

BILLERUD'S CORPORATE GOVERNANCE IN 2010

This report on corporate governance in the Billerud Group for 2010 has been organised in accordance with regulations in the Swedish Code on Corporate Governance, which took effect 1 July 2005 and was most recently revised effective 1 February 2010. The Code was introduced at Billerud in spring 2005. The Swedish Annual Accounts Act now requires a corporate governance report.

In 2010, Billerud complied with the Swedish Code of Corporate Governance in all respects except for the following. Item 2.1.2 concerns the composition of the Board of Directors, the reason for non-compliance being that the 2010 AGM resolved that the chairman of the nomination committee shall be the Board member representing the largest shareholder in 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 2010, the total number of shareholders was 120 733, compared to 122 192 at the previous year-end. The proportion of foreign ownership increased, to 44.0% (43.1), excluding shares that Billerud bought back (1 720 314). Other groups of shareholders consist of private individuals in Sweden, 38.5% (37.9), and legal entities in Sweden, 17.5% (19.0). Further details about the Company's shares, shareholders and the like are presented in the 2010 Annual Report, under "The Billerud share", and on the Company's website.

SHAREHOLDER MEETINGS AND RELATED MATTERS

2010 Annual General Meeting

The 2010 Annual General Meeting (AGM) took place on 4 May 2010 at Nalen, Regeringsgatan 74, Stockholm. Among other matters, the AGM voted to re-elect the existing Board: Ingvar Petersson, Gunilla Jönson, Michael M.F. Kaufmann, Per Lundberg, Ewald Nageler, Yngve Ståde and Meg Tivéus.

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 Group management. 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.

2011 Annual General Meeting

The 2011 AGM will take place on 4 May 2011 at 3 pm 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 2011 AGM

Pursuant to a decision by Billerud AB's AGM held 4 May 2010, the Chairman of the Board contacted the largest shareholders, after which a nomination committee was appointed. On 1 November 2010, the nomination committee for the 2011 AGM was announced.

COMPOSITION OF AND VOTING REPRESENTATION ON THE NOMINATION COMMITTEE

Representative	Shareholder	Pctg. share-holding
Michael M.F. Kaufmann, chairman	Frapag Beteiligungsholding AG	21.0
Hans Ek	SEB Fonder and SEB Trygg Liv	2.0
Björn Franzon	Swedbank Robur Fonder	1.6
Ingvar Petersson, Chairman of the Board of Billerud, convening but not a member	Billerud	–

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

Ahead of the 2011 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 who wish to communicate with 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 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, Group management and major shareholders. Michael M. F. Kaufmann is the CEO and Ewald Nageler the CFO of the parent company of Frapag Beteiligungsholding 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 law on board representation for employees in the private sector. These four Board members are employees and thus not independent of the Company.

In 2010, the Board's external secretary was Wilhelm Lünig, of the legal firm Advokatfirman Cederquist.

All Board members have completed NASDAQ OMX Stockholm AB's training for board members and senior executives in 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 2010

During 2010 the Board held 11 meetings, of which one was per capsulam, in addition to the meeting following election. 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 2010 the work of the Board focused on managing, in addition to ordinary agenda items:

- » January/February: Annual financial statements, year-end report, audit
- » March: AGM agenda, financing
- » 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, budget for 2011, audit, sustainability report and evaluation of the work of the Board and CEO

In 2010, extra emphasis was placed on the continued development of new products and customer concepts in close cooperation with end customers, growth, sustainability issues as well as cost savings and wood supply.

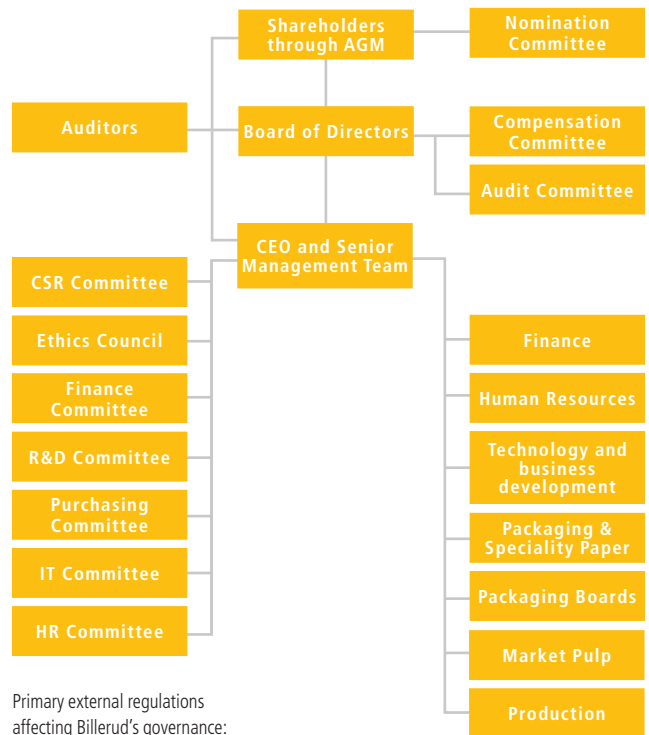
During the year, mill managers and other senior management have also made presentations about and discussed their areas of responsibility with the Board. Minutes are taken at all Board meetings and distributed to Board members in compliance with the Swedish Code of Corporate Governance.

Assessment

Billerud has routines for assessing the work of the Chairman and members of the Board each year. For 2010, the Board of Directors was assessed by an external party who took into account economic, social and environmental aspects. The external party reported the results to the Board and the nomination committee. 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.

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

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 2010 is presented on page 101-102.

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 policies adopted 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. The audit committee 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, the committee 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: Per Lundberg (chair), Ingvar Petersson, Kurt Lindvall and Meg Tivéus. All members except one are independent of the Company. Kurt Lindvall is a Billerud employee and thus not independent of the Company. During 2010, the secretary of the audit committee was Wilhelm Lünig, of the legal firm Advokatfirman Cederquist.

Work in 2010

During 2010, the audit committee held six meetings, two of which were teleconferences. The table on pages 104-105 presenting members of the Board shows attendance by the committee members. During the year, the committee addressed various accounting issues, the audit plan for 2010, 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 each publication. 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 2010".

COMPENSATION COMMITTEE

The 2010 AGM voted on guidelines for remuneration of senior executives; see note 24 in the 2010 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, (chairman), Per Lundberg and Yngve Stade. Cecilia Lundin, Senior Vice President Corporate Human Resources, was during 2010 the secretary but not a member of the committee.

Work in 2010

The committee held three meetings in 2010. Attendance of members of the committee is shown in the table presenting the Board on pages 104-105. In 2010, the committee considered the actual 2009 variable salaries, criteria for the 2010 variable salaries, criteria for the 2011 variable salaries for the senior management team and salary reviews for the senior management team in 2010. Further the committee addressed the outcome of LTIP 2007, the structure of LTIP 2010 and the graduate training programme.

The principles for remuneration to the CEO and other senior executives, as well as actual figures, are contained in note 24 of the 2010 annual report.

AUDITORS

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 2010.

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 2010, the senior management team addressed issues concerning financing, crisis management, cost savings, wood supplies and wood prices, production, energy, markets and pricing, environmental issues and permits, investment, strategy and human resources. The executives also report on projects underway 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. These were chosen deliberately to sharpen our customer focus and clarify our offering for the market. Each business area is responsible for sales, marketing and development in its own product area. Each area is also 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 2010:

CSR committee	Stina Blombäck
Finance committee	Bertil Carlsén
Ethics council	Cecilia Lundin
R&D committee	Magnus Wikström
Purchasing committee	Per Lindberg
IT committee	Bertil Carlsén
HR committee	Cecilia Lundin

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 2010 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 2010 annual report. The Board's proposal for guidelines in 2011 is presented in the Directors' report.



GROUP MANAGEMENT



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: Board member Vindin AB, Middlepoint AB and YKI
Background: CEO, Korsnäs AB; EVP, Investment AB Kinnevik; Mgmt. and Strategy Consultant, Applied Value Corporation, US
Own and related parties' shareholdings: 10 182



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. PM53, Holmen Paper Braviken; Product Mgr., Braviken Holmen Paper; Technical mktg., telephone directory paper, Holmen Paper; Operator PM52, Holmen Paper Braviken
Own and related parties' shareholdings: 6 000



BERTIL CARLSÉN

Position: CFO
Education: MBA, Stockholm School of Economics and UC Berkeley Business School
Year employed: 2006
Year born: 1960
Nationality: Swedish
Other assignments: Board member, Samhall AB
Background: SVP, CFO, Acando AB; SVP, Customer Segment Mgr., Acando AB; EVP, Commercial Services & IT, AGA Group; Staff Mgr., Controllers, AGA AB, Latin America Region. CFO, AGA AB, North & South America Division; CFO, AGA Chile, Santiago; Vice CEO, Treasury & IR, AGA AB; Finance staff, AGA AB
Own and related parties' shareholdings: 6 241



LENNART EBERLEH

Position: Business Area Director Packaging Boards
Education: MSc, Technische Universität Carolo Wilhelmina, 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 Mgr., Containerboard, Stora Gruvön
Own and related parties' shareholdings: 2 000



CECILIA LUNDIN

Position: Senior Vice President Corporate Human Resources
Education: MSc, Business Administration, Linköping University.
Year employed: 2006
Year born: 1970
Nationality: Swedish
Other assignments: –
Background: HR Mgr., Nordic region, Novartis Sverige AB; Business Area Mgr., Adcore Consulting AB; Consulting Mgr., Connecta AB; Unit Mgr., Ericsson; Project Mgr., Ericsson; Business Developer, Ericsson
Own and related parties' shareholdings: 1 800



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
Own and related parties' shareholdings: 12 000



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., Varnamo Gummi; Board member, Scand-Fibre Logistics.
Own and related parties' shareholdings: 7 423



MAGNUS WIKSTRÖM

Position: Technical Director
Education: MSc Chemical Engineering, PhD Technology, Associate Professor, Royal Institute of Technology
Year employed: 2006
Year born: 1963
Nationality: Swedish
Other assignments: Board member of Innventia AB
Background: R&D Director, Korsnäs AB; Research Mgr., Korsnäs Development, Project Area Mgr., Swedish Pulp and Paper Research Institute (STFI);
Own and related parties' shareholdings: 1 500

Shareholdings in Billerud refer to individuals' own holdings and those of related parties at 1 March 2011.

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, Försäkringsbolaget PRI Pensionsgaranti ömsesidigt, 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
Remuneration: 520 000
Board meeting attendance: 12/12
Audit committee attendance: 6/6
Compensation committee attendance: 3/3
Own and related parties' shareholdings: 16 000
Independent/Not independent: Independent of owners and of the Company



**MICHAEL
M.F. KAUFMANN**

Vice 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
Remuneration: 350 000
Board meeting attendance: 8/12
Own and related parties' shareholdings: –
Independent/Not independent: Not independent of Billerud's owners.



**STEW
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: –
Remuneration: –
Board meeting attendance: 11/12
Own and related parties' shareholdings: –
Independent/Not independent: Not independent of the Company (employee)



**HELÉN
GUSTAFSSON**

Employee Representative
Position: Development Engineer, Process Development, Billerud Skärblacka AB
Year elected: 2010
Year born: 1971
Nationality: Swedish
Other assignments: –
Background: –
Remuneration: –
Board meeting attendance: 11/12
Own and related parties' shareholdings: 517
Independent/Not independent: Not independent of the Company (employee)



**GUNILLA
JÖNSON**

Board Member
Position: Professor, Packaging Logistics, Lund Institute of Technology, 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 Skåne AB and Invest Sweden; Member, Royal Swedish Academy of Engineering Sciences (IVA)
Background: Dean, Lund Institute of Technology; Various directorships and other positions in SCA Packaging, in Sweden, Belgium and the UK; Research Director, Swedish Packaging Research Institute, Stockholm
Remuneration: 225 000
Board meeting attendance: 12/12
Own and related parties' shareholdings: 2 000
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: –
Remuneration: –
Board meeting attendance: 12/12
Audit committee attendance: 6/6
Own and related parties' shareholdings: –
Independent/Not independent: Not independent of the Company (employee)

Shareholdings in Billerud refer to individuals' own holdings and those of related parties at 1 March 2011.



**PER
LUNDBERG**

Board Member
Position: –
Education: MBA, Stockholm School of Economics (SSE)
Year elected: 2001
Year born: 1943
Nationality: Swedish
Other assignments: Chair, Sophiahemmet, Institute for Economic and Business History Research at SSE, Swedish Warmblood Association; Vice chair, Sällskapet Vänner till Pauvres Hontoux; Board member, Uppsala Center for Business History, Uppsala University, and other organisations
Background: Stockholms Enskilda Bank/SEB; Acting CEO, Investor AB; President & CEO, Gota Bank; Group Chief Credit Officer, SEB; Chair, Bohusbanken, LM Ericsson Finans AB, ÅF Group and others; Board member, Alfa Laval, Atlas Copco, Haldex, Ericsson, Saab, SPP, Stora Timber, Trygg Hansa and others
Remuneration: 310 000
Board meeting attendance: 12/12
Audit committee attendance: 6/6
Compensation committee attendance: 3/3
Own and related parties' shareholdings: 3 000
Independent/Not independent: Independent of owners and of the Company



**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; Member of the boards of many financial institutions and companies in Austria and elsewhere
Remuneration: 225 000
Board meeting attendance: 10/12
Own and related parties' shareholdings: 8 000
Independent/Not independent: Not independent of Billerud's owners



**STEFAN
RAGNARSSON**

Employee representative, Board Member
Position: Head Production Engineer, Billerud Gruvön
Year elected: 2009
Year born: 1975
Nationality: Swedish
Other assignments: –
Background: –
Remuneration: –
Board meeting attendance: 10/12
Own and related parties' shareholdings: 500
Independent/Not independent: Not independent of the Company (employed)



**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
Background: CEO, Stora Enso AB, and member of exec. mgmt., Stora Enso Oyi; CEO, Kamyr 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 Chemetics, Innventia AB, Swedish Forest Industries Federation and Chairman of the board in several research institutions associated with forest industry issues; Member of the board of Falu Rödfärgs AB/ Stora Kopparbergs Bergslags AB
Remuneration: 240 000
Board meeting attendance: 12/12
Compensation committee attendance: 3/3
Own and related parties' shareholdings: 1 100
Independent/Not independent: Independent of owners and of the Company



**MEG
TIVÉUS**

Board Member
Position: –
Education: MBA, Stockholm School of Economics (SSE)
Year elected: 2001
Year born: 1943
Nationality: Swedish
Other assignments: Chair, National Dental Service in Stockholm and Arkitektkopia AB; Member of the board of Swedish Match AB, Cloetta AB, Nordea Fonder AB, Viktoria Park AB and Apoteket Farmaci AB.
Background: Board member and CEO, AB Svenska Spel; EVP, Posten; Division Head, Holmen; Division Head, Åhléns; Product Mgr., MoDo; Chair, Boss Media AB, Swedish Spirits & Wine Suppliers Assoc. and Frösunda LSS AB; Member of the board of Postgirot AB, Postbanken AB, SJ AB, Kommentus AB, the Technical Research Institute of Sweden, Swedish Board of Agriculture, Operan AB, Framfab AB, Cloetta Fazer AB, Danderyds Sjukhus AB and other organisations
Remuneration: 255 000
Board meeting attendance: 12/12
Audit committee attendance: 6/6
Own and related parties' shareholdings: 4 000
Independent/Not independent: Independent of owners and of the Company

INTERNAL CONTROLS AND RISK MANAGEMENT FOR FINANCIAL REPORTING IN 2010

The report on internal control related to financial reporting for financial year 2010 was prepared and submitted by the Board in compliance with the Swedish Code of Corporate Governance and the guidelines drawn up by FAR SRS and the Confederation of Swedish Enterprise and through the application of the instructions for 2007 issued by the Swedish Corporate Governance Board. The report describes how internal control related to financial reporting is organised. This year's report is presented below.

INTERNAL CONTROL

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 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.

The process 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. The process pays special attention to ensure that the application of internal controls achieves a balance between the control activities and the development of an effective control environment with individual accountability throughout the organisation.

PRIORITY AREAS IN 2010

During financial year 2010, work on internal control focused on the development of a common accounting model and account code structure for the Swedish units and a common accounting system. The development of uniform routines and common working methods, as far as possible.

Financial reporting

- » Development of a common accounting model and account code structure for the Swedish units and a common accounting system. The development of uniform routines and common working methods, as far as possible.

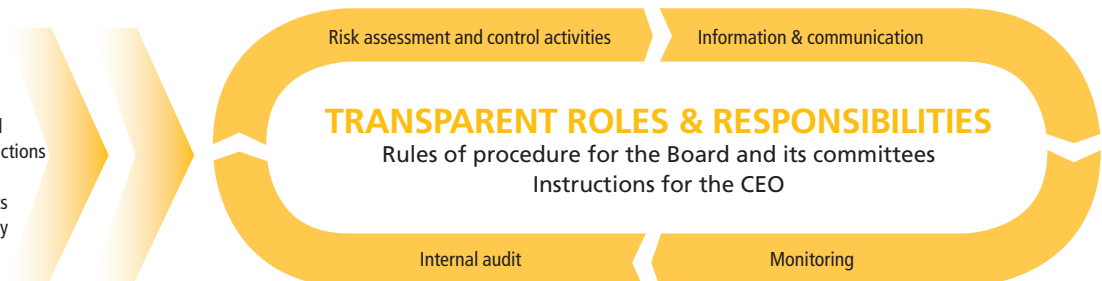
Operational risks

- » Further development of processes and the organisation for production.

CONTROL ENVIRONMENT

The Board adopts

- Accounting and reporting instructions
- Finance policy
- Financial targets
- CEO & Company management





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 basic 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 and continually monitors items where there is special risk for material error. An assessment was performed at the end of 2010 and is discussed in "Risk management and sensitivity analysis" and in note 32 of the 2010 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 STATEMENT

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

It is the board of directors who is responsible for the corporate governance statement for the year 2010 on pages 100-107 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the corporate governance statement has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the corporate governance statement and assessed its statutory content based on our knowledge of the company.

A corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, 11 March 2011
Ernst & Young AB

Lars Träff
Authorised Public Accountant