

## Annual General Meeting 2019 in BillerudKorsnäs AB (publ)

The shareholders of BillerudKorsnäs AB (publ) are hereby invited to attend the annual general meeting, to be held on Thursday 9 May 2019 at 15.00 at Norra Latin – Stockholm City Conference Center, the auditorium, at Norra Bantorget (arriving with car the address is Barnhusgatan 7A, and arriving by foot the address is Drottninggatan 71) in Stockholm, Sweden.

The premises for the meeting will be open for registration at 14.00. Coffee will be served prior to the commencement of the meeting.

Notice of attendance at the meeting shall be given no later than Friday 3 May 2019, see next page in this document for further information on how you notify your intention to attend.

### The agenda items in brief

The board's proposed agenda for the annual general meeting, and the complete proposals are stated in this document.

The proposed resolutions are, in brief, the following.

#### *Annual report, dividend and discharge of liability*

- The meeting shall adopt the annual report for 2018. The annual report will be available on the company's website [www.billerudkorsnas.se/en/Investor-Relations/](http://www.billerudkorsnas.se/en/Investor-Relations/) under the heading "Financial Reports" as of Tuesday 9 April 2019.
- The meeting shall resolve upon the disposition of the year's result. The board proposes a dividend of SEK 4.30 per share for 2018. The board proposes that the dividend is to be paid out to the shareholders in two equal instalments of SEK 2.15, and payment is estimated to occur on 16 May 2019 and 18 November 2019, respectively.
- The meeting shall resolve whether or not to discharge the board and CEO of liability for 2018.

#### *Election of board and auditor, as well as remuneration to the board and auditor*

- The meeting shall elect the company's board. The nomination committee proposes re-election of all current board members, and the re-election of Lennart Holm as chairman of the board and Michael M.F. Kaufmann as vice chairman of the board.
- The meeting shall resolve on remuneration to the board and auditor. The nomination committee proposes an increase of the remuneration for board work and that the auditor's fee shall be paid in accordance with approved invoices.
- The meeting shall elect auditor. The nomination committee proposes that KPMG is re-elected as auditor for one more year. Ingrid Hornberg Román will continue as auditor-in-charge.

#### *Guidelines for remuneration to senior executives and a long term share based incentive program*

- The meeting shall adopt guidelines for remuneration to the company's senior executives.
- The meeting shall consider the board's proposal to introduce a long term share based incentive program for the group's executive officers, other key personnel and talents. The program has the same structure as the previous years' share based incentive programs.





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At the meeting, the company's CEO, Petra Einarsson, will give a presentation and inform about BillerudKorsnäs' business operations. In connection with the presentation, the shareholders will be given the opportunity to ask questions. After the meeting, the CEO's presentation will be available at the company's website [www.billerudkorsnas.se/en/About-Us/Corporate-Governance/](http://www.billerudkorsnas.se/en/About-Us/Corporate-Governance/) under the heading "General Meetings".

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Solna in April 2019

*The Board of Directors*

## **Information on notification to the meeting etc.**

### *Notification*

Shareholders who wish to attend the annual general meeting must give notice of their attendance to the company no later than on Friday 3 May 2019 and be recorded in the share register (maintained by Euroclear Sweden) on Friday 3 May 2019 (the so called "Record Date"). Notice may be submitted:

- by mail to BillerudKorsnäs AB (publ), "AGM", c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm, Sweden; or
- by telephone to +46 8-402 90 62; or
- on [www.billerudkorsnas.com/register/](http://www.billerudkorsnas.com/register/)

The notification shall state the name and should in addition thereto state the personal/company registration number, address, telephone number and the number of any advisors (not more than two). Entrance cards, which shall be presented at the entrance to the meeting venue, will be sent out from 6 May 2019.

### *Processing of personal data*

For information on how your personal data is processed, please visit

<https://www.euroclear.com/dam/ESw/Legal/Privacy-notice-bolagsstammor-engelska.pdf>

### *Nominee-registered shares*

Shareholders whose shares are nominee-registered must – in addition to giving notice – temporarily re-register the shares in their own name at Euroclear Sweden. Such re-registration should be requested at the nominee well before the Record Date (i.e. well before 3 May 2019).

### *Proxies*

Shareholders may attend the annual general meeting represented by a proxy or representative. Shareholders who wish to exercise this possibility should well before the meeting, preferably no later than 3 May 2019, submit a power of attorney, registration certificate or other documents of authority to the company at the following address: BillerudKorsnäs AB (publ), "AGM", c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm, Sweden. A template proxy form is available on the company's website, [www.billerudkorsnas.se/en/About-Us/Corporate-Governance/](http://www.billerudkorsnas.se/en/About-Us/Corporate-Governance/) under the heading "General Meetings".

### *Documentation*

All documentation that serve as a basis for the resolutions at the annual general meeting, except for the annual report, is included in this document.

All documentation, including the annual report, are available on the company's website (the annual report as of 9 April 2019), [www.billerudkorsnas.se/en/About-Us/Corporate-Governance/](http://www.billerudkorsnas.se/en/About-Us/Corporate-Governance/) and [www.billerudkorsnas.se/en/Investor-Relations/](http://www.billerudkorsnas.se/en/Investor-Relations/) under the headings "General Meetings" and "Financial Reports", respectively. The documentation is also available at the company's office on

Frösundaleden 2 B, Solna, Sweden. Shareholders that wish to have the documentation sent by mail may contact the company by telephone +46 8-402 90 62 and state their address.

*Number of shares*

At the time of the issuance of this notice there were in total 208,219,834 shares in the company representing one vote each, and accordingly the total number of votes was 208,219,834. The company owned 1,519,191 of its own shares, which may not be represented at the meeting. The total number of votes in the company at the time of the issuance of this notice was therefore 206,700,643.

*Information on the shareholders' right to request information*

Upon request by any shareholder and where the board deems it possible without causing significant harm to the company, the board and the CEO shall, at the meeting, provide information in respect of any circumstances which may affect the assessment of a matter on the agenda and any circumstances which may affect the assessment of the company's financial position. This obligation to provide information shall also apply to the company's relationship to other group companies, group accounts and such circumstances regarding subsidiaries as specified in the previous sentence.

*Information to non-Swedish speaking shareholders*

This is an English translation of the original Swedish notice. In the event of any discrepancies between this translation and the original Swedish notice, the original Swedish version shall prevail. For the convenience of non-Swedish speaking shareholders, the proceedings of the Annual General Meeting will be simultaneously interpreted into English. This service may be requested when you notify your intention to attend the Annual General Meeting.

**Proposed agenda for the annual general meeting 2019**

1. Opening of the meeting.
2. Election of chairman of the meeting.
3. Drawing up and approval of the voting list.
4. Election of one or two persons to verify the minutes.
5. Determination as to whether the meeting has been duly convened.
6. Approval of the agenda.
7. Presentation of the annual report and the auditors' report as well as the consolidated accounts and consolidated auditors' report for the 2018 financial year.
8. Report on the work of the board and board committees during the past year.
9. Presentation by the CEO.
10. Resolution on
  - (a) the adoption of the income statement and the balance sheet as well as the consolidated income statement and the consolidated balance sheet for 2018,
  - (b) the disposition of the company's profits based on the adopted balance sheet for 2018 and the record date for the dividend, and
  - (c) discharge from personal liability for board members and the CEO for their administration for the year 2018.
11. Report of the nomination committee's proposals.
12. Resolution on number of board members to be elected by the meeting.
13. Resolution on remuneration for board members and committee work and on fees for auditors.
14. Election of board members:



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- (a) Tobias Auchli (re-election, proposed by the nomination committee),
  - (b) Andrea Gisle Joosen (re-election, proposed by the nomination committee),
  - (c) Bengt Hammar (re-election, proposed by the nomination committee),
  - (d) Lennart Holm (re-election, proposed by the nomination committee),
  - (e) Michael M.F. Kaufmann (re-election, proposed by the nomination committee),
  - (f) Kristina Schauman (re-election, proposed by the nomination committee),
  - (g) Victoria Van Camp (re-election, proposed by the nomination committee), and
  - (h) Jan Åström (re-election, proposed by the nomination committee).
15. Election of chairman of the board and vice chairman of the board.
  16. Election of auditor.
  17. The board's proposal regarding guidelines to senior executives.
  18. The board's proposal regarding
    - (a) long term share based incentive program for 2019, and
    - (b) transfer of own shares to the participants in the program.
  19. Closing of the meeting.

## Complete proposals

### The nomination committee's proposals and motivated statement

#### *Composition of the nomination committee 2018/19*

The nomination committee in BillerudKorsnäs consists of members appointed by the company's four largest shareholders, and jointly represents more than 30 per cent of the votes in the company:

- Michael M.F. Kaufmann, appointed by Frapag Beteiligungsholding AG
- Tomas Risbecker, appointed by AMF Insurance & Funds
- Lennart Francke, appointed by Swedbank Robur Funds
- Thomas Wuolikainen, appointed by Fourth Swedish National Pension Fund.

Michael M.F. Kaufmann, who has been appointed by the company's largest shareholder, Frapag Beteiligungsholding AG, is the chairman of the nomination committee.

The instruction for the nomination committee is available at the company's website [www.billerudkorsnas.se/en/About-Us/Corporate-Governance/](http://www.billerudkorsnas.se/en/About-Us/Corporate-Governance/) under the heading "Nomination Committee".

#### *The nomination committee's motivated statement regarding its proposals to the annual general meeting*

In accordance with rule 2.6 of the Swedish Corporate Governance Code, the nomination committee gives the following statement regarding its proposals to the annual general meeting, including an account of the nomination committee's work and a description of its diversity policy.

The nomination committee was convened during the fall of 2018 and has since then prepared its proposals for election of chairman of the meeting, election of the board, election of auditor and remuneration to the board and the auditor etc. The nomination committee has held physical meetings and contacts by phone and e-mail.

As the basis for its work and decisions, the chairman of the board has given a high level presentation of the company's operations, targets and strategies as well as the work of the board during the past



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year. The members of the nomination committee that are not also members of the board have furthermore conducted individual interviews with board members and the CEO. The nomination committee has also received a report on the outcome of the board's own evaluation of their work. The nomination committee has through this been able to conclude that the board's work during the past year has worked well, with a high level of commitment and attendance. An assessment has also been made in respect of each member's ability to devote the board assignment sufficient time and commitment.

In its work prior to this year's annual general meeting, the nomination committee has made an assessment of the composition and size of the current board as well as BillerudKorsnäs' operations. The nomination committee's work has primarily focused on ensuring continuity in the board and the board's committees and an orderly succession planning. The nomination committee is of the opinion that the current board represents competence and experience within the operational and financial fields, marketing, academic work as well as research and development. The board has a broad knowledge of the conditions characterizing the international markets where BillerudKorsnäs operates, and jointly the board has the relevant knowledge and experience to drive the development of BillerudKorsnäs. The nomination committee also considers the composition and the size of the current board appropriate for BillerudKorsnäs' future direction. Against this background, the nomination committee has decided to propose the re-election of all current board members.

In its work in preparing the proposal for the board, the nomination committee has applied Rule 4.1 of the Swedish Corporate Governance Code as diversity policy. Accordingly, the nomination committee has in particular considered the need for diversity and breadth within the board with respect to competence, experience and background and strived for an equal gender balance. The nomination committee has also considered the board's ability to secure that BillerudKorsnäs will continue to run its business in a sustainable way. The nomination committee considers that the composition of the proposed board reflects a wide range of backgrounds, and a mix of men and women with relevant experience and expertise to match the future positioning of BillerudKorsnäs. Three of the eight proposed board members are women, which is in line with the target set by the Swedish Corporate Governance Board for 2020 (which is that approximately 40 per cent of the boards in listed companies shall consist of the least represented gender). The nomination committee is of the view that diversity and gender balance are important issues, and that it is vital that also coming nomination committees continue to work actively with these questions.

The proposed board complies with relevant requirements for independence. Detailed information about the proposed members of the board of BillerudKorsnäs, including the nomination committee's assessment of each member's independence, can be found on the company's website at [www.billerudkorsnas.se/en/About-Us/CorporateGovernance/](http://www.billerudkorsnas.se/en/About-Us/CorporateGovernance/) under the heading "General Meetings".

The nomination committee has discussed the level and structure of the board fees. In line with the previous years, the nomination committee proposes that the 2019 annual general meeting resolves on an increase of the remuneration to the board in order to maintain board fees on market level.

The nomination committee has been presented with the audit committee's recommendation that KPMG should be re-elected as auditor, until the close of the next annual general meeting.

The nomination committee has also reviewed the current instruction for the nomination committee, which was resolved by the annual general meeting 2016, and has decided that no changes will be proposed.

In light of the above, the nomination committee proposes the following.

*The nomination committee's proposal of chairman of the meeting (item 2 on the agenda)*

The nomination committee proposes that Wilhelm Lüning is elected to be the chairman of the annual general meeting. Wilhelm Lüning is a lawyer at Cederquist in Stockholm.

*The nomination committee's proposal for election of the board (items 12, 14 (a)–(h) and 15 on the agenda)*

The nomination committee proposes the following:



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- The board shall, until the end of the next annual general meeting, consist of eight members (item 12 on the agenda).
- Re-election of Tobias Auchli, Andrea Gisle Joosen, Bengt Hammar, Lennart Holm, Michael M.F. Kaufmann, Kristina Schouman, Victoria Van Camp and Jan Åström as board members, until the end of the next annual general meeting, (item 14 (a)–(h) on the agenda).
- Re-election of Lennart Holm as chairman of the board and Michael M.F. Kaufmann as vice chairman of the board (item 15 on the agenda).

*The nomination committee's proposal on fees for board and committee work and fees for auditors (item 13 on the agenda)*

The nomination committee proposes, for the period until the close of the next annual general meeting, the following fees to the board members and members of the board committees (i.e. an increase of fees to board members but unchanged fees to members of the board committees):

- SEK 1,350,000 to the chairman of the board (2018: SEK 1,290,000),
- SEK 880,000 to the vice chairman of the board (2018: SEK 855,000),
- SEK 520,000 to each of the other board members (2018: SEK 505,000),
- SEK 155,000 to the chairman of the board's audit committee (unchanged),
- SEK 75,000 to each of the other members of the board's audit committee (unchanged),
- SEK 50,000 to the chairman of the board's remuneration committee (unchanged),
- SEK 25,000 to each of the other members of the board's remuneration committee (unchanged), and
- SEK 50,000 to each member of the board's investment committee (unchanged).

The nomination committee proposes that the auditor's fee shall be paid in accordance with approved invoices.

*The nomination committee's proposal regarding election of auditor (item 16 on the agenda)*

In accordance with the recommendation of the audit committee, the nomination committee proposes that the company shall have one registered accounting firm as auditor, and that the registered accounting firm KPMG shall be elected as auditor until the close of the 2020 annual general meeting. KPMG has informed the nomination committee that the authorised public accountant Ingrid Hornberg Román will continue as auditor-in-charge, if KPMG is elected as auditor.

### **The board's proposals, statements and reports**

*The board's proposal regarding dividend (item 10 (b) on the agenda) and motivated statement in accordance with Chapter 18 Section 4 of the Swedish Companies Act.*

The board makes the following proposal regarding dividend, and motivated statement in accordance with Chapter 18 Section 4 of the Swedish Companies Act (regarding the dividend).

The non-restricted shareholders' equity in the parent company BillerudKorsnäs AB amounted to MSEK 5,570 on 31 December 2018. The board of BillerudKorsnäs proposes that the dividend for 2018 shall be SEK 4.30 per share, amounting to a total of approximately MSEK 889 (calculated excluding the company's holding of own shares). The total dividend for 2018 based on the proposal of the board of BillerudKorsnäs corresponds to approximately 86 per cent of the group's net profit, and to 59 per cent of the group's net profit after considering items affecting comparability. The remaining amount is proposed to be carried forward in a new account.

The reasons for this proposal are the following:

According to BillerudKorsnäs' financial targets, the dividend shall amount to 50 per cent of the net profit per share, and the interest bearing net debt in relation to EBITDA shall be lower than a ratio of 2.5. At the end of 2018 BillerudKorsnäs' interest bearing net debt in relation to EBITDA was 3.17 which is higher than target. Interest bearing net debt in relation to adjusted EBITDA was 2.68. The board of BillerudKorsnäs proposes that of the year's profit of SEK 5.01 per share, a dividend of SEK 4.30 per share (i.e. 86 per cent of the net profit per share) shall be paid to the shareholders and that the remaining amount shall be carried forward in a new account.



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The board of BillerudKorsnäs considers the proposed dividend justified taking into consideration;

- the requirements that the nature of the business (the company's and the group's), its scope and risks place on the size of the shareholders' equity, and
- the company's and the group's respective consolidation needs, liquidity and position in general.

The board proposes a dividend of SEK 4.30 per share to be paid in two equal instalments of SEK 2.15 per share. The record date for the first dividend payment shall be Monday 13 May 2019 and for the second payment Wednesday 13 November 2019. If the meeting resolves in accordance with the board's proposal, it is estimated that Euroclear Sweden will execute the first payment on Thursday 16 May 2019 and the second payment on Monday 18 November 2019.

*Information in preparation of the annual general meeting's resolution on guidelines for remuneration to members of the executive leadership team and long term share based incentive program*

Under items 17 and 18 on the agenda, the board makes proposals regarding remuneration. Item 17 refers to the adoption of guidelines for remuneration to members of the Executive Leadership Team (ELT members) and item 18 refers to the proposed long term share based incentive program.

BillerudKorsnäs strives to attract, retain and develop the best talent by means of competitive remuneration. The group's short and long term incentive programs are closely linked to the company's strategic and financial targets and are designed to deliver sustainable value for shareholders and support the achievement of the company's strategy. Please refer to BillerudKorsnäs' annual report for 2018 or the company website [www.billerudkorsnas.se/en/About-Us/Corporate-Governance/](http://www.billerudkorsnas.se/en/About-Us/Corporate-Governance/) under the headings "Long term incentive programs" and "Remuneration" for a description of the current remuneration conditions, outstanding long term share based incentive programs and other remunerations in BillerudKorsnäs. In addition to the programs described, there are no other share or share-price related incentive programs in BillerudKorsnäs.

*Monitoring and evaluation of remuneration structures etc.*

The following is the board's report of the results of the remuneration committee's monitoring and evaluation of the current remuneration structure and levels of remuneration in the company in accordance with Rule 9.1 of the Swedish Corporate Governance Code. The remuneration committee also monitors and evaluates on-going, and during the year completed, programs concerning variable remuneration and the application of the guidelines approved at the annual general meeting concerning remuneration to the ELT members.

The short term cash based variable remuneration models run for one financial year at the time and are based on predetermined, measurable financial and individual goals considering competence, area of responsibility and historical performance. An evaluation of the executives' individual performances in relation to the predetermined goals is made at the end of each year and the variable cash based remuneration is set. The variable cash based remuneration is paid only if the company's operating result is positive and shall be a maximum of a fixed percentage of the annual fixed salary and were according to the applicable guidelines 2018 capped at 70 per cent for the CEO and 33.75 per cent for the other ELT members.

As regards the short term cash based variable remuneration in 2018 for the CEO and other ELT members, the remuneration committee has evaluated the performance criteria and target areas of 2018, and the outcome thereon. For the CEO, two of three individual goals are related to the company's investment in Gruvön, which is currently in its final stage and these goals will therefore be evaluated in May 2019. For the CEO, the outcome of the variable cash based remuneration for the financial goals and one of the individual goals was 13.6 per cent of the annual base salary for the CEO. The maximum outcome of the goals related to the investment in Gruvön is 28 per cent of the annual base salary for the CEO. For the ELT members, the outcome of the variable cash based remuneration for the financial goals was 7.1 per cent of the average annual base salary. For the ELT members, all individual goals are related to the company's investment in Gruvön (to be evaluated in May 2019), and the maximum outcome of these goals is 13.5 per cent of the average annual base salary for the ELT members.



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In its evaluation of the short term cash based variable remuneration model, the remuneration committee and the board has come to the conclusion that the current cap of 33.75 per cent as the maximum variable cash based remuneration that can be offered to the ELT members is below market terms. For this reason the board has proposed under agenda item 17 that this cap is changed to a range between 30 and 70 per cent in order to provide the desired flexibility to recruit and maintain a management team with a high level of competence and the capability of achieving established goals.

Since 2010, BillerudKorsnäs has offered ELT members and other key individuals participation in long term share based incentive programs, which have been approved by the annual general meetings of shareholders. The programs have a vesting period of three years and are based on the condition of continued employment, an own investment in BillerudKorsnäs' shares and the fulfillment of certain pre-determined financial and share price related performance criteria. Provided these conditions are met, participants may at the end of the vesting period be allotted shares in BillerudKorsnäs free of charge, in proportion to their own initial investment in BillerudKorsnäs shares.

Performance under these programs is continuously monitored. The remuneration committee considers that the current structure of the long term share based incentive program fulfills most of the reasons for having a share based incentive for the employees. Therefore, the board proposes that the annual general meeting of 2019 shall resolve on a program with a similar structure as existing programs.

The application of the guidelines for remuneration to ELT members, as adopted by the annual general meeting, is evaluated continuously. In order to carry out the evaluation regarding the application of the guidelines, the remuneration committee collects information from the CEO, from the HR director and from external consultants. Information from external consultants is gathered to ensure that remunerations in BillerudKorsnäs are in line with market conditions and are competitive. In addition, BillerudKorsnäs' auditor reviews and gives a statement to the annual general meeting regarding the application of the guidelines.

Both the remuneration committee's evaluation and the auditor's review have concluded that the guidelines for remuneration to ELT members, as adopted by the annual general meeting, have generally been applied in accordance with their terms during 2018. However, when recruiting ELT members during the second half of 2018, the board have agreed to employment terms for two new ELT members where the variable salary is capped at 50% (compared to 33.75% in the guidelines). The reason for the deviation is to meet market compensation terms.

The auditor's statement is available at [www.billerudkorsnas.se/en/About-Us/Corporate-Governance/](http://www.billerudkorsnas.se/en/About-Us/Corporate-Governance/) under the heading "General Meetings".

The board assesses that the monitoring and evaluation that the remuneration committee has made, and that the proposals that the board put to the 2019 annual general meeting under items 17 and 18 are a well-balanced composition of fixed and variable salary, long term share based incentive programs and other benefits and pension.

*The board's proposal for adoption of guidelines for remuneration to senior executives (item 17 of the agenda)*

The board proposes that the meeting resolves upon the adoption of the following guidelines for remuneration to the members of the group's Executive Leadership Team (ELT members) (the CEO and the other members of the ELT members).

BillerudKorsnäs shall apply remuneration levels and employment terms that are in line with market practice in order to recruit and maintain a management team with a high level of competence and the capability of achieving established goals. The remuneration shall motivate executives to do their utmost to secure the shareholders' interests. The remuneration may be in the form of fixed salary, variable salary, long term incentive programs and other benefits such as a company car and pension. Fixed and variable salaries shall be set in relation to competence, area of responsibility and performance. The variable remuneration to the ELT members in the group is based on outcomes in relation to clearly established goals, and shall be set to a maximum in relation to their respective fixed salary and may vary between 30 and 70 per cent. However, the variable remuneration shall

only be paid on condition that the BillerudKorsnäs group's operating result is positive. Long term incentive programs in the company shall primarily be linked to certain pre-determined financial and share price related performance criteria. The programs shall ensure long term commitment to the development of the company and shall be implemented on market terms. Long term incentive programs shall run for at least three years. For more information about the existing long term incentive programs, see the company's annual report and website.

Pension benefits shall either be defined-benefit or defined-contribution, and normally entitle to pension from the age of 65. In some cases the retirement age may be lower, although 62 is the lowest age of retirement. Six to 12 months is the normal notification period for termination of employment, and severance pay shall be set to a maximum of 12 months' salary in the event that the employment is terminated by the company.

Remuneration and employment terms for the CEO are prepared by the remuneration committee and resolved upon by the board. Remuneration and employment terms for members of the ELT members are resolved upon by the CEO, subject to the approval of the remuneration committee.

Board members, elected at general meetings of BillerudKorsnäs, may in certain cases receive a remuneration for services performed within their respective areas of expertise, outside such board duties. Compensation for these services shall be paid at market terms and be approved by the board.

The board of BillerudKorsnäs has the right to deviate from these guidelines in individual cases in the event of special reason granting such deviation.

*The board's proposal regarding a long term share based incentive program for 2019 (item 18 (a) on the agenda)*

The board proposes that the meeting resolves to introduce a long term share based incentive program ("LTIP 2019") as follows.

In order for a resolution regarding LTIP 2019 to be valid the board's proposal in item 18 (a) must be supported by more than one-half of the votes cast.

#### LTIP 2019 in brief

The board's main objective with the proposal of LTIP 2019 is to strengthen BillerudKorsnäs' ability to attract, motivate and retain the best individuals for key leadership positions. The aim is further that executive officers as well as other key personnel and talents within the BillerudKorsnäs group shall be given an incentive to increased efforts by aligning their financial interests with those of the shareholders.

LTIP 2019 comprises a maximum of 100 executive officers, other key personnel and talents within the BillerudKorsnäs group. A condition for participation in LTIP 2019 is that the participants must own BillerudKorsnäs shares. The shares could either be previously held (provided that they are not already allocated to the long term share based incentive programs adopted 2017 or 2018) or purchased on the market. Notification of participation in LTIP 2019 shall occur after the annual general meeting 2019. The participants will after a three year vesting period that ends in connection with the publication of BillerudKorsnäs' interim report for the period January – March 2022, be allotted BillerudKorsnäs shares, free of charge, provided that the program's conditions are fulfilled.

#### Participants in LTIP 2019

LTIP 2019 comprises up to 100 persons consisting of the CEO and the other ELT members, other key personnel and talents within the BillerudKorsnäs group, divided in four participation categories as follows:

- Category 1 the CEO of BillerudKorsnäs;
- Category 2 the other ELT members, approximately 9 persons;
- Category 3 members of the leadership teams of BillerudKorsnäs' divisions and mill managers, approximately 10 persons; and

Category 4 other key personnel and talents in BillerudKorsnäs, approximately 80 persons.

#### Personal investment and allotment of share rights

To participate in LTIP 2019, the participants must purchase BillerudKorsnäs shares at market price on Nasdaq Stockholm and allocate them to LTIP 2019 ("Saving Shares"). Previously held BillerudKorsnäs shares (which are not already allocated to the long term share based incentive programs 2017 or 2018) may be used as Saving Shares. Saving Shares shall be allocated to LTIP 2019 in connection with the notification to participate in the program. If the participant has inside information which prevents him/her from purchasing BillerudKorsnäs shares in connection with the notification to participate in LTIP 2019, the shares shall be purchased as soon as possible, but no later than before the next annual general meeting.

Participants in Category 1–3 are offered to allocate Saving Shares to the LTIP 2019, up to a number equal to 10 per cent of the participant's gross base salary as per year end 2018 divided by the closing price of the BillerudKorsnäs share per the last trading day of 2018 (SEK 105.50). Participants in Category 4 are offered to allocate up to 500 Saving Shares to LTIP 2019. New personnel that have not yet commenced their employment at the time when notification to participate in the program at the latest shall be given, may, upon the condition that the employment commences during 2019, be offered to participate in LTIP 2019, if the board or the remuneration committee deems it to be in line with the purpose of the program.

#### Terms and conditions for the share rights

The following terms and conditions apply for both the matching share rights and the performance share rights:

- The share rights are allotted, free of charge, after the annual general meeting 2019.
- The participants are not entitled to transfer, pledge or dispose the share rights or perform any shareholder's rights regarding the share rights.
- Allotment, free of charge, of BillerudKorsnäs shares, on the basis of the share rights, will take place after the release of the interim report for the period January – March 2022. Allotment of BillerudKorsnäs shares requires, with certain exceptions, that the participant is still employed by the BillerudKorsnäs group and has retained the Saving Shares at the release of the interim report.
- BillerudKorsnäs will make no compensations to the participants of LTIP 2019 due to dividends regarding the shares that the respective share right entitles to.
- The maximum profit per participant is limited to SEK 385 per share right, equal to a maximum of approximately 26 monthly salaries for Category 1, approximately 22 monthly salaries in average for Category 2 and 3, and approximately 9 monthly salaries in average for Category 4. In the event that the profit, when calculating the allotment according to LTIP 2019, should exceed the limit of SEK 385 per share right, adjustment shall be made by consequently decreasing the number of BillerudKorsnäs shares that the participant is entitled to receive.
- For one-half (50 per cent) of the share rights allotted (one-half of the matching share rights, and one-half of the performance share rights of series A and series B, respectively) to the participant, a condition for allotment of BillerudKorsnäs shares is that the total shareholder return (TSR) on the BillerudKorsnäs share exceeds zero (0) per cent during the financial years 2019–2021 (the "Measurement Period").

#### Matching share rights

For each Saving Share that the participant invests in and allocates to LTIP 2019, the participant is, free of charge, allotted 1 matching share right, which entitles the participant to, free of charge, receive 1 BillerudKorsnäs share.

#### Performance share rights

Category 1 will be allotted 5 performance share rights for each Saving Share allocated to LTIP 2019, Category 2 and 3 will be allotted 4 performance share rights for each Saving Share allocated to LTIP



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2019, and Category 4 will be allotted 3 performance share rights for each Saving Share allocated to LTIP 2019.

The performance share rights are divided into two series, series A and B. For the Category 1 each Saving Share entitles to 2 performance share rights of series A and 3 performance share rights of series B. For Category 2 and 3 each Saving Share entitles to 1.5 performance share rights of series A and 2.5 performance share rights of series B. For Category 4 each Saving Share entitles to 1 performance share right of series A and 2 performance share rights of series B.

In order for the performance share rights to entitle to allotment of BillerudKorsnäs' shares, certain performance conditions must be achieved. The performance conditions are different for series A and series B, but both are based on financial goals during the Measurement Period. The board intends to present whether the conditions have been fulfilled in the annual report of 2021.

**Series A** The performance condition for the performance share rights of series A relate to BillerudKorsnäs' annual organic growth for the Measurement Period (i.e. annual growth during the Measurement Period adjusted for additions and deductions in amounts corresponding to the sales revenues of acquired or divested businesses). The maximum level of allotment pursuant to this performance condition is an organic growth of 4 per cent per year and the minimum level of an organic growth exceeding 2 per cent per year. If the organic growth amounts to the maximum level of 4 per cent per year or more, maximum allotment of 1 BillerudKorsnäs share per performance share right of series A shall be made. If the organic growth should be lower than 4 per cent per year, but exceeding the minimum level of 2 per cent per year, the allotment will be made on a linear basis. If the organic growth amounts to 2 per cent per year or less, the performance share rights of series A shall not entitle to allotment of BillerudKorsnäs shares.

**Series B** The performance condition for the performance share rights of series B relate to BillerudKorsnäs' average adjusted EBITDA margin for the Measurement Period. The maximum level of allotment under the performance condition is an adjusted EBITDA margin of 18 per cent and the minimum level of allotment is an adjusted EBITDA margin exceeding 15 per cent. If the adjusted EBITDA margin amounts to the maximum level of 18 per cent or more, maximum allotment of 1 BillerudKorsnäs share per performance share rights of series B shall be made. If the adjusted EBITDA margin should be lower than 18 per cent, but exceeding the minimum level of 15 per cent, the allotment will be made on a linear basis. If the adjusted EBITDA margin amounts to 15 per cent or less, the performance share rights of series B shall not entitle to allotment of BillerudKorsnäs shares.

If the number of shares that the performance share rights entitle to is not a whole number of shares, the number of shares that are to be transferred to the participant shall be rounded down to the nearest whole number of shares.

## Detailed terms and administration

The board, or the remuneration committee, shall be responsible for determining the detailed terms and administration of LTIP 2019 to be applicable between BillerudKorsnäs and the participant, however within the framework of the scope and guidance given in this resolution. The board or the remuneration committee shall be authorised to make adjustments to fulfill certain rules or market conditions in other jurisdictions. If delivery of shares cannot be accomplished at reasonable costs and with reasonable administrative efforts to persons outside Sweden, the board or the remuneration committee shall be entitled to decide that the participating person may instead be offered a cash based settlement. The board may also make other adjustments, including e.g. a right to resolve on a reduced allotment of shares, if material changes would occur within the BillerudKorsnäs group or on the market that, according to the board's assessment, would lead to that the resolved terms and conditions for allotment of shares under LTIP 2019 no longer fulfills the main objectives.

### Scope

In total, LTIP 2019 comprises a maximum of 82,288 Saving Shares, which can lead to allotment of in total a maximum of 378,498 BillerudKorsnäs shares (a maximum of 82,288 due to matching share rights and a maximum of 296,210 due to the performance share rights), which correspond to approximately 0.18 per cent of the number of outstanding shares and votes in BillerudKorsnäs.

The number of shares included in LTIP 2019 which can be transferred to the participants shall be subject to recalculation due to bonus issues, consolidation or share split, new issue of shares or similar measures in BillerudKorsnäs, according to accepted practice for similar incentive programs.

In total, LTIP 2019 comprises a maximum of 378,498 BillerudKorsnäs shares. On 12 March 2019, the previously adopted long term incentive programs, LTIP 2016, LTIP 2017 and LTIP 2018, comprised a maximum of 914,770 BillerudKorsnäs shares. LTIP 2019 together with LTIP 2016, LTIP 2017 and 2018 would entail a dilution of shares of approximately 0.44 per cent of the number of outstanding shares and votes in BillerudKorsnäs.

### Delivery of shares to the participants in LTIP 2019

The board has considered two alternative hedging methods for delivering BillerudKorsnäs shares to the participants, subject to the terms and conditions of LTIP 2019; either that BillerudKorsnäs (i) transfers shares held by the company itself to participants, free of charge, according to the board's proposal in item 18 (b) or (ii) enters into an agreement with a bank that will be able to, in its own name, acquire and transfer BillerudKorsnäs shares. The board considers the first alternative as its preferred option. However, should the annual general meeting not approve the proposed transfer of own shares in accordance with the proposal in item 18 (b), the board may enter into a hedging arrangement with a third party to hedge the obligations of BillerudKorsnäs to deliver shares under LTIP 2019 as set out above.

BillerudKorsnäs has own shares held in treasury that covers the obligation to deliver shares to the participants in the resolved ongoing, and proposed, LTIP.

### Estimated costs and the value of LTIP 2019

The board has estimated the average value of each share right to SEK 93.90. The estimation is based on generally accepted valuation models using the closing price for the BillerudKorsnäs share on 12 March 2019 (SEK 116.35), statistics on the BillerudKorsnäs' share price development as well as projected dividends. The aggregate estimated value of the 82,288 matching share rights and the 296,210 performance share rights, based on approximately 50 per cent fulfilment of the performance conditions and estimations on turnover of personnel about 5 per cent each year, is approximately MSEK 18.5. The value is equivalent to approximately 0.8 per cent of the market capitalisation for BillerudKorsnäs as of 12 March 2019. The costs are treated as a staff cost in the profit and loss accounts and it is expensed over 36 months in accordance with IFRS 2, Share based payments.

In the profit and loss accounts, social security costs will accrue in accordance with UFR 7 during the vesting period. The size of these costs will be calculated on the BillerudKorsnäs share price development during the vesting period and allotment of the shares. Based on a theoretical assumption of a yearly increase of 10 per cent of the share price and a vesting period of three years, the cost for LTIP 2019 including social security costs is approximately MSEK 27.4, which on a yearly basis equals approximately 0.3 per cent of BillerudKorsnäs' total staff costs for the financial year 2018. The maximum cost for LTIP 2019, based on these assumptions, is estimated to be approximately MSEK 79.3, whereof MSEK 43.7 in social security costs.

### Effects on key ratios

In the event of full participation in LTIP 2019, BillerudKorsnäs' staff cost is expected to increase annually with approximately MSEK 9.1. On a pro forma basis for 2019, this cost equals a marginal negative effect on BillerudKorsnäs' operating margin and earnings per share.

The board considers that the positive effects on the result, which are expected to arise from the increase of the shareholding by executive officers and key employees and which, in addition, may be further increased by the shareholding in LTIP 2019, exceeds the costs.



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## The preparation of the proposal

LTIP 2019, which is based on the previous year's long term incentive programs, has been initiated and prepared by BillerudKorsnäs' remuneration committee and board together with external advisors.

*The board's proposal for resolution on transfer of own shares to the participants in the program (item 18 (b) on the agenda)*

The board proposes that the annual general meeting resolves upon a transfer of a maximum of 378,498 BillerudKorsnäs shares held in treasury to the participants in LTIP 2019 (or the higher number of shares that may result from a recalculation under the terms of the LTIP 2019). Transfer of shares to the participants shall be made free of charge in accordance with the terms of LTIP 2019. The reasons for deviating from the shareholders' preferential right are the same as the reasons motivating adoption of LTIP 2019.

In order for a resolution regarding transfer of own shares to the participants in LTIP 2019 in accordance with item 18 (b) to be valid, the board's proposal must be supported by shareholders representing at least nine-tenths of both the votes cast and the shares represented at the meeting.

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## **For further information, please contact:**

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