

STRATEGIC PLATFORM

Strategy for sustainable solutions and profitable growth

The mission – to challenge conventional packaging for a sustainable future – describes the purpose of BillerudKorsnäs’ business. Profitable growth is a crucial factor in challenging less sustainable packaging materials and solutions over time. In order to deliver profitable growth of 3–4%, goal-oriented and intensive work is being undertaken in four strategic areas:

position, innovation, sustainability and efficiency. Maintaining a customer focus at all times, BillerudKorsnäs’ 4 400 employees are the people driving the change that is needed to realise the strategy and achieve our ultimate purpose – a sustainable future.



The mission – to challenge conventional packaging for a sustainable future – describes the purpose of BillerudKorsnäs’ business and governs how we think, what we do and how we communicate. Sustainable packaging materials and solutions are a competitive advantage and a business opportunity, for today and tomorrow.



Long-term profitable growth enables continued investments to strengthen future competitiveness as the challenger of conventional packaging.



Profitable growth is created by BillerudKorsnäs expanding in the value chains, transforming good ideas into new solutions and materials, integrating sustainability into everything we do, and working on continuous improvements based on a customer-focused approach.



BillerudKorsnäs’ 4400 employees drive the change and improvement work. A safe and secure workplace is a must. A clear purpose and established values generate commitment. Communicative leadership and a good employer brand create motivation. Customer, shareholder and social value is created through innovative solutions and close collaboration.



EMPLOYEES

Employees who drive change

Each individual employee at BillerudKorsnäs is a key driver of the change work being carried out with the clear aim of achieving our mission in a constantly changing world.

It is our employees who make BillerudKorsnäs what it is today. Their skills, commitment and talent are vital for our ability to achieve strategic and operational objectives. Retaining employees and strengthening the organisation with new talent is therefore a crucial part of our business strategy and central to the growth journey that has been staked out for the coming years. This requires a strong employer brand with existing employees as the most important ambassadors, as well as leaders who are good at driving change and communicating.

Support for the mission

The mission to challenge conventional packaging for a sustainable future has been fully embraced by BillerudKorsnäs' employees. Being part of and contributing towards a sustainable future strengthens commitment to BillerudKorsnäs as an employer. The core values – Think new, Feel responsibility, Cooperate and Create value – signal the importance of wanting to be part of an innovative company in which responsibility and cooperation generate customer value and stronger customer relations. The core values are part of employees' daily lives and play a major role in recruitment and in internal leadership programmes.

Developed leadership

For a growth company in a global market, it is crucial to be able to retain, find and attract employees with the right skills, now and in the future. In order to adapt and develop the leadership of the global group that BillerudKorsnäs is, a range of development programmes are offered at various levels, from induction to senior programmes on value creation. These



86 students visited BillerudKorsnäs' facilities as part of the "Introduce a Girl to Engineering Day" initiative.

initiatives are attaining good results with the leadership index following a positive trend.

The battle for talent

Competition for talent and skills is tough. Strategic and future-focused work has been undertaken in the field of recruitment and employer branding since 2017. The strategy is to significantly increase awareness of BillerudKorsnäs in the target groups needed in order for BillerudKorsnäs to continue to challenge the conventional and achieve its mission. The many activities involved range from a presence in both physical and digital forums such as LinkedIn to a large number of careers fairs in various locations around the country. The more targeted initiatives include "Introduce a Girl to Engineering Day" (IGEday) and BillerudKorsnäs' Sustainability Challenge – read more on page 35–37.

75

index for Communicative Leadership 2017 – the positive trend continues

13 300

follow BillerudKorsnäs on LinkedIn

700

students took part in BillerudKorsnäs' Sustainability Challenge – 7 500 unique visitors read the communication

A safe and secure workplace is the foundation for BillerudKorsnäs' ability to achieve success. Read more on page 35.



Equipped for global expansion and advancement along the value chain

BillerudKorsnäs aims to achieve growth of 3–4% per year. Our strong position in Europe provides a stable foundation, along with the good growth opportunities that exist as we continue to expand into new markets and move up the value chain.

Expert on sustainable packaging materials and solutions

BillerudKorsnäs is one of the leading liquid packaging board manufacturers in the world and a global leader in high-porosity sack paper made from primary fibre. In Europe, the Group has a leading position in primary fibre-based kraft paper, fluting and white liner, as well as being a major producer of primary fibre-based cartonboard in the premium segment.

BillerudKorsnäs also has a solid understanding of how the materials can be used to create sustainable packaging for each task. Extensive knowledge of packaging design and construction is firmly embedded in every part of the business. All this makes the Group well placed to further strengthen its position by expanding in the value chains. The proportion of overall growth that comes from packaging solutions is expected to increase in the years ahead.

New markets and expansion in the value chain provide leverage for growth

The European market, which is BillerudKorsnäs' largest, is stable. Although growth is relatively low compared with Asia, for example, there are opportunities to grow by capturing market share in materials and by expanding in solutions. In new markets, total solutions are often crucial for the introduction of new materials. In the Asian market, demand for sustainable total solutions is substantial and is expected to grow by just over 4% annually. The Group's experience and expertise in sustainable packaging materials and solutions thus entail major growth opportunities. Business in Managed Packaging focuses primarily on Asia, where the company offers various types of packaging solutions and services to global brand owners and retail chains with manufacturing in Asia. The business model also creates opportunities to offer concepts that provide global solutions for customers with operations in several different countries.

Knowledge of different market conditions and what different players in the value chain require will enable BillerudKorsnäs to fully exploit the growth opportunities in the global market – and so further strengthen its position.

Unconventional technologies and solutions

To ensure profitable growth in the longer term, BillerudKorsnäs is investing in companies that develop unconventional solutions. BillerudKorsnäs is a minority owner in the design and branding agency Grow, which has special expertise in packaging-related innovation for brand owners in fast-moving consumer products. BillerudKorsnäs Venture takes minority stakes in innovative start-up companies that are developing the leading edge technologies of the future for materials and solutions. Venture owns shares in five portfolio companies divided into three focus areas: paper-based bottles, cold chain solutions and the internet of packaging. Taking a long-term perspective, BillerudKorsnäs collaborates with the companies to create the right conditions during the various stages of development, up to commercialisation and large-scale production.



Concept for realising innovative design solutions

BillerudKorsnäs has worked with the design and branding agency Grow, in which it holds a minority stake since Q1 2018, to develop a concept that will help brand owners to take packaging solutions from idea to market within three years. With BillerudKorsnäs FibreForm®, plastic can be replaced with exciting packaging that promotes the brand and the product.



Innovation for greater customer value and profitable growth

Structured innovation work with clear priorities forms the basis for BillerudKorsnäs' investments in research and development. The innovation work is also a catalyst for the development of the Group's production units.

The foundation and focus areas for BillerudKorsnäs' development are business and product innovation. Business innovation means being even faster and more challenging when it comes to developing and commercialising new offers and implementing new business models. Product innovation is rooted in technological breakthroughs and in the creation of new and more attractive products based on advanced material development from forest raw material. By focusing on green material technologies, we are aiming to help implement groundbreaking research results and convert them into high-tech innovations. The key is to make the materials lighter, stronger and stiffer while also improving barrier properties and printability, as well as introducing new functions into the packaging material.

BillerudKorsnäs' technology centres and product development teams are located at BillerudKorsnäs' four largest production units, but they support the whole Group. They work to different timeframes, with a clear focus on developing technologies that are considered strategically important for the Group's growth opportunities. The areas currently in focus are new functions within the

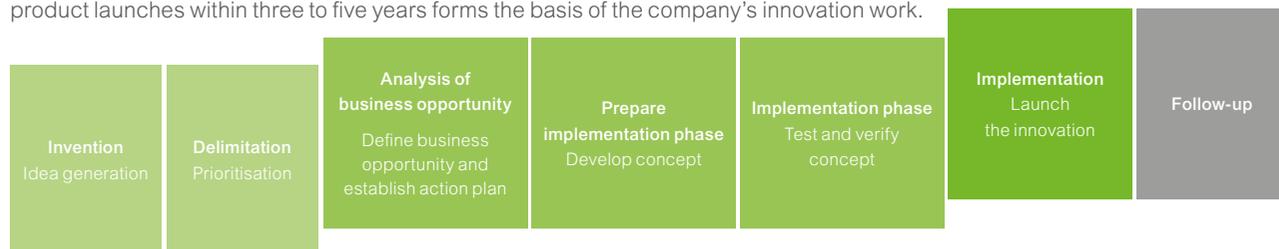
surface of the packaging and in the fibre structure of the packaging material.

Challenging conventional packaging requires both continuous development of the materials and an ongoing investigation into new applications for paper. Active internal development work is being conducted in the area of barriers for dry and wet foods and use of the additive microfibrillated cellulose, which can enable the production of lighter and stronger cartonboard.

Both business and product innovation are based on a deep understanding of the end user's needs and wishes and on the requirement for a holistic approach to packaging. This includes looking at the role of the packaging for the end user, for the business, for society and for the entire planet. When packaging takes on the role of a valuable information carrier or a driver of increased efficiency, quality and sustainability, it becomes a strategic competitive advantage and not just a question of protection.

BillerudKorsnäs' innovation process

Running continuous research and development work and planning for new material and product launches within three to five years forms the basis of the company's innovation work.



Strong and safe, with microbial barrier properties

In order to meet the demand for medical packaging systems with higher performance, BillerudKorsnäs has developed a new polymer-reinforced paper, Sterikraft® Protect AR. Sterikraft® was shown for the first time at the Compamed trade fair, "Hightech solutions for medical technology", in Düsseldorf, Germany in November 2017. Sterikraft® is a medical paper that tolerates a range of sterilisation methods and guarantees sterility and purity right up to the point that the product is used. The packaging retains its sterility for five years and is available for all the key sterilisation methods.



Efficient capacity utilisation is crucial for profitability

High efficiency is essential for profitable growth and continued investments in the future. The starting point is to set the right priorities, with a focus on the customer experience.

Being able to use the capacity at BillerudKorsnäs' eight production units efficiently is crucial to delivering packaging materials that meet customer expectations regarding product and delivery quality. Disruptions to production or start-up problems directly impact on the way customers perceive quality and on the Group's profits. To minimise availability problems in production in the future, a Group unit has been set up to harmonise the work on increasing availability and quality at all the facilities. The starting point for this work is to adopt a more customer-oriented perspective and focus on always doing the right things.

Systematic deviation work gets results

BillerudKorsnäs has always set high standards for product quality. Within the framework of the Secure Quality programme, continuous and systematic work is carried out to prevent product quality deviations, with a focus on the customer experience. The Gävle, Frövi and Gruvön production units and the Consumer Board business area have piloted the programme and in 2018 the

new working practices will be rolled out to all the production units and business areas.

Optimised material use

Production-related improvements such as optimising the use of materials and reducing waste are key factors for profitability and reducing any impact on the environment and the climate. The production of paper, board and pulp is the step in the value chain where the Group's direct impact is greatest of all. Read more on pages 31 and 42.

Business-critical efficiency

Efficiency in sales and services is another factor that in many cases is business-critical. In the premium segment for carton-board, for example, where the packaging is a vital component that helps the brand and the product stand out, the customer's need for fast and reliable delivery is a key factor. For BillerudKorsnäs, this presents opportunities for higher margins and greater volumes, and for tightening up on precision deliveries.

Systematic improvement work for stable production and high product quality



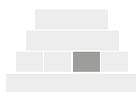
Production stability

- Increase the stability of core processes, manufacture of pulp, paper/board and maintenance
- Company specialists who support and harmonise the work through cross-functional teams from different mills



Ensure product quality

- A systematic, customer-centric quality programme is in the process of being implemented
- A TPM (Total Productive Maintenance) based strategy to minimise losses while at the same time placing customer engagement front and centre



SUSTAINABILITY

Sustainability is a business opportunity of our time

Sustainability is a natural part of BillerudKorsnäs' core business and strategy. Sustainability is also a competitive advantage that is growing in importance, making it a significant driver of profitable growth.

Impact from two strategic perspectives

The benefit, and thus the value, of BillerudKorsnäs' products and solutions is rooted in their relationship with the wider world, the customers and their products and businesses. The strategic focus of the sustainability work therefore rests on: minimising the company's negative impact and maximising the company's positive impact.

Focus on BillerudKorsnäs' sustainability work

The Group's sustainability work is centred around three areas, each of which have associated commitments:

Ensure a responsible value chain:

- Promote responsibility from raw material supply and production to recycling
- Provide engaging workplaces, where safety, diversity and human rights are a priority

Increased customer value:

- Improve our customers' business using our knowledge on sustainable packaging solutions
- Through innovation, expand the market of renewable packaging materials

Contribute to a sustainable and bio-based society:

- Combat climate change throughout the value chain
- Generate value for society through collaboration both locally and globally

Knowledge contributes to customers' business

Consumers are becoming increasingly aware of sustainability issues. For brand owners that want to attract aware consumers, it is therefore important to show that the product and the packaging are made in a sustainable way. An increasingly key issue is reducing any impact on the climate not only for the converters, but also for their customers, the brand owners.

In general, when BillerudKorsnäs' materials and packaging solutions replace less sustainable alternatives on the market, their sale helps to maximise the positive impact of the company's products and services. At the same time, the company's renewable solutions can contribute to the brand owners' own sustainability targets. BillerudKorsnäs' knowledge of renewable packaging materials and solutions can help them and the whole value chain to perform better from a climate perspective.

Commitment 3

Improve our customers' business using our knowledge on sustainable packaging solutions, *see page 38.*

Commitment 4

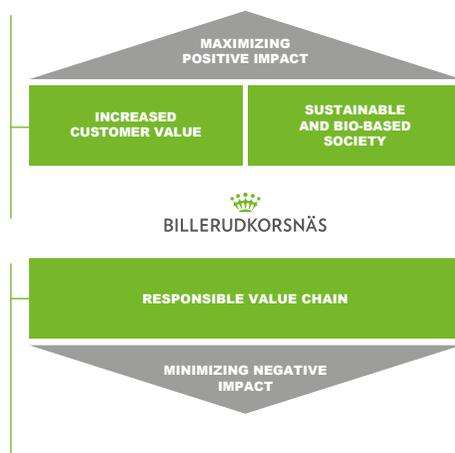
Through innovation expand the market of renewable packaging materials, *see page 40.*

Commitment 1

Promote responsibility from raw material supply and production to recycling, *see page 32.*

Commitment 2

Provide engaging workplaces where safety, diversity and human rights are a priority, *see page 35.*



Commitment 5

Combat climate change throughout the value chain, *see page 42.*

Commitment 6

Generate value for society through collaboration, both locally and globally, *see page 44.*