directly to the CEO.

THE FOLLOWING COMMITTEES WERE ACTIVE IN 2011

CSR committee	Stina Blombäck
Financial management committee	Susanne Lithander
Ethics committee	Karin Hågfeldt
R&D committee	Magnus Wikström
Purchasing committee	Per Lindberg
IT committee	Susanne Lithander
Human resources committee	Karin Hågfeldt

All members of the senior management team have attended NASDAQ OMX Stockholm AB's training for board members and senior executives of listed companies.

PRINCIPLES FOR REMUNERATION OF SENIOR EXECUTIVES

The 2011 AGM adopted the principle that remuneration and employment terms should be market-based. Satisfactory work shall be remunerated with a fixed salary.

In addition, variable remuneration may be offered as a reward for achieving fixed targets. For the complete resolution on principles for remuneration, see note 24 of the 2011 annual report. The Board's proposal for guidelines in 2012 is presented in the Directors' report.

SENIOR MANAGEMENT TEAM



From the left: Lennart Eberleh, Susanne Lithander, Per Bjurbom, Johan Nellbeck, Niklas Söderström, Karin Hågfeldt, Magnus Wikström and Per Lindberg.

PER LINDBERG

Position: President and CEO
Education: MSc, Chalmers University of Technology PhD, Chalmers University of Technology
Year employed: 2005
Year born: 1959
Nationality: Swedish
Other assignments: Chairman of YKI Board member, Vindlin AB and Middlepoint AB
Background: CEO, Korsnäs AB; EVP, Investment AB Kinnevik; Management and strategy consultant, Applied Value Corporation, US
Shareholdings*: 20 182

PER BJURBOM

Position: Production Director
Education: MSc Mechanical Engineering, Royal Institute of Technology, Stockholm
Year employed: 2007
Year born: 1961
Nationality: Swedish
Other assignments: –
Background: Site mgr., Holmen Paper Hallsta; Site mgr., Stora Enso Skoghall mill; Production Mgr., Stora Enso Skoghall mill; Production Mgr. PMS3, Holmen Paper Braviken; Product manager, Braviken Holmen Paper; Technical mktg., telephone directory paper, Holmen Paper; Operating engineer PMS2, Holmen Paper Braviken
Shareholdings*: 6 000

LENNART EBERLEH

Position: Business Area Director Packaging Boards
Education: MSc, Technische Universität Braunschweig, Germany Executive MBA
Year employed: 2001
Year born: 1969
Nationality: German
Other assignments: –
Background: Product Area Mgr., Containerboard, Billerud AB; Sales mgr., Containerboard, Stora Enso Gruvön; Stora Support Team, Stora Kopparberg Bergslags AB; Product manager, Containerboard, Stora Gruvön
Shareholdings*: 4 000

KARIN HÅGFELDT

Position: Director of Human Resources
Education: Executive MBA, Stockholm School of Economics. Human resources and occupational programme, Umeå University
Year employed: 2011
Year born: 1970
Nationality: Swedish
Other assignments: –
Background: HR Lead Global Supply Chain & Strategy, AstraZeneca. Head of Human Resources Sweden Operations, AstraZeneca. Human Resources Manager, Ericsson
Shareholdings*: 1 000

SUSANNE LITHANDER

Position: CFO
Education: MSc Business Administration, University of Gothenburg School of Economics, Business and Law
Year employed: 2011
Year born: 1961
Nationality: Swedish
Other assignments: Board member and audit committee member of Acando.
Background: CEO, Mercuri International Group. EVP, Head of Product Area Advise, BU Global Services, Ericsson AB. EVP Finance & Operational Development, BU Global Services, Ericsson AB. EVP, Business Operations, Ericsson Inc., TX, USA. EVP and general manager, Head of Business Unit Private Radio Systems, Ericsson Inc., VA, USA
Shareholdings*: –

JOHAN NELLBECK

Position: Business Area Director, Packaging & Speciality Paper
Education: MSc Business administration, Uppsala University Executive MBA
Year employed: 2006
Year born: 1964
Nationality: Swedish
Other assignments: Board member of CEPI Eurokraft and PaperImpact
Background: Sales Mgr., Tele2 Stockholm; MD, AssiDomän Kraft Products Nordic Sales AB; Sales Mgr., AssiDomän Scandinavia
Shareholdings*: 10 000

NIKLAS SÖDERSTRÖM

Position: Business Area Director Market Pulp
Education: Economics degree
Year employed: 2001
Year born: 1950
Nationality: Swedish
Other assignments: Chairman of the Board of Bjurfors i Uppsala AB
Background: Market director, AssiDomän; Market director, Rottneros; Sales mgr., Utansjö Mill; Order/Logistics mgr., Värnamo Gummi Board member, Scand- Fibre Logistics
Shareholdings*: 7 423

MAGNUS WIKSTRÖM

Position: Technical Director
Education: MSc Chemical Engineering PhD Engineering, Senior Lecturer, Royal Institute of Technology
Year employed: 2006
Year born: 1963
Nationality: Swedish
Other assignments: Board member, Innventia AB
Background: R&D Director, Korsnäs AB; Research Mgr., Korsnäs Development, Project Area Mgr., Swedish Pulp and Paper Research Institute (STFI)
Shareholdings*: 3 000

* Own and related parties' shareholdings at 1 March 2012.



BOARD OF DIRECTORS



INGVAR PETERSSON

Chairman of the Board
Position: –
Education: Business Economist. Studies at University of Lund
Year elected: 2001
Year born: 1941
Nationality: Swedish
Other assignments: Chair, Econova AB and RAM One AB; Board member, Munksjö AB and other companies
Background: Senior EVP, Stora Enso; First EVP, Stora Group; CEO, Kopparfors AB
Shareholdings*: 16 000
Independent/Not independent: Independent of owners and of the Company



MICHAEL M.F. KAUFMANN

Deputy Chairman
Position: CEO, Frapag Beteiligungsholding AG, Vienna, Austria
Education: MBA at universities in Stuttgart and Erlangen-Nürnberg
Year elected: 2005
Year born: 1948
Nationality: Austrian
Other assignments: Board member, Hirsch Servo AG, Glanegg, Austria
Background: Formerly held various managerial positions in Frantschach/Mondi, Vienna, Austria
Shareholdings*: 9 500
Independent/Not independent: Not independent of Billerud's owners



HELENA ANDREAS

Board member
Position: Head of Retail at Vodafone Group
Education: Master of Business Administration, INSEAD, France/Singapore. Master of Engineering Technical Physics, Lund University Faculty of Engineering LTH/Caltech. Economics degree, Lund University, Lund
Year elected: 2011
Year born: 1975
Nationality: Swedish
Other assignments: Board member, Extenda AB
Background: Positions in the retail and consumer goods industry, including that of Head of Marketing Fresh Foods at Tesco UK. Management consultant Accenture
Shareholdings*: 5 000
Independent/Not independent: Independent of owners and of the Company



STEW E CATO

Employee representative, Board member
Position: Chair, Swedish Paper Workers Union local 96 Billerud Gruvön
Year elected: 2001
Year born: 1953
Nationality: Swedish
Other assignments: –
Background: –
Shareholdings*: –
Independent/Not independent: Not independent of the Company (employee)



HELÉN GUSTAFSSON

Employee representative, Board member
Position: Production Technician, Process Development, Billerud Skärblacka AB
Year elected: 2010
Year born: 1971
Nationality: Swedish
Other assignments: –
Background: –
Shareholdings*: 517
Independent/Not independent: Not independent of the Company (employee)



MIKAEL HELLBERG

Board member
Position: –
Education: BSc, Business Administration, University of Minnesota. Studies at the Stockholm School of Economics
Year elected: 2011
Year born: 1954
Nationality: Swedish
Other assignments: Chairman of Delicato Bakverk AB, NCS Colour AB, Pelly Industrier AB, Bertson Brands AB, Björnkälder AB, Wallvision. Board member, AB Annas Pepparkakor, Cederroth International AB, Color Processing Systems and more
Background: CEO of Wasabröd AB, Pripps Bryggerier/ Carlsberg Sverige AB and Alcro-Beckers AB. Advisor to Ericsson's Business Unit Systems. Category Manager, Procter & Gamble Norden.
Shareholdings*: 10 000
Independent/Not independent: Independent of owners and of the Company

Board members	Attendance at a total of 12 Board meetings	Attendance at a total of 7 audit committee meetings	Attendance at a total of 2 compensation committee meetings
Ingvar Petersson, Chairman	12	7	2
Michael M.F. Kaufmann, Deputy Chairman	11	–	1 (Elected after the 2011 AGM)
Helena Andreas	9 (Appointed at the 2011 AGM)	–	–
Stewe Cato	11	–	–
Helén Gustafsson	12	–	–
Mikael Hellberg	9 (Appointed at the 2011 AGM)	6 (Elected at the 2011 AGM)	–

* Own and related parties' shareholdings at 1 March 2012.


GUNILLA JÖNSON
Board member

Position: Professor, Packaging Logistics, Lund University Faculty of Engineering LTH, and Adjunct Professor, Packaging Technology, Michigan State University

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

Year elected: 2003

Year born: 1943

Nationality: Swedish
Other assignments: Vice chair, University Board of Chalmers Board member, SIK, Blekinge Institute of Technology, Invest in Skåne AB and Invest Sweden. Member of the Royal Swedish Academy of Engineering Sciences

Background: Dean, Lund University Faculty of Engineering LTH; Various directorships and other positions in SCA Packaging, in Sweden, Belgium and the UK; Research Director, Swedish Packaging Research Institute, Stockholm

Shareholdings*: 2 250

Independent/Not independent: Independent of owners and of the Company

KURT LINDVALL
Employee representative

Position: Chair, Swedish Paper Workers Union local 165 Billerud Karlsborg

Year elected: 2001

Year born: 1951

Nationality: Swedish

Other assignments: –

Background: –

Shareholdings*: –

Independent/Not independent: Not independent of the Company (employee)

EWALD NAGELER
Board member

Position: CFO, Frapag Beteiligungsholding AG, Vienna, Austria

Education: Economics degree, University of Innsbruck, Austria

Year elected: 2006

Year born: 1950

Nationality: Austrian

Other assignments: –

Background: CFO, Egger Holzindustrie Beteiligungsgesellschaft m b H, St Johann, Austria; 25 years' experience in banking; Member of the managing board of Creditanstalt AG, Vienna, Austria; Member of the boards of many financial institutions and companies in Austria and elsewhere
Shareholdings*: 8 000
Independent/Not independent: Not independent of Billerud's owners

FREDRIK NORDSTRÖM
Employee representative

Position: Production Controller, Billerud Gruvön AB

Year elected: 2011

Year born: 1972

Nationality: Swedish

Other assignments: –

Background: –

Shareholdings*: 900

Independent/Not independent: Not independent of the Company (employee)

YNGVE STADE
Board member

Position: –

Education: MSc Engineering and PhD (hc), Royal Institute of Technology, Stockholm

Year elected: 2005

Year born: 1947

Nationality: Swedish

Other assignments: Chairman of RISE Holding AB; Member of the Royal Swedish Academy of Engineering Sciences and Mantex AB

Background: CEO, Stora Enso AB, and member of exec. mgmt., Stora Enso Oyj; CEO, Kamy AB; CEO, NLK Celpap Engineering AB; Various production and technical positions, Korsnäs AB and the Swedish Pulp and Paper Research Institute (STFI); Member of the board of MoDo Chemicals, Inventia AB, Swedish Forest Industries Federation and Chairman of the board in several research foundations associated with forest industry issues; Member of the board of Falu Rödfärgs AB/Stora Kopparbergs Bergslags AB, Mantex AB

Shareholdings*: 1 100

Independent/Not independent: Independent of owners and of the Company

Board members	Attendance at a total of 12 Board meetings	Attendance at a total of 7 audit committee meetings	Attendance at a total of 2 compensation committee meetings
Gunilla Jönson	12	6 (Elected at the 2011 AGM)	–
Kurt Lindvall	12	7	–
Ewald Nageler	9	–	–
Fredrik Nordström	8 (Appointed at the 2011 AGM)	–	–
Yngve Stade	12	–	2

* Own and related parties' shareholdings at 1 March 2012.



INTERNAL CONTROLS AND RISK MANAGEMENT FOR FINANCIAL REPORTING IN 2011

The report on internal control related to financial reporting for financial year 2011 was prepared and submitted by the Board in compliance with the Swedish Code of Corporate Governance and the guidelines drawn up by FAR SRS and the Confederation of Swedish Enterprise and through the application of the instructions for 2007 issued by the Swedish Corporate Governance Board. The report describes how internal control related to financial reporting is organised. This year's report is presented below.



👉👉👉 In 2011, Billerud was commended for its financial communication. At IR Nordic Markets, an annual evaluation of the financial communication of listed Swedish companies, Billerud received the Best Mid Cap company award. Also, Billerud's IR manager Sophie Arnius was named best IR manager in the Mid Cap category.

INTERNAL CONTROL

Billerud has set the following goals for its internal control.

1. Compliance with regulations

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

2. Financial reporting

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

3. Operational activities

Internal control shall ensure that the Company's operational activities are effective, efficiently organised and performed in such a way that the risk of the business not achieving its financial and operational targets is assessed and dealt with continually. To achieve these goals, work is carried out in a process based on the framework for internal control published by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO). The process includes a control environment that provides the discipline and structure for the other four components in the process – risk assessment, control activities, information & communication, and monitoring – which are described in more detail below. It is governed at the overall level by the Board and audit committee and at an operational level by the CEO, senior management team and other staff. Special attention is paid in the process to ensuring that the application of internal controls achieves a balance between the control activities and the devel-

opment of an effective control environment with individual accountability throughout the organisation.

PRIORITY AREAS IN 2011

Financial reporting

During financial year 2011, work on the development of a common accounting model and account code structure for the Swedish units and a common accounting system has continued and reached completion. It has enabled uniform routines and common working methods in the Group, improving internal control considerably.

Operational risks

During the year, the Billerud Group has worked with optimising a new logistics system, initiated a quality project at the mills and launched a programme aimed at more efficient electrical energy. This enhances the efficiency of routines and procedures, improving control of the Company's operational risks.

EXTERNAL FINANCIAL REPORTING

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

prepared in compliance with all laws, applicable accounting standards and other requirements for listed companies.

Control environment

Solid internal control is fundamental to the proper functioning of the Board. The rules of procedure for the Board and Board committees as well as the instructions for the CEO are intended to establish a clear division of roles and responsibilities that will facilitate the efficient management of risks identified in operations. The Board has also established a series of fundamental policies significant to internal control activities, such as accounting and reporting instructions, a finance policy and financial goals, and has adopted a suitable organisation, including the Company's senior management team. The senior management team reports regularly to the Board based on predetermined procedures. The audit committee also reports to the Board. The senior management team is responsible for ensuring that internal control is implemented as necessary to manage significant risks in day-to-day activities. This includes guidelines for how the individual employee shall understand his or her role in maintaining good internal control.

Risk assessment and control activities

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

CONTROL ENVIRONMENT

- The Board adopts**
- Accounting and reporting instructions
 - Finance policy
 - Financial targets
 - CEO and Company management



important items subject to appraisal and assessment, please see the section Risk management and sensitivity analysis and note 32 in the 2011 annual report.

Information and communication

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

communication ensure that the Company meets the strict requirements on accurate information for financial markets.

Monitoring

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

Internal audit

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

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT

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

The Board of Directors is responsible for the corporate governance report for the year 2011 on pages 98–105 and that it has been prepared in accordance with the Annual Accounts Act.

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

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

Stockholm, 14 March 2012
Ernst & Young AB

Lars Träff
Authorised Public Accountant

