SCA Sustainability Report
2008

Investing in sustainability

To us at SCA, sustainability is more than a legal requirement. It is a competitive tool. That is why we view sustainability as an investment rather than an expense. It is a decisive factor for a prosperous future for our company.

Highlights of SCA's sustainbility year 2008

- SCA implemented a new quantified CO_2 target. Fossil fuel emissions will be reduced by 20% between 2005 and 2020.
- SCA signed the Global Compact, the world's largest voluntary corporate responsibility initiative.
- In December, SCA and Statkraft applied for permission to build 455 wind turbines with an annual capacity to produce 2.4 TWh electricity.
- Continued FSC certification for SCA's forest management.
- For the first time, SCA reports in accordance with the Global Reporting Initiative guidelines, level A.

SCA has been listed on the FTSE4Good global sustainability index since 2001.

SCA was named one of the world's most ethical companies by the Ethisphere Institute.

SCA is included in Kempen SNS SRI Universe and was approved for holdings in the Orange SeNSe Fund.

SCA was ranked as one of the world's most sustainable companies by the responsible business magazine Canadian Corporate Knights utilising research from the social investment firm Innovest.

The NASDAQ OMX exchange launched a new sustainability index, the OMX GES Nordic Sustainability Index, in which SCA is included.

SCA ranked fifth by the Carbon Disclosure Project's study in the Nordic region.

In 2007, the Hanover Stock Exchange and the research company Oekom Research AG introduced the Global Challenges Index. SCA is listed on this index.

SCA at a glance

SCA creates value by fulfilling the needs of customers and consumers in a spirit of innovation, through continuous efficiency enhancements and with an expressed desire to contribute to sustainable development.

We develop, produce and market personal care products, tissue, packaging, publication papers and solid-wood products in more than 90 countries.

Personal Care

Sales in some 90 countries worldwide. The business area comprises three product segments: incontinence care, baby diapers and feminine care. Production is carried out at 22 plants in 18 countries.

MARKET POSITION

Products	Europe	US	Global
Incontinence care	1	3	1
Baby diapers	2	–	3
Feminine care	3	–	5

SHARE OF THE GROUP

Net sales **21 %**

Operating profit **32 %**

Tissue

Sales in some 80 countries worldwide. Tissue consists of toilet and household paper, facial tissue, handkerchiefs and napkins. Production is carried out at 38 facilities in 18 countries.

MARKET POSITION

Products	Europe	US	Global
Consumer tissue	1	–	4
Tissue for bulk consumers – AFH	1	3	3

SHARE OF THE GROUP

Net sales **34 %**

Operating profit **26 %**

Packaging

Sales to some 50 countries in Europe and Asia. SCA is a full-service packaging supplier which offers both transport and consumer packaging. Production is carried out at over 200 facilities in 28 countries.

SHARE OF THE GROUP

Net sales **30 %**

Operating profit **17 %**

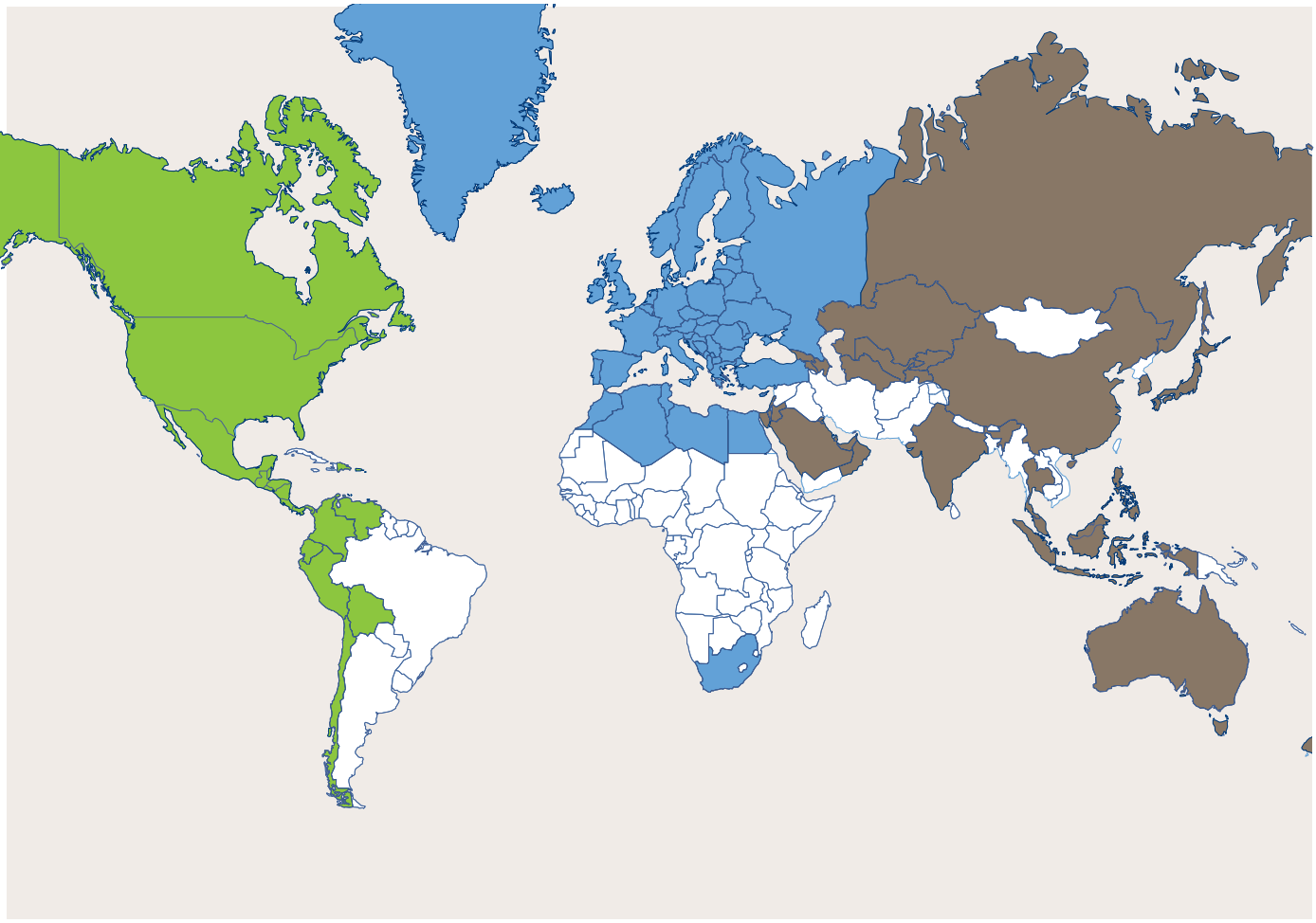
Forest Products

Sales primarily in Europe but also in North America and Japan. Production comprises publication papers, paper pulp and solid-wood products and is carried out at 12 facilities in three countries.

SHARE OF THE GROUP

Net sales **15 %**

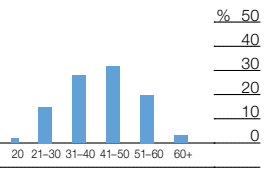
Operating profit **25 %**



During 2008 SCA had annual sales of SEK 110bn (approximately EUR 11.5bn) and 52,000 employees. The Group's largest markets in terms of sales are Germany, UK, France, US, Italy, Sweden, the Netherlands and Spain.

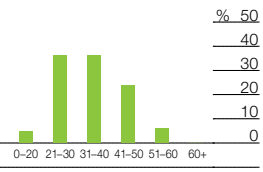
Europe (incl. Africa)	2008	2007
Sales, SEKm	87,055	82,519
Employees	36,182	34,703
Women, %	25	22
Salaries, SEKm	12,504	12,562
Social costs, SEKm	3,470	3,255

Employee age distribution



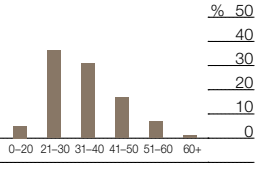
Americas	2008	2007
Sales, SEKm	14,593	15,125
Employees	7,726	7,512
Women, %	37	24
Salaries, SEKm	1,672	1,960
Social costs, SEKm	488	490

Employee age distribution



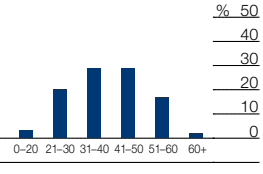
Asia Pacific	2008	2007
Sales, SEKm	8,802	8,269
Employees	8,091	8,218
Women, %	42	37
Salaries, SEKm	967	943
Social costs, SEKm	115	105

Employee age distribution



SCA Group total	2008	2007
Sales, SEKm	110,449	105,913
Operating profit, SEKm	8,554	10,147
Earnings per share, SEK	7.94	10.16
Employees	51,999	50,433
Women, %	29	25
Salaries, SEKm	15,142	15,465
Social costs, SEKm	4,074	3,849

Employee age distribution



See page 49 for more key figures

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About this report
SCA publishes a separate sustainability report each year. The report describes the environmental, social and economic perspectives of SCA's sustainability initiatives, and is aimed at specialist audiences with an interest in SCA's sustainability performance, including analysts, investors and NGO's. As of 2008, SCA is a signatory to the UN Global Compact. The sustainability report represents our Communication on Progress, describing SCA's work to address the Global Compact's ten principles on human rights, working conditions, the environment and anticorruption. The Global Reporting Initiative guidelines, level A, are applied in this report, and the GRI content index (p. 66–67) provides a cross-reference to the indicators included in the report. A selection of the social responsibility data has been reviewed by PricewaterhouseCoopers and the environmental and resource utilisation data by Deloitte. All data in this report has been collected over the calendar year 2008, and covers the SCA Group, including wholly and majority owned subsidiaries. For further information regarding the sustainability report and its reporting principles, see page 68.

There are many committed and knowledgeable employees behind SCA's solid sustainability efforts. In this report, a number of them relate how they help to develop the Group's environmental, social and economic responsibility.

A strong sustainability year

Even in financially turbulent times, SCA's sustainability efforts proceeded with undiminished strength. A new, ambitious carbon-dioxide goal, signing the UN's Global Compact and a groundbreaking wind power project were among the sustainability highlights of 2008.

As early as 1998, in SCA's first Environmental Report, we forecast that climate change would be the most important environmental issue of the following decade. At that time, we did not know how accurate our prediction would be, but this insight contributed to our decision to establish our first carbon-dioxide goal as early as 2001.

Now it is time to take a new step forward with a new, quantified carbon-dioxide goal. By 2020, measured at 2005 levels, SCA will reduce its carbon-dioxide emissions by 20 percent. This is an ambitious target that clearly reflects the EU climate goal. SCA is an energy-intensive company, and this new environmental goal will require major investments. I am convinced that the sustainability investments we are making now will improve SCA's competitive edge.

In the climate debate currently underway, insufficient attention has been drawn to the unique power of forests to combat climate change through their ability to store carbon dioxide. Global deforestation plays an important role as concerns climate change but there has been little focus on the importance of reforestation and growth in the world's forests. Every year, SCA's forests absorb a net 2.6 million tonnes of carbon dioxide, which corresponds to the total emissions from SCA's production.

Another issue that is important to me is our Swedish wind power project in collaboration with Norwegian Statkraft. This project is expected to generate 2.4 TWh of electricity annually. During the autumn, we initiated consultations with municipalities, landowners and nearby residents. Their reactions were consistently positive, and at the end of the year we submitted documents to the County Administrative Boards of Jämtland and Västernorrland to build 455 wind turbines in six wind power parks.

In 2008, SCA signed the UN's Global Compact. The Global Compact is a consortium of more than 5,000 companies from 120 countries working for responsible business practices. To me, it is clear that companies and the business community can play a decisive role in achieving a sustainable global economy.

SCA's sustainability policy firmly states that openness regarding the company's environmental and social ambitions is an important basic principle. Reporting this year in accordance with Global Reporting Initiative's guidelines is a natural step in this desire for transparency.

At SCA we often speak of the importance of taking responsibility for the environment, our employees and society. In 2008, the Ethisphere Institute in the US named us as one of the world's most ethical companies. This is an external recognition that there is substance behind our claims. I am proud to lead a company that actually talks the talk and walks the walk.

Jan Johansson
President and CEO

"Companies and the business community can play a decisive role in achieving a sustainable global economy."

Sustainability targets in harmony with the operating environment

SCA's sustainability targets have been developed over a long period of time. Determining factors include the demands and expectations of our stakeholders, combined with an assessment of which areas will be decisive for the Group's long-term competitiveness.

SCA focuses on four sustainability targets related to carbon dioxide, water, forests and working conditions. New this year is a quantified target for carbon dioxide.

The climate issue in focus

The climate issue is now one of the most important environmental concerns. It is also one of the most urgent social issues generally speaking. Since the beginning of the last century, increases in the average temperature of the oceans and near the surface of the earth have been observed. According to the United Nations' Intergovernmental Panel on Climate Change, the increase is expected to continue if nothing is done.

One of the causes of climate change is greenhouse gas emissions from industry. When fossil fuels such as coal and oil are burned, the levels of carbon dioxide in the atmosphere rise. As an international, energy-intensive company, SCA bears an important responsibility in this field.

In 1997, an international agreement was reached in the form of the Kyoto Protocol. The goal was to reduce annual global emissions of greenhouse gases. SCA decided at an early stage to contribute to achieving Kyoto Protocol targets and in 2008, a new quantified carbon-dioxide target was implemented.

The importance of forests

About a third of the earth's land surface is covered by forests which are home to a variety of plant and animal species. A healthy forest is essential in order to maintain this biological abundance.

During the past few decades, many global initiatives have been undertaken aimed at cultivating the world's forests without damaging the environment.

As Europe's largest private forest owner, SCA has a special responsibility for forest management. SCA applies its own policies and guidelines for forest management that are more extensive than Swedish laws and fulfill FSC's Swedish standard for forestry management. However, the responsibility does not end with SCA's own forests. The company takes many measures to minimise the risk that any fresh fibre in the production derives from controversial sources.

Water, a scarce commodity

A growing number of regions and countries now have strictly limited access to clean water. Above all, this affects the world's poorest people, and water is a potential cause of conflict.

Rises in population, urbanisation and increased industrialisation in developing countries have led to a greater need for clean water. This has caused further reductions in the world's freshwater resources. The climate change problem contributes to this trend as conditions become drier in many vulnerable countries.

This places new demands on global companies. The shortage of good-quality water has led the EU to implement strict corporate legislation for water consumption and treatment, which impacts on SCA due to higher costs.

Water quality affects the everyday lives of people all over the world. Water is needed for food production but also for industrial activities and the need to reuse water in industrial plants is increasing. New plants under construction are expected to install efficient water treatment and recycling systems. Accordingly, this is an important part of SCA's sustainability efforts.

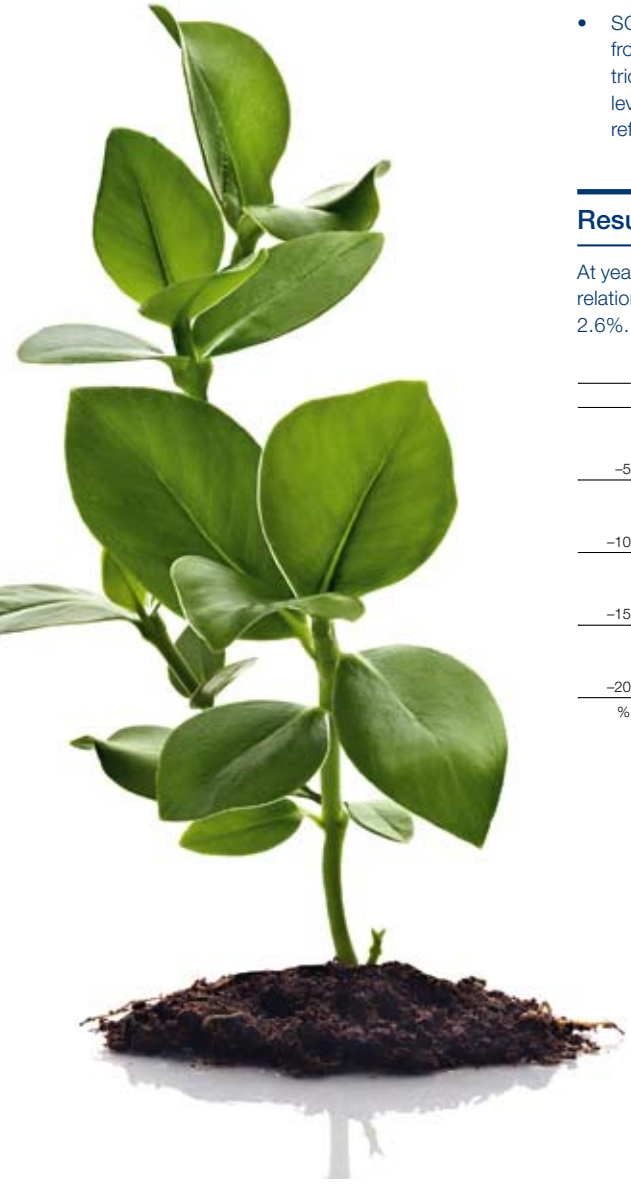
A standard Code of Conduct

The ongoing process of globalization creates many business opportunities, but also a number of challenges. Companies must be able to manage differences in culture, legislation and business traditions. This places completely new demands on their areas of social responsibility. On the one hand, it is important to take broader responsibility in terms of environmental and social issues at a local level in new markets. On the other hand, the overall ambition must be for the company to maintain a standard approach no matter where in the world it operates.

This assumes that the company has a well-defined Code of Conduct that applies everywhere. The Code should be clearly established in the company and act as a strategic instrument in the company's day-to-day operations. SCA's Code of Conduct covers 52,000 employees worldwide and supports the Group's approach to human rights, favourable working conditions and respect for the environment.

Target 1. Sharper CO_2 ambition

SCA has lifted its level of ambition even further as regards the company's climate impact by establishing a new, quantified CO_2 target. Through to 2020, emissions from fossil fuels will be reduced by 20%, using 2005 as a base year. As a major consumer of energy, SCA formulated a target to reduce emissions from fossil fuels as early as 2001. Now the next step has been taken.

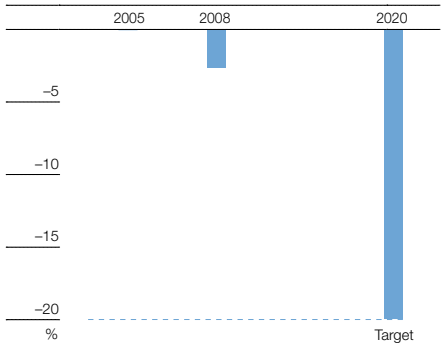


SCA's new carbon-dioxide targets

- SCA will reduce its carbon-dioxide emissions from fossil fuels and from the purchase of electricity and heating in relation to the production level by 20% by the year 2020, with 2005 as a reference year.

Results in 2008

At year-end 2008, carbon-dioxide emissions, in relation to the production level, had declined by 2.6%.



Activities in 2008

SCA has implemented several activities that will further strengthen the Group's climate activities:

- SCA's extensive investments in wind power, made in cooperation with the Norwegian energy company Statkraft, have proceeded according to plan. SCA expects to begin construction in the autumn of 2009.
- In Witzenhausen, Germany, a new power plant became fully operational. The mill will be energy self-sufficient.
- A number of ESAVE projects have decreased carbon dioxide emissions and saved electricity.

Driving forces

The climate issue is one of most critical environmental and social issues facing the world today:

- According to the UN's Intergovernmental Panel on Climate Change, the Earth's average sea and surface temperatures continue to rise. This increase is partly the result of human emission of greenhouse gases.
- Trading in emission rights has been introduced in such areas as the EU and New Zealand.
- In the 1997 Kyoto Protocol, an international agreement aimed at reducing global emissions of greenhouse gases was reached. The agreement is due to be reviewed in 2009.

Target 2. 100% control of fresh fibre raw materials

As Europe's largest private owner of forestland, SCA has a major responsibility for forestry management. Since 1999 the Group's own forests have been certified in accordance with the FSC, Forest Stewardship Council. All wood raw material used in SCA's plants is guaranteed by independently verified chain-of-custody certifications. SCA has also extended its target to include all purchased fresh fiber-based raw materials, such as pulp and containerboard.

SCA's target for responsible use of wood raw material

- SCA will continue to employ methods that ensure that no fresh fibre-based material used in production comes from controversial sources. The target also includes purchased fibre such as pulp and containerboard.

Results in 2008

- SCA has carried out field audits of the Group's pulp suppliers. The supply of products to all SCA wood-consuming plants is reviewed by independent auditors to ensure that requirements are met.
- All business groups have obtained information from their suppliers of fresh-fibre based products regarding how they are working to meet SCA's requirements. The review does not include temporary suppliers of small volumes of these products.

Controversial sources are defined as:

- Illegally logged timber.
- Timber from forests with high conservation value.
- Timber from areas where human rights or traditional rights of indegionus people are being violated.

Activities in 2008

- Assessment of suppliers in the EU and Brazil.
- Ecological landscape plans and harvesting plans for SCA's Swedish forests updated.
- Instructions to felling teams in SCA's own forests were clarified, and all teams underwent renewed training.
- Follow-up processes for felling were tightened – now each felling is followed up and the results are communicated back to the felling team.

Driving forces

- Forests cover about one third of the earth's land surface. Every year, about seven million hectares of land are deforested, corresponding to 0.2% of all forested areas.
- Illegal logging and timber from controversial sources are threats to the world's forests and to biodiversity.
- SCA wants to make sure that the products the company offers its customers does not contain fresh fibre from controversial sources.

Target 3. Improved water usage

Access to clean water is one of the most important global environmental issues. SCA established its target for water usage in 2005: to reduce consumption by 15% and reduce organic content in wastewater by 30%. SCA uses large volumes of water in its production and is applying new technologies to clean and recycle water. In this manner, water quality in the neighbouring environments is also improved.

SCA's water targets

- Reduce specific water consumption by 15% between 2005 and 2010.
- Reduce the specific organic content of wastewater by 30% between 2005 and 2010.

Results in 2008

By year-end 2008, SCA had achieved a reduction of 5.5% and 17.1%, respectively.

Activities in 2008

In 2008, SCA invested in several new water treatment plants:

- A new biological treatment unit for wastewater was installed at the kraftliner mill in Munksund, Sweden.
- The tissue plant in Drammen, Norway was also equipped with a similar treatment unit.
- The tissue plant in Kostheim, Germany, was equipped with anaerobic treatment unit.
- SCA is investing in an advanced treatment unit at its new tissue plant in Sovetsk, Russia.

Driving forces

In the future, companies will be subject to stricter requirements for water treatment. Background factors include the following:

- Within the EU, a shortage of high-quality water prompted stricter legislation for companies in the areas of water consumption and water treatment. In turn, this legislation will result in an increase in the cost of water.
- Water quality impacts the everyday lives of the people all over the world. The need to reuse water in industrial plants is increasing.
- New plants are expected to install efficient systems for treating and reusing water.

Target 4. Universal Code of Conduct

Over the past two decades, SCA has developed into a global company with 52,000 employees worldwide. This places enhanced demands on the company's social and environmental performance. SCA's Code of Conduct applies to all employees at all locations worldwide.

SCA's target for Code of Conduct compliance

- The Code of Conduct is an integral element of daily operations.

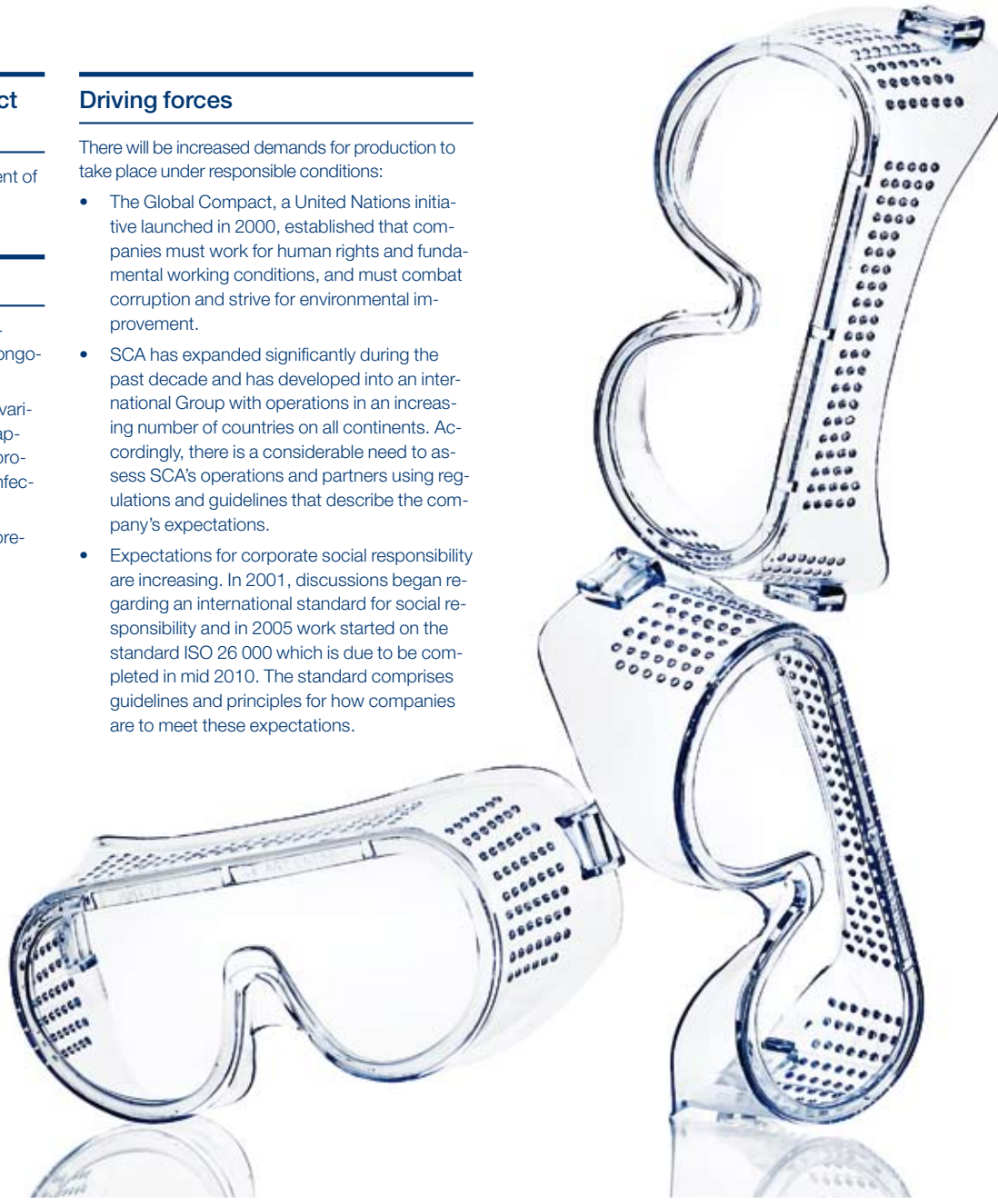
Results and activities in 2008

- Continued efforts to integrate the requirements of the SCA Code of Conduct into ongoing systematic assessments of suppliers.
- Provision of a range of tools to assist the various parts of the organisation to develop appropriate blood borne virus policies and procedures and to widen understanding of infections such as hepatitis and HIV/AIDS.
- Detailed review of business practices to prevent corruption and ethical violations.

Driving forces

There will be increased demands for production to take place under responsible conditions:

- The Global Compact, a United Nations initiative launched in 2000, established that companies must work for human rights and fundamental working conditions, and must combat corruption and strive for environmental improvement.
- SCA has expanded significantly during the past decade and has developed into an international Group with operations in an increasing number of countries on all continents. Accordingly, there is a considerable need to assess SCA's operations and partners using regulations and guidelines that describe the company's expectations.
- Expectations for corporate social responsibility are increasing. In 2001, discussions began regarding an international standard for social responsibility and in 2005 work started on the standard ISO 26 000 which is due to be completed in mid 2010. The standard comprises guidelines and principles for how companies are to meet these expectations.



Foundation for value creation

Sustainability is an integral part of SCA operations and the company's strategy for growth and value creation. Sustainability activities give enhanced competitiveness and a reduced risk level.

SCA's sustainability strategy is based on a number of building blocks: a systematic approach, transparency, clearly-stated targets, integration with business operations, innovation and being an attractive employer.

Clearly-stated targets

SCA's four sustainability targets are an essential element of SCA's sustainability strategy. The targets address the areas that SCA has identified as being key for business in the long term: water, carbon dioxide, responsible sourcing of raw materials and compliance with the Code of Conduct.

Systematic sustainability approach

Successful sustainability activities depend on a methodical approach. At the end of the 1990s, SCA developed its Resource Management System (RMS) – a database that contains detailed information on resource utilisation and environmental data.

Since 2005, continuous supplier assessments on Group-level have been conducted to ensure compliance with aspects such as human rights and health and safety. However, supplier assemments have been conducted before 2005, SCA Personal Care Europe for example has evaluated suppliers since the middle of the 1990s.

Transparency

SCA is committed to openness with respect to the company's environmental and social performance, challenges and ambitions. SCA seeks to engage in dialog with various stakeholders in order to develop leading edge working methods.

Integration with business operations

The environmental targets are incorporated into the Group's overall strategy. This ensures that long-term environmental ambitions will be prioritised at Group and business group level.

Its Resource Management System plays a key role in the Group's strategic activities. It provides the supporting data on which to base analyses of SCA's use of resources. These analyses are used in conjunction with investments and also to assess the company's environmental performance in connection with acquisitions.

In the due diligence process performed in conjunction with acquisitions, SCA utilises a checklist for risk mapping concerning possible social or etical conflicts. This risk mapping includes an estimate of possible costs for the introduction of health and safety measures into the workplace, overtime compensation, work insurance cover etc. that are required for the company to comply with SCA standards.

Innovation

Innovation is fundamental in SCA's strategy. Consumer and customer insight are translated into new products with new functionality as SCA strives to develop and launch high-value added products. Sustainability aspects and product safety are factors that affect the product development.

For example, at the paper mill in Laakirchen, Austria, SCA has developed a printing paper with a high proportion of recycled paper, a product in demand from customers.

New, smart tissue dispensers reduce paper consumption, which results in less waste and increased cost efficiency.

In packaging operations, there are numerous examples of innovations that allow more products to fit into smaller spaces, which is positive in terms of transport. Savings are also made by designing transport packaging that can also function as display packaging.

Superabsorbant materials and improved fit has made Libero, Libresse and Tena diapers, pads and incontinence products thinner, dryer, more comfortable and better for the environment. Because better products mean fewer products consumed and hence lower environmental impact.

People agenda

For SCA, it is crucial to recruit the right people and retain and develop employees. SCA has identified four strategic areas: talent management, performance management, workforce planning and compensation and benefits. The Group works actively with programs aimed at employee development.

The different parts create a sustainable entity

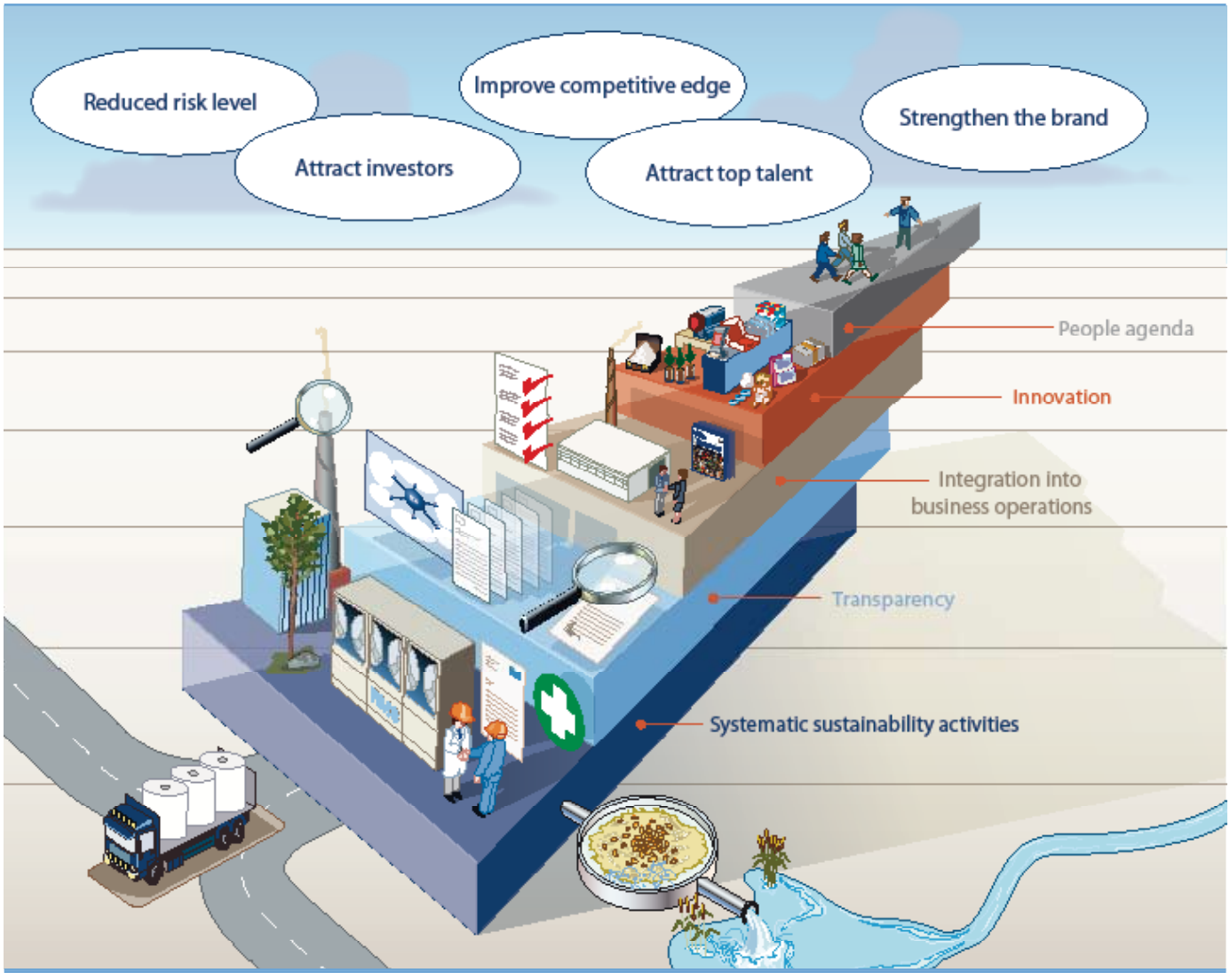
The various aspects of SCA's sustainability initiatives combine to make a positive contribution to business operations. Competitiveness is strengthened by being at the leading edge of sustainability activities. This has been particularly apparent in recent years when a number of customers have stated environmental considerations as the reason they chose SCA as a supplier.

By profiling the Group as a good employer, it is easier to recruit the top talent required to maintain SCA's success.

Ethical investors are an increasingly important group in the financial market. Sustainability activities are significant for SCA shares to qualify for inclusion in these indices and funds. The proportion of ethical investors in SCA shares has increased steadily in recent years.

Sustainability activities are also an important factor in decreasing the company risk level thus reducing the likelihood of negative surprises in the environmental and social area – a factor that is becoming increasingly significant.

Another effect of sustainability activities is that they strengthen the SCA brand.



SCA sustainability activities are based on a solid foundation, the cornerstones of which are systematic activities, sustainability objectives, innovation, our people agenda, transparency and integration with business activities. By using these strengths, SCA strives to enhance its competitiveness, attract the best talent and investors, reduce the company's risk level and strengthen its brand.

Governance

A stable system of governance

The Swedish system of corporate governance is well-developed and stable. A listed company such as SCA is subject to an extensive set of regulations that, through mandatory rules, are designed to safeguard a large number of different outside interests. This is not only confined to the interests of shareholders and investors. There is also general public interest in industrial and business operations being conducted in an efficient, responsible and controlled manner with a high degree of transparency in every respect.

External body of regulations

The external body of regulations for corporate governance consists of a number of laws where the Swedish Companies Act is the foundation. In addition, there are both Swedish accounting legislation and international accounting rules that ensure that financial reporting meets high standards. The regulations governing the provision of information have, in addition and in particular with regard to financial information, been developed to guarantee timely, accurate and consistent information.

In addition to formal legislation there is the Swedish Code of Corporate Governance which, together with the stock exchange's rules and regulations, contributes to effective corporate governance.

Internal body of regulations

The internal body of regulations for corporate governance consists of a number of governance documents within different areas. The more prominent include the rules of procedure for the Board and the instructions for the President, which regulate the work of the Board and the division of responsibility between the Board and the President. The Board's rules of procedure also ensure that significant matters within the Group as a whole are handled by the Group Board of Directors. Other governance documents include the financial policy, information policy and payment authorisation and payment instructions. Among the more general governance documents, the company's Code of Conduct should also be mentioned.

Controlling and monitoring

In addition to the company's auditors the company's operations are subject to external monitoring by, among others, the Swedish Financial Supervisory Authority and the Stockholm Exchange.

SCA's own control systems include segregation of duties in critical processes and defined management responsibilities with regards to internal control. There is also a separate Internal Audit function at SCA that works to continuously evaluate and improve the effectiveness of SCA's governance processes, risk management and internal controls. SCA's Internal Audit organization contributes to the maintenance of high standards of business practice and is involved in the monitoring of Code of Conduct compliance.

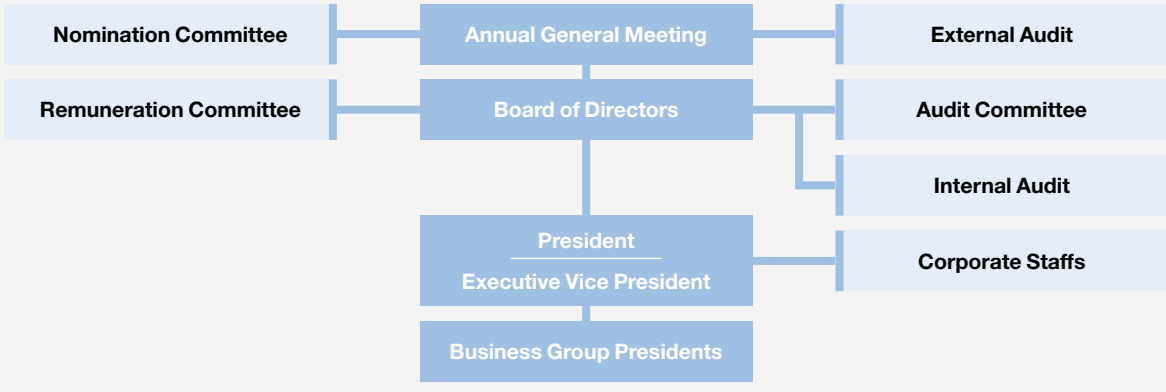
Shareholder influence

The annual meeting of shareholders is the highest decision-making body. At the Annual General Meeting (AGM) each shareholder has the right to attend and to have various matters considered by the meeting. One, among several, key tasks for the AGM is to appoint the company's Board. The AGM also establishes guidelines for remuneration to the President and senior executives. The company's auditors check compliance with these guidelines. Detailed information about SCA's AGMs and Nomination Committee is available at www.sca.com

Board of directors and president

The Board has overall responsibility for the organization and administration of the company while the President, who is appointed by the Board, is responsible for the day-to-day management of the company. The Board as a whole, normally eight members elected at an AGM, makes decisions on all matters while some special matters are processed by special Board committees prior to decision. The Board has a Remuneration Committee and an Audit Committee.

Corporate governance at SCA



Business groups

The Group has six business groups and one central function on behalf of hygiene operations. The joint hygiene operations also have a separate management and coordination body. The management of each business group has operational responsibility for the relevant area. The rules of procedure and instructions ensure that a number of matters of importance within each business group are referred to the CEO or the parent company's Board of Directors.

Sustainability governance

The Group's Executive Management has the overall responsibility for SCA's environmental and social initiatives.

The Environmental Committee and the Corporate Social Responsibility Committee report to the Group's Executive Management and prepare proposals for policies and principles for sustainability governance, as well as targets and action programmes at Group level. They also coordinate and track the progress of the Group's environmental and social programmes.

Responsibility for implementation rests with the operational organization. A number of environmental networks and corporate social responsibility working groups work horizontally across the Group's different business areas in order to guarantee a consistent approach. Responsibility for the management of specific issues rests within the relevant business group. Since the Group's operations differ widely between business groups and product areas, SCA allows its business groups considerable freedom to adopt relevant targets and action programmes within the framework of the Sustainability Policy and the targets set by the Executive Management.

The complete Corporate Governance Report is available on SCA's website www.sca.com and in the 2008 Annual Report.

Yogi Pillay, Director
Corporate Social Responsibility Programmes
E-mail: yogi.pillay@sca.com
Phone: +46 8 788 52 61

Patrik Isaksson, Vice President
Environmental Affairs
E-mail: patrik.isaksson@sca.com
Phone: +46 8 788 51 04

SCA's sustainability governance

Corporate Senior Management Team

Corporate Social Responsibility Committee

Members: Gordana Landén, Håkan Andersson, Caroline Brent, Melody Carlton, Geke Kooij, Karin Nyström, John O'Rourke, Christina Rindegård and Anders Svenberg.

Environmental Committee

Members: Ulf Söderström, Brenda Appleton, Michael Dillon, Eva-Barbara Fürst-Wiesmann, Anders Hildeman, Susan Iliefski-Janols , Patrik Isaksson, Nikolaus Kaindl, Björn Lyngfelt, John Swift and Ulf Tillman.

SCA Group Networks

SCA Group Networks

Ethics and core values

SCA's undertakings are based on its core values Respect, Excellence and Responsibility.

Respect refers to such behaviour patterns as openness and honesty, and acting with integrity. Excellence involves attempting to surpass expectations from customers, shareholders and employees, while Responsibility includes reliability as well as being self-reliant and ready to take on challenges.

Based on its core values, SCA has developed its Code of Conduct.

A living Code of Conduct

In many countries, SCA's products are a natural element of modern prosperity and help make everyday life simpler and safer. SCA's aim is to renew and improve its range of products and make them available both commercially and geographically to larger groups of people.

SCA has a long tradition of assuming environmental and social accountability and taking responsibility for issues of trust in relation to the company's stakeholders. This is summarised in SCA's core values of Respect, Excellence and Responsibility, and defines an approach to work and behaviour patterns.

SCA has produced its Code of Conduct based on these fundamental values. The Code serves as a tool with which to conduct operations in accordance with ethical principles, applicable legislation and regulations. The Code of Conduct is an integral part of the way the company does business.

The Code provides guidelines for SCA and its employees regarding health and safety, human rights, business ethics, employee relations and community involvement. Ensuring that the Code of Conduct is a living document throughout the Group requires continuous efforts to reinforce and rebuild awareness of its principles. SCA monitors compliance with the Code of Conduct through existing financial and HR reporting systems and by the introduction of new Key Performance Indicators (KPIs) where necessary.

In concrete terms, this means that SCA applies systematic methods for ensuring that employees understand and support the Group's core values. Equal care is taken when choosing suppliers and other business partners. Tenders and quotes are obtained from several suppliers and, where necessary, compared with corresponding costs in other countries to ensure that fairness, transparency and good governance are upheld.

SCA also makes every effort to identify different types of risks and develop methods for managing them in an optimal manner. One example is the strict application of the second level approval principle, which means that certain decisions must be approved by an immediate superior. Several business groups hold regular seminars and workshops to inform employees about specific problems they may encounter in certain markets.

The SCA Code of Conduct

Health and Safety: National and international legislation always constitute the minimum requirements for SCA's activities. In most cases, SCA's own policy exceeds the requirements of local legislation.

Employee Relations: SCA strives to foster a non-discriminatory company culture in which all employees are treated fairly and without discrimination.

Business Practice: SCA seeks to compete fairly when pricing its products and services and rejects all forms of corrupt business practice. Face-to-face and online Code of Conduct training support this commitment together with an e-mail hotline for employees to raise any worries they may have concerning violations.

Respect for Human Rights: SCA works actively to ensure compliance with its human rights policy in all of the company's businesses, for example through the newly developed Business Practice Review process which is described in more detail on page 37 of the report.

Community Relations: SCA contributes both directly and indirectly to the societies in which it operates. The Group's products are used by millions of people on a daily basis and our organization employs over 52,000 people. SCA strives to engage actively in the communities where it operates.

Communication and Data Privacy: While taking into account the bounds of commercial confidentiality, SCA seeks to ensure open communication and respects the individual's right to data privacy.

Applicability: The Code of Conduct applies to all SCA employees in all countries in which SCA operates and is available in 19 languages at www.sca.com

Stakeholder dialogue

SCA conducts an ongoing dialogue with its key stakeholders. Communications at the Group level focus primarily on the capital market, employees, government agencies and trade organizations. In individual markets, communications focus primarily on customers, consumers, employees, suppliers and the local community.

Customers and consumers

SCA strives to understand customers' and consumers' needs or their opinions on specific issues. This takes place through customer and consumer studies, primarily within its hygiene operations, as well as through customer seminars and customer contacts.

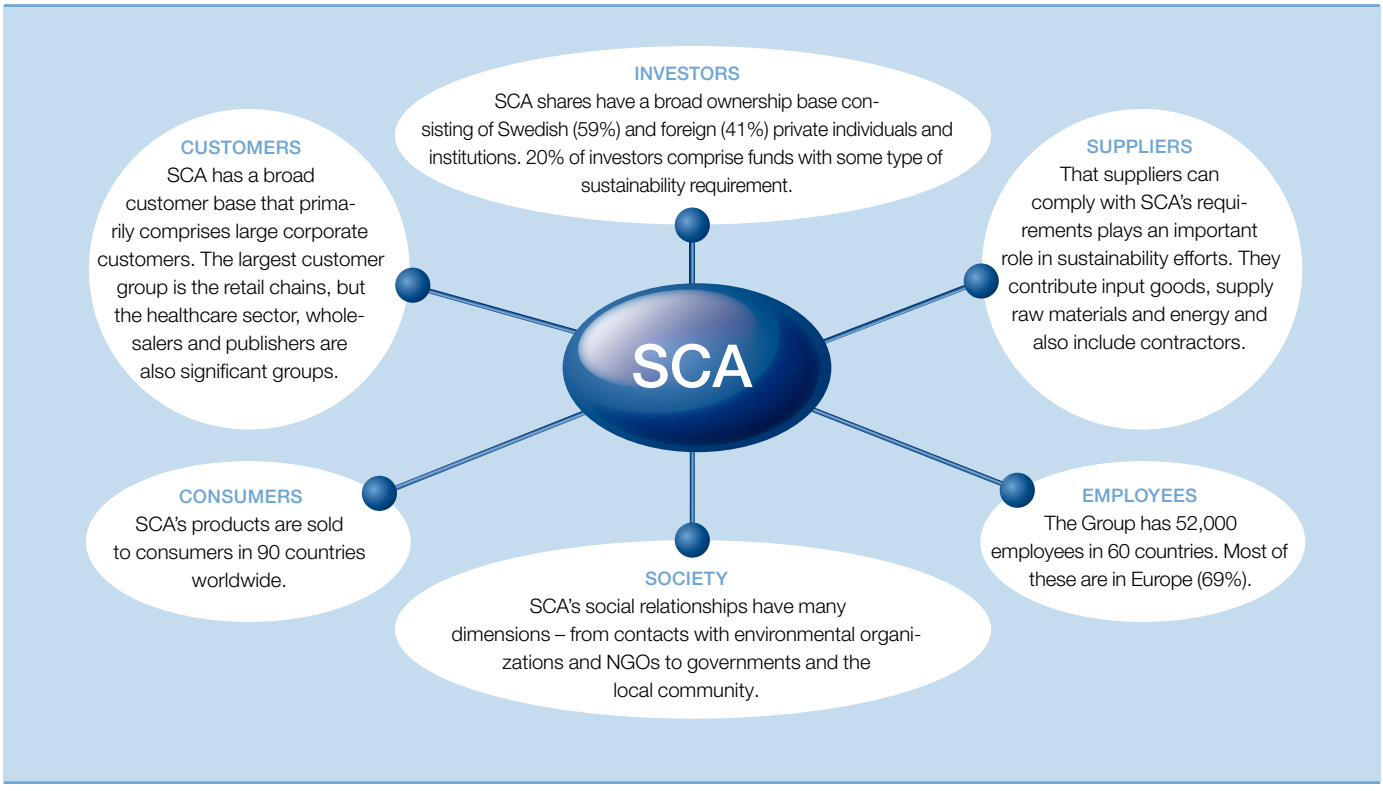
A continuous dialogue is conducted with consumers, customers and community as concerns SCA's incontinence brand Tena. The focus is on quality of life and breaking the taboos that surround incontinence. In addition to the traditional consumer dialogue, Tena supports carers' organizations, continence and patient associations. Contact is also maintained with decision makers within the healthcare and social sectors emphasising the positive connection between health and cost – high-quality incontinence products make good financial sense since sufferers can be increasingly cared for at home.

SCA's baby diaper brand in Europe and Russia, Libero, carried out a customer survey in September 2008 via www.libero.com. More than 16,000 families with small children from the Nordic region, Russia and Hungary answered a number of questions regarding the environment in general and diapers in particular. Libero's goal was to collect information concerning consumer's thoughts on these matters and apply the information to its business operations.

In the autumn of 2008, SCA Forest Products organized an environmental conference in Sundsvall, Sweden, that attracted a significant number of European printing paper customers. The conference comprised lectures and trips to plants and was a great opportunity to gain insight into what customers require and expect from SCA's environmental activities.

The climate change debate of recent years has led to an increased awareness of, and interest in, products' climate impact, lifecycle assessments and various types of environmental labelling. SCA has developed a sustainability concept under the name "We lifecycle" which is intended to communicate primarily to customers as well as to other stakeholder groups.

SCA and its stakeholders



Employees

Dialogue with employees includes regular performance reviews, employee surveys and meetings with employee representatives.

The Group's main internal communications channel is the intranet, which can be accessed by approximately half of all employees. Studies are conducted at regular intervals regarding employee perceptions of the intranet, most recently in September-October of 2008. There were 584 respondents and the answers contributed to SCA intranet development. Employees lacking access to the intranet are reached by info monitors at the workplace, employee magazines in local languages and regular large-scale meetings.

In the spring of 2008, SCA reorganised its hygiene business. In order to obtain a better understanding of the employees' opinions of these changes, a quantitative study was conducted in August-September of 2008 with 532 respondents. The employees' opinions indicated a need for further explanation. These views were taken seriously and were further validated by a follow-up study among selected key employees. The insights from the studies resulted in an action plan which was implemented with the intended effect.

Suppliers

SCA's expansion into new markets has made the procurement process increasingly global. As a consequence, risk levels related to environmental performance, human rights, child labour, corruption and similar issues have increased and SCA's work on supply chain assurance has become increasingly complex. SCA aims, using continuous dialogue, to develop strong relationships with its suppliers to help ensure that the goods and services are purchased with consideration for relevant environmental and social factors.

SCA believes that strong relationships go beyond the purely commercial and that they enable SCA businesses to work together with suppliers to encourage and support them to maintain sustainability standards similar to those SCA expects of its own businesses.

Accordingly, in 2005, SCA began the work of establishing routines in its businesses to manage supply chain risks. Responsibility for choice of suppliers rests with the individual SCA business group. Consequently, practical implementation of supply chain assurance can differ between the groups but the overall direction is common regardless of where in the world the SCA Group conducts its business. It is the SCA goal that all business groups undertake direct monitoring of supplier performance through the use of self-assessment questionnaires, as well as regular on-site supplier assessments and audits by SCA procurement specialists.

SCA's goal is that new suppliers be subjected to an initial assessment to check that they are able to comply with SCA's requirements with regards to quality, hygiene, environmental performance and to ensure that their business is conducted in accordance with the requirements in the SCA Code of Conduct. The results of the self-assessment questionnaires and on-site assessments are communicated to suppliers so that they can form the basis of further improvements.

Investors

Dialogue with the capital market is primarily based on providing accurate information regarding the company's activities, development and financial situation to all shareholders in accordance with stock market regulations. This is accomplished through financial reporting, regular investors/analysts meetings and capital market days. Individual meetings with investors on sustainability are also undertaken. Sustainability activities are reported via the Group's website www.sca.com and SCA participates in leading external assessments such as Dow Jones Sustainability Indexes, FTSE4 Good and Carbon Disclosure Project.

Society

SCA holds regular discussions with various representatives of society at different levels and in different contexts. SCA participates in public debates, mainly through industry organizations.

SCA cooperates with a number of environmental organizations, including the World Wide Fund for Nature (WWF) whose views have had a strong influence on SCA's policy for fibre procurement and other matters.

Contacts with local communities can cover many different topics, for example possible structural changes, new job opportunities or the environmental impact of production. In 2008, the approval process for a number of wind farms in central Sweden continued. Consultations with government agencies and the general public is the first step in the process. Public consultations were conducted in February, July and October. Most reactions were very positive.

Another example is SCA's ongoing dialogue with the Swedish Sami people that focuses on how forestry and reindeer farming can co-exist successfully on reindeer grazing land.

What is important to stakeholders?

In the autumn of 2008, SCA conducted a materiality analysis to investigate which sustainability criteria the Group stakeholders deem the most important. The sustainability criteria included in the study were chosen in accordance with governing documents such as the Global Reporting Initiative, Global Compact and SCA's Code of Conduct. A total of 367 customers, suppliers, investors, media, NGO's and SCA employees participated in the study.

In the study, respondents were asked to assess how important various sustainability issues are to them. The participants were divided into external and internal stakeholders and their responses were weighted and submitted for materiality analysis.

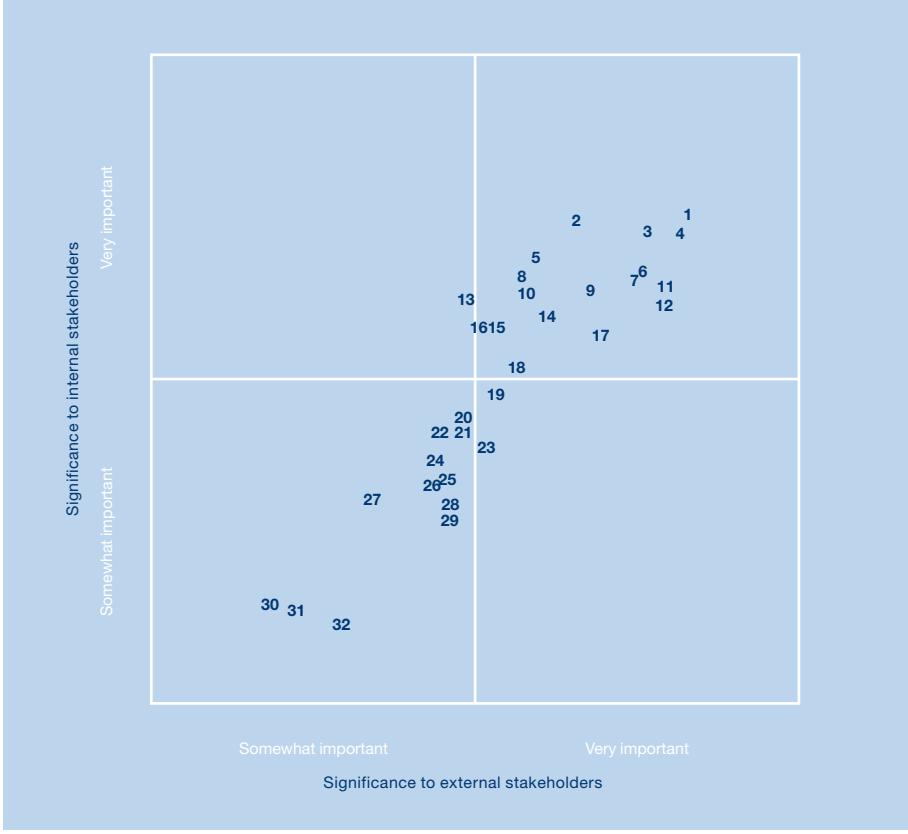
The results showed that external and internal interests are closely correlated. Questions regarding human rights were the most highly valued subject areas.

Emissions to air and water were ranked high by both groups, but were valued somewhat higher by external interests. Both groups also agreed that product quality and safety are important. The greatest differences were in the areas of the products' environmental performance, which the external stakeholders thought were more important than the internal, and customer service, which the internal stakeholders assigned high priority.

The study has provided SCA with support in its prioritising the content of the sustainability report and in sustainability initiatives.

Materiality analysis

	Topic
1	Child labour, forced labour or other human rights issues
2	Customer service
3	Product quality and safety
4	Emissions to air and water
5	Management/employee relations
6	Energy and raw material consumption
7	Use of hazardous chemicals in manufacturing
8	Occupational health and safety
9	Diversity and non-discrimination
10	Corruption and bribery
11	Environmental performance of products
12	Waste management
13	Workforce training and development
14	Economic performance
15	Transparency
16	Talent attraction and retention
17	Climate change
18	Risk and crisis management
19	Certification – environmental, quality and health & safety
20	Transports
21	Supply chain management
22	Adherance to competition legislation
23	Biodiversity
24	Community relations
25	Corporate governance
26	Freedom of association and collective bargaining
27	Performance management systems e.g. EMS etc.
28	Active stakeholder dialogue
29	Investment and procurement practices
30	Membership of international organisations e.g. Global Compact
31	Public affairs and lobbying
32	Use of GRI indicators / GRI reporting



Stakeholder comments

"We believe that SCA has a high level of sustainability awareness and understands that sustainability is not merely related to risks, but also to business opportunities. The company works more proactively than the average company in the industry and, according to our analysis, SCA is not involved in any ongoing violations of global environmental standards or human rights. SCA is aware of the problems surrounding expansion on high-risk markets and we view it as very favourable that, in connection with acquisitions, SCA carries out a "social due diligence" process to identify social risks.

In terms of the environment, SCA has a positive reputation and we view this as the result of long-term, goal-oriented environmental efforts involving continuous follow-up and dialogue with various stakeholders.

It is favourable that all entities acquired by SCA are immediately linked to the company's environmental targets and environmental management system and that this is followed up from the first day. It is also positive that SCA sees business opportunities in diversity and gender equality. For example, the number of women in management roles at SCA has increased in recent years.

SCA can improve its supplier monitoring efforts. Although SCA is aware of its responsibility for suppliers, we note the lack of a standard method of ensuring that all SCA suppliers comply with the company's Code of Conduct. It is desirable for all suppliers who enter agreements with SCA to be informed about the Code of Conduct and to commit to complying with it before initiating collaboration with SCA.

It should also be made easier for stakeholders to gain insight into which areas SCA has set aside as part of its ecological landscape plans. We also believe that the felling descriptions could be stated more clearly."

Emma Ihre,
Head of Corporate Engagement,
Ethix SRI Advisors

"The Second AP Fund (AP2) analyses companies' environmental and social issues activities from a value creation perspective. Consequently the company is assessed based on its 1) expertise and control of operations regarding the environment, ethics and human rights 2) product responsibility and communications 3) potential to develop products and/or services that may lead to a substantial reduction in resource consumption and 4) vision concerning the development of new markets and new business models that include sustainability issues.

SCA has been working with environmental issues for a long period of time and possesses good levels of knowledge, control and reporting of the environmental impact of its pulp and paper mills. Forests are an important natural resource and input material. It is vital that SCA ensures felling takes place in accordance with FSC's requirements and that raw materials purchased do not originate from controversial sources. SCA reporting concerning these matters could be more detailed. It would be valuable to obtain more information regarding SCA's work with integrating its Code of Conduct into its own operations and those of its suppliers. Overall, AP2 deems SCA's work with sustainability issues to be committed and methodical. SCA's signing of the Global Compact Initiative demonstrates its commitment to these issues."

Carl Rosén,
Head of Corporate Governance
and Communications, AP2

"As can be expected from a company that operates in an industry that has a major impact on nature and people, SCA operates extensive sustainability related activities. The company shows a mature understanding of the relevant issues and, with the exception of biodiversity impact, clearly articulates major challenges and opportunities. This is reflected in a focussed, practical and realistic set of goals.

SCA shows a relatively high level of environmental preparedness through its policies and management systems. The company has, to a considerable degree, succeeded in managing its most central environmental impacts and risks in terms of forest management, energy use, greenhouse gas emissions, water consumption and waste. SCA has, compared to its peers, a long history of certification signifying that the company's forestland are managed according to the principles and criteria established by FSC. The company has launched a programme designed to deal with incidents of non-compliance with FSC rules as stated in SCA policies.

SCA shows a standard level of social preparedness through its policies and management systems. Policies include health & safety, diversity/employment equality, freedom of association, wages, working hours, forced labour, community involvement, corruption and human rights in the supply chain. Company programmes cover health & safety, diversity, collective bargaining and, to some extent, community involvement and human rights in the supply chain. However, more convincing data related to supply chain issues may be expected as a sign of good risk management.

SCA's use of multi-stakeholder systems such as ISO 14001, GRI and FSC all add transparency and help investors to make informed decisions. From experience, the use of such external systems is also a help to prioritising sustainability activities internally and to improving performance."

Flemming Hedén,
Research Analyst at GES Investment Services

"Sustainable management involves examining the business environment and daring to make major decisions for the future. Consequently, we welcome the fact that SCA set a distinct climate goal in 2008. It will require innovation and major investments, as well as many small measures around the various plants.

During the year, SCA took drastic and necessary action to rectify inadequate environmental considerations within forestry management, which we regard as crucial to business since it involved the existence – or non-existence - of the vital FSC certificate.

As a major purchaser of paper pulp in the global market, SCA has assumed responsibility and currently implements control measures in this phase in order to avoid using raw materials from controversial sources.

SCA is a global, acquisition-oriented company with operations in many types of political and socio-economic environments. This requires high level, Group-wide standards in relation to employees and society as a whole – the company must be continuously at the leading edge in areas such as working conditions, human rights and business ethics. Accordingly, continued systematic CSR activities are vital, particularly in the wake of the financial crisis.

We have favourable experience from discussions with SCA about various sub-areas; however we do believe that Group-wide communications could be coordinated further. Naturally, for an increasingly consumer-oriented SCA, all of this is not only about assisting investors it is also about preserving its brand."

Anita Lindberg,
Environment and Ethics Analyst/SRI Analyst, Swedbank Robur

"Sollefteå is the municipality where many of the wind parks that SCA and Statkraft plan to build will be located. Our discussions with SCA/Statkraft were very positive, and in fact surprisingly productive. We maintained continuous contact and participated in consultations with other stakeholders as required under the Swedish Environmental Code. We were interested in the added value that the municipality would gain from the project and SCA/Statkraft were specific and clear about what was possible."

Ulla Ullstein,
Municipal Planner at Sollefteå Municipality, Sweden

"SCA has been involved with FSC for many years and is one of the world leaders in FSC certification, both in terms of certified forests and production of FSC products. Their involvement with FSC demonstrates their continued commitment towards sustainable forestry."

André Giacini de Freitas,
Executive Director at FSC International Center GmbH

WWF
"Germany consumes more paper than Africa and South America together. WWF is aware that the influence of the paper industry on forests can not be overestimated. Via the Global Forest and Trade Network (GFTN), WWF is building up cooperation projects with key companies to support and establish wood and paper products from well managed forests. WWF Germany is focusing on and interested in developing more environmentally friendly products in the paper sector in Germany. SCA, with the potential to produce and deliver large amounts of FSC certified paper, is an important partner in making this happen."

Johannes Zahnen,
Forest Policy / Business Corporation, WWF Germany

Our environmental agenda

- Reduce organic content in wastewater.
- Reduce total water consumption.
- More efficient energy use and renewable energy production.
- Control sources of all fresh fibre based raw material.

Climate and energy

SCA is active throughout its value chain, from forest management to finished product. This active approach provides SCA with excellent opportunities to control the Group's total climate impact.

Sharper climate target

In order to further strengthen its approach to the climate issue and reduce its carbon-dioxide emissions, SCA adopted a new Environmental Group Target in November 2008. The new target, which is specific, measurable and subject to a specific timeline stipulates that:

SCA will reduce its emissions of carbon dioxide from fossil fuels and purchased electricity and heating, in relation to production level, by 20% by 2020, using 2005 as a reference year.

This new, more clearly-specified target is a logical continuation of the target adopted by SCA in 2001 which called for a continuous reduction of carbon-dioxide emissions from fossil fuels in relation to production level. The new carbon-dioxide target also includes electricity purchased by the Group, something that will be achieved through such initiatives as substantially increasing the use of electricity produced by wind power. At year-end 2008, SCA had reduced its carbon dioxide emissions in relation to its production level by 2.6%.

SCA based the formulation of its new, and significantly stricter, target for carbon dioxide emissions on a number of key factors including historical data, future investments, the countries in which the Group currently runs production units, the countries in which the Group can be expected to acquire production units in the future and the approach to energy production in the EU during this period.

By adapting to new expectations from legislators and stakeholders at an early stage, SCA has been able to gain distinct competitive advantages. Customers and investors show a great interest in the company's climate impact. The ability to demonstrate that SCA

SCA's contribution to combatting climate change

Forest management: The growth rate of SCA forests is approximately 1%, consequently 2.6 million tonnes net of carbon dioxide is absorbed by this forest every year.

Biofuel: SCA is a major supplier of biofuel to Swedish municipalities, companies and households, delivering 3 TWh of biofuel in 2008.

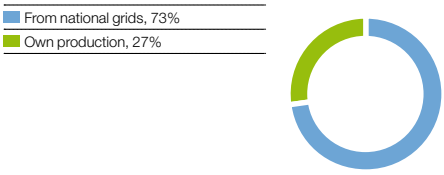
Reduced consumption of fossil fuels: For several years, SCA has been implementing a long-term initiative to reduce the Group's consumption of fossil fuels. As part of this initiative, the Group's use of oil and coal accounts for only 5% and 1%, respectively, of the Group's fuel balance.

Increased proportion of renewable electric energy: SCA strives to increase its proportion of renewable energy through such measures as considerable investments in wind power and using residual products as fuel.

More efficient use of energy: SCA continuously conducts small-scale projects aimed at enhancing the efficiency of the Group's energy consumption. Since their launching these projects, known as the ESAVE Program, have reduced carbon-dioxide emissions by 72,000 tonnes. The Group also produces large amounts of electricity at its cogeneration plants.

Less environmental impact from transports: SCA works to improve its transports through its choice of transport modes, by making its transports more efficient and through environmental supplier assessments.

Electricity consumption 2008



Fuel consumption 2008

has had targets in place for some time – and has successfully achieved these targets – strengthens its position when interacting with customers and investors.

SCA's use of energy

Pulp and paper production processes often require large amounts of energy. At SCA, the various forms of energy are distributed as follows:

Fuel consumption in 2008: 79,407 TJ
A total of 53% of SCA's fuel consumption comes from natural gas and 40% from biofuel. Oil and coal account for a mere 5% and 1%, respectively.

Electricity consumption in 2008: 9,116 GWh
The majority of SCA's electricity, 73%, comes from national grids, while 27% comes from electricity produced in the Group's cogeneration plants. SCA is currently carrying out an extensive initiative to increase its proportion of renewable and environmentally sound electricity by making major investments in wind power, as well as increasing the capacity of the Group's power plants.

SCA's sustainability activities in the energy area are based on three strategic elements:

1. Reduced proportion of oil and coal in the energy mix through increased use of biofuel, natural gas and production waste and through significant investments in wind power.
2. More efficient use of energy through continuous improvements as part of the Group-wide ESAVE program.
3. Efficient electricity production through extensive cogeneration production at SCA's plants.

Major investment in wind power

SCA and the Norwegian energy company Statkraft are making major investments in wind power and formed a joint venture for wind power production in northern Sweden in 2007. Plans include annual production of 2.4 TWh of wind power electricity from six wind farms. Statkraft will arrange funding of SEK 16bn, while SCA will grant land for the wind farms.

Following a thorough inventory of the Group's forestland, SCA has identified a number of areas, including six in Jämtland and Västernorrland in Sweden, that will be developed in cooperation with Statkraft. In contrast to mountain and coastal areas, there are few conflicts with other stakeholders in these areas. Weather conditions are also favourable and proximity to the main grid transmission network will limit transmission losses. Environmental assessments and planning will be performed on the sites chosen. Provided everything proceeds according to plan, construction can begin at the end of 2009. (For more information, see page 21).

Substantial investment in production of green electricity

SCA's profitability is highly sensitive to electricity price changes. In order to reduce its exposure to major fluctuations in the electricity market, in recent years SCA has made major investments in new technology and its own power plants.

Waste is the new fuel

The EU directive on waste sent to landfill stipulates that volumes of biodegradable substances sent to landfill must be cut by 65% by 2015 as compared with volumes in 1995. Combined with requirements for reduced carbon-dioxide emissions and rising energy prices, this means that waste is increasingly regarded as a potential energy resource.

One example of how waste can be used for energy production is SCA's combustion plant in Witzenhausen, Germany which commenced operation in the summer of 2008. Production waste and household waste from the region are incinerated at the plant, making the facilities in Witzenhausen energy self-sufficient and able to provide the local grid with surplus electricity.

Another example of successful management of production waste is the paper mill in De Hoop in the Netherlands. By utilising waste heat from paper production, the production waste (plastics and paper fibre) is dried to a suitable degree. The material is then sold as fuel to European energy companies. In 2007, a similar unit was put into operation at the paper mill in Lucca, Italy.

Modern technology reduces electricity dependency

During pulp production, a recovery boiler is used in the mill's chemical cycle to recover process chemicals. Steam is generated during combustion which is used for electricity production in backpressure turbines before being used again in the production process. Finally, secondary heat (hot process water) can be used for municipality heating systems. In recent years, SCA has made substantial investments in this efficient energy technology.

At its mills in Obbola and Östrand in Sweden, SCA has invested in this technology. In Obbola, SCA invested SEK 840m. The unit was started up in September 2007 and it generates 160 GWh of green electricity per year. The Östrand unit required an investment of SEK 1.6bn and it was started up in October 2006. It generates 500 GWh per year, making the Östrand mill self-sufficient in electricity and heat.

CAREFUL PREPARATIONS FOR SCA's INVESTMENT IN WIND POWER

In 2008, the joint-venture company Statkraft SCA Vind AB presented a detailed outline of the design of the six wind farms currently planned. The outline included a review of key biotypes, predatory bird populations, ancient monuments and geological testing.

The company also held several consultation meetings with the authorities, residents, private forest owners and reindeer owners who will be affected by the planned wind farms. Most reactions were very positive. The only concerns that arose focussed on the three wind farms that could potentially affect the reindeer industry. The company is holding an ongoing dialogue with the Sami villages concerned.

At the end of 2008, Statkraft SCA Vind AB submitted a permit application to the Environmental Testing Delegation in the counties of Jämtland and Västernorrland. The company expects a positive decision from the authorities and is currently planning to begin construction in the autumn of 2009.

A visualisation of the Ögonfägnaden Wind Power Park, where some 40 wind turbines will generate electricity corresponding to 200 GWh per year. The annual production of the park will supply electricity consumption for 10,000 electrically-heated homes or household electricity for 40,000 single-family homes or 99,000 apartments.

Efficient use of energy

SCA works continuously to make its energy use more efficient. The Group-wide ESAVE Program, designed to reduce SCA's energy consumption and environmental impact, was introduced in 2002. Since its launch, more than 500 small-scale projects have been carried out resulting in annual savings of EUR 45m. Since 2002, ESAVE projects have reduced fuel consumption by approximately 340 GWh, cut carbon-dioxide emissions by 72,000 tonnes and provided electricity savings of 340 GWh annually.

SCA also uses cogeneration power at a large number of the Group's pulp and paper mills. Briefly, cogeneration entails that the steam required for production of pulp and paper is also used for electricity production before entering the manufacturing process. This technology is extremely efficient since it makes optimal use of the energy content of the fuel.

Production of biofuel

Increasing use of biofuel will be necessary if society is to achieve its goal of reducing carbon-dioxide emissions. For many years, SCA has been a major producer of biofuel from forest waste and residues from industry through its unit Norrbränslen in Sweden. In total, SCA supplies approximately 3 TWh of refined and unrefined biofuels.

Extensive development work

In recent years, SCA has carried out extensive development work aimed at making efficient use of such forest residue as branches, tops and stumps for energy production. This development work has involved financial, practical and ecological considerations.

Because forest fuel requires considerable space in relation to its energy content and the raw material is located at a great distance from the major sources of demand in urban

SCA AND ENVIRONMENTAL POLICIES

The pulp and paper industry is characterised by a long investment horizon and high resource intensity. Consequently, it is vital for SCA to stay current on political developments in the environmental area since these affect the company's operating conditions. Most of SCA's industrial production is located in Europe and, accordingly, EU policies are a natural focus. The EU has a clear mandate regarding the environment and most of the legislation that eventually becomes national law is initiated in Brussels.

SCA maintains a broad product portfolio and must, therefore, monitor a wide range of EU policy areas. Interesting areas this year included climate policies and renewable energy, the EU's action programmes for sustainable development, the revision of the Waste Directive, the EU's REACH chemical regulation system and proposed legislation against with the use of illegally felled timber.

SCA follows and monitors legislation in fields such as the industry's environmental impact. Legislation must not handicap SCA's products as compared to other materials or technical solutions. As an example, the revision of the Waste Directive contained proposals that would have been unfavourable to corrugated cardboard boxes, a material that is recyclable and produced from renewable materials, as compared to plastic cases. Concerted lobbying efforts managed to achieve more careful wording that, in the final event, is not expected to distort competition.

Energy and climate policies form a core EU area that exerts a major impact on SCA. It is already clear that there will be radical changes in the system of trading in emission allowances as of 2013. The system not only affects the cost of emission of greenhouse gases, it also affects electricity rates and, eventually, the price of wood raw materials. In this respect, SCA advocates an economically viable use of wood raw materials so that they generate as much added value as possible for society, which often means production of paper or solid-wood products. In the end, wood and paper waste can always be burned to recover energy.

Since most of the paper industry competes internationally, SCA would primarily like to see a broad international agreement about climate policies so that everyone operates under the same conditions. In the absence of a global climate policy, the EU must take steps to ensure that competition is not distorted.

Of course Europe is not the only place where policies affect business conditions. New Zealand has adopted a system of trading rights and Australia is discussing the same measure. In the US, this trend is also moving environmental issues higher up on the political agenda, and this process is expected to accelerate following the presidential election.

areas, developing efficient transport systems is crucial. Thanks to its development initiatives SCA, in cooperation with the transport company Hector Rail, will supply forest-based biofuel via its rail terminals in Sweden's Norrland region to various recipients in central Sweden. While the annual volume is initially is expected to total 200,000 tons, capacity may be further expanded. The fuel will be transported by rail in specially adapted containers, which ensures that the fuel and transport are carbon dioxide neutral.

Business opportunities and political risks

SCA believes that the development of biofuel offers excellent business opportunities, but is also aware of the significant risks that arise due to political support mechanisms that favour using high-quality wood raw material to produce energy.

SCA advocates that this high-quality wood raw material initially be used to manufacture refined products, including recovery and recyling operations. Only afterward, when the wood or fibre has become waste, should it be used for energy production. Comparative studies, including studies by the Confederation of European Paper Industries (CEPI), show that this generates a significantly higher overall value for society.

Transport

SCA makes determined efforts to reduce the carbon-dioxide emissions generated in conjunction with its transport activities.

Joint carbon-dioxide target for Swedish forest industry

In 2008, the Swedish forest industry, including SCA, decided on a target to reduce emissions of carbon dioxide by 20% by 2020 using 2007 as a base year.

Accordingly, SCA conducted a survey of suppliers of truck transports at SCA's terminal in Lübeck, Germany in 2008. The survey covered the SCA's ten largest suppliers and focussed on training in ecodriving, systems for monitoring actual fuel consumption, bonus systems that reward low fuel consumption, the truck fleet's percentage distribution among various environment classes and the use of alternative fuels, such as environmental diesel.

The results of the survey revealed that approximately 80% of the companies' drivers had received training in ecodriving and that the truck fleet in operation is extremely modern. More than 50% of the trucks used already meet the EU's strictest environmental standard known as Euro 5 which does not become mandatory for new trucks until October 1, 2009. Ecodriving has already been introduced for truck transports of timber and products in northern Sweden.

Efforts to achieve this target by 2020 will include numerous activities and be carried out in several stages. SCA has already formulated a number of sub-targets:

- By 2011, the 30 largest truck transporters will have trained 90% of their drivers in ecodriving.
- The use of combitransport (truck/boat or truck/train) will increase.
- The vehicle fleet will be continuously upgraded.

SCA's transport in brief

Most of the raw materials and products from SCA, i.e. approximately 70%, are transported by sea. This mode of transport, along with rail freight, has the lowest environmental climate impact.

A large proportion of SCA's sea transports comprise finished products that are transported from Sweden to Western Europe, primarily Germany, the Benelux region and the UK, as well as Asia. Transports of recovered paper from the UK to Indonesia and China represent another significant part of the company's sea transports. Recovered paper is transported in return transports, an environmentally sound method that utilises boats that would otherwise travel empty. Transports of raw materials are dominated by pulp that is transported from South America to Europe and Australia for production of hygiene products.

Approximately 25% of SCA's transports are by truck, which is often the only alternative for the final transport from the harbour or terminal to the customer, but also for the initial transport of raw materials from the forest to a manufacturing plant or a railway terminal.

”RMS is the basis of all the environmental data presented in our Sustainability Report. SCA's production plants are linked to the system, meaning that we have a shared platform for our environmental efforts. We also have an organization behind it, the RMS network, which comprises 15 people representing all of our business groups and all parts of the world.”

Ingela Keskitalo, Chair of the RMS network

The remainder, approximately 5% of SCA's transports, is conducted by rail. This includes primarily transports of finished products and raw materials within Sweden, as well as transports of wood raw materials to plants in Laakirchen, Austria and finished products to Spain and Italy.

Trading in emission rights

SCA participates in the trading system for emission rights introduced by the EU in 2005 in order to meet the EU's undertaking to reduce carbon-dioxide emissions. The first phase of the trading system came to a close at the end of 2007.

During the first phase of the system, companies were able to transfer emission rights between years. When the system entered its second phase in 2008, the option to include emission rights from Phase 1 expired. This means that unused emission rights from Phase 1 cannot be used in Phase 2.

In 2008, New Zealand decided to introduce a system for trading in emission rights. The aim is to become linked to the European trading system in the future. Australia also has long-term plans to introduce a trading system for emission rights.

CDM projects

As a result of the shift to biofuel and natural gas, SCA had a 10% surplus of emission rights during the first phase of the system. This surplus was either sold or invested in Clean Development Mechanism (CDM) projects.

CDM projects allow companies or nations with unused emission rights to make investments to reduce emissions from fossil fuels in developing countries and thus acquire new emission rights that can be used in Phase 2 of the trading system. CDM will enable net emissions of greenhouse gases to be reduced at a lower cost in global terms and enable transfers of technology and environmental investments to regions where they would have the greatest positive impact.

SCA has invested in the operations of Indian energy producers via unused emission rights, an investment that will create new emission rights that can be used in 2008 and beyond:

- In Sree Rayalseema, SCA has invested in a new power plant. The plant has been in operation and creating emission credits since February 2001.
- In Shalivahana, SCA has invested in a new power plan that utilises local biomass fuels. The plant has been in operation and creating emission credits since December 2002.
- At the Ugar Sugar Works, a CHP plant (16 MW) was installed in the existing facility. The project was implemented in 2003 and has created emission credits since 1 January 2004.

All CDM projects are controlled by the United Nations Framework Convention on Climate Change (UNFCCC).

Competitive situation

The combination of trading in emission rights, sharply rising electricity prices and intensified competition for high-quality forest products from energy producers is creating a complex situation with a significant impact on SCA's profitability and investment decisions. As a global operation, SCA competes with companies that conduct production operations in geographical areas with varying conditions. Accordingly, SCA actively advocates that the renewal of the Kyoto Protocol in 2009 include

competition-neutral regulations. Otherwise, there remains an impending risk that the competitive situation could shift and that production could be relocated to countries not covered by the system for trading in emission rights.

Carbon footprint

The intensive climate debate in recent years has resulted in a number of initiatives from authorities and companies. The concept of the carbon footprint is part of this development. In brief, a carbon footprint is a means of reporting the greenhouse gas emissions associated with a product or service during its lifetime, a kind of life cycle assessment.

SCA is able to report the emissions generated by the Group's products during manufacturing and transport and in certain cases also on a per-product basis. However, it is significantly more difficult to distinguish the positive climate effects also created by SCA's operations on a per-product basis, such as the storage and absorption of carbon dioxide in SCA's forests and the reduction of emissions from carbon dioxide achieved when fossil fuels are replaced with SCA biofuel.

SCA's positive climate impact is substantial and must be considered when assessing the climate impact of the company's products.

Life-cycle assessments – environmentally sound products

SCA has utilised life-cycle assessments (LCAs) since the early 1990s, primarily within SCA Personal Care. An LCA measures and evaluates a product's total environmental impact during manufacturing, use and end-of-life, including a description of the product's raw materials, manufacturing and transports. To ensure the development of environmentally sound products, LCAs are an integrated part of SCA Personal Care's product development process.

An LCA shows a product's total environmental impact and makes it possible to measure any improvements, to enhance the product's current environmental performance and to prepare for future challenges. Performing an LCA enables SCA to identify the areas of a product's life cycle that could potentially be improved by:

- Making the best possible decisions in terms of the environment.
- Choosing suppliers that offer environmentally sound materials.
- Carrying out product development in a sustainable manner.
- Improving the logistics chain.

The LCA has consequently become the basis of environmental improvements.

LIFE-CYCLE ASSESSMENTS (LCA) HELP TO REDUCE CLIMATE IMPACT

Through its work on LCAs, SCA Personal Care has gained extensive knowledge about how the climate impact of its European products can be reduced by cutting emissions of greenhouse gases during their life cycle.

In the past ten years (1998–2007), SCA has reduced the climate impact of several products, including the following:
Libero, open diaper (16% reduction)
Tena Slip (9% reduction)
Tena Pants (23% reduction)
Feminine hygiene, thin towel (17% reduction)

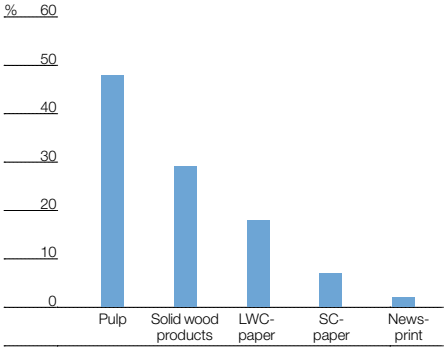
Third party verification by IVL, Swedish Environmental Research Institute, Elin Eriksson

Aided by its work with lifecycle assessments over the past ten years, SCA has reduced the climate impact of, for example, baby diapers.

Forest

Forest management with a high level of environmental and social consideration is an important tool to combat climate change all over the world. Well-managed, growing forests will absorb carbon dioxide and therefore reduce global warming. In addition, wood raw materials in products often exerts less environmental impact than other raw materials.

Share of FSC products of SCA's total sales of forest products 2008



Responsible use of wood

One of SCA's sustainability targets is to ensure that no wood fibre and no material produced from fresh wood fibre comes from controversial sources of raw materials. Accordingly, the Group carries out extensive efforts in two main areas:

- Verification of the Group's own forestry. SCA's forest management is certified in accordance with the international forest management standard of the Forest Stewardship Council (FSC), the strictest international standard for responsible, long-term forestry. This entails that SCA must manage its own forests in accordance with strict principles and that the Group's forestry practices are audited annually by independent FSC auditors.
- Verification of external suppliers. Most of SCA's timber-consuming industries are certified along the entire chain of custody, which entails that uncertified timber must meet FSC's requirements for checks on origin. SCA also carries out extensive checks of deliveries of wood fibre from external suppliers of pulp and containerboard.

About 50% of the wood used comes from SCA's own forests, while 30% comes from other Swedish forests. The remaining wood originates mainly from Central European forests (2% from Russia).

Verification of the Group's own forest management

SCA owns 2.6 million hectares of forest, making it the largest private forest owner in Europe. About two million hectares are used for active forestry. SCA's ecological landscape plans exclude more than 5% of this actively managed forest from felling. In addition, when felling occurs, more than 5% of the forest in the form of trees, groups of trees and edge zones is left to conserve conditions for biodiversity.

Approximately 600,000 hectares of SCA's land is not actively used. This land comprises lakes, bogs and forestland not used for forestry due to, for example, poor growth levels. This land also provides vital habitat for a large number of species.

Sustainable harvesting levels

For more than 50 years, SCA has conducted regular forest inventories which are used as supporting data for calculating the forest's long-term sustainable yield and for planning long-term silviculture. These yield calculations extend more than 100 years into the future. Following inventories during the preceding two years, the long-term harvesting plan for SCA's forests was updated in 2007. The inventories showed that current harvesting levels are sustainable. Yields can be retained at today's levels for two decades, after which a sustainable increase of about 20% is possible.

The annual final felling amounts to approximately 1% of managed forest land. At felling,

"In Norrbotten, Sweden, SCA's forests cover an area of slightly more than half a million hectares, of which 360,000 hectares is productive forestland. It includes responsibility for how we conserve the forest, plan felling, conduct forestation, handle nature conservation and related issues. The most important thing is that we treat the forest as we have promised. Part of this involves preserving biodiversity, something that we are devoting a lot of energy to!"

Hans Djurberg,
Chief Forester at SCA Norrbotten Forest District

an average of 5% of the stand is set aside to conserve conditions for biodiversity. One example of this is the conservation of storm-resistant pines in order to create conditions for large birds of prey, such as golden eagles, to nest. Pines containing golden eagles' nests are, on average, 270 years old. Another example is that high stumps are left or recreated to provide long-term habitats for insects and birds.

An increasingly important competitive tool

Responsible forestry is an increasingly important competitive tool, and demand for certified forest products is growing among SCA's customers. In 1999, SCA's forestry was FSC certified, and today SCA is among the world's largest suppliers of FSC certified products, with a broad portfolio that includes solid-wood products, pulp, publication papers and tissue.

All timber supplied to SCA's mills and sawmills is FSC certified or meets FSC criteria for controlled wood. Accordingly, SCA is in a good position to meet the increasing demand for FSC certified paper, wood and pulp.

Since its certification in 1999, SCA has been a member of FSC Sweden. In 2008, SCA applied for membership of the international FSC organization.

SCA also recognises other forest certification standards provided they meet the requirements of SCA's procurement policy. SCA's paper mill in Laakirchen, Austria is also certified in accordance with PEFC, for example.

Criticism of poor nature conservation

As a manager of extensive forest areas, SCA bears great responsibility as far as proper forest management is concerned. In the autumn of 2007, SCA was harshly criticised by environmental organizations; it was claimed that SCA had paid insufficient attention to the natural environment during a number of felling operations.

Through its own inspections, SCA was able to confirm that the criticism was justified in several cases. This was also confirmed by an FSC audit in November 2007. Since then, SCA has carried out an extensive series of actions in order to ensure that sufficient consideration for nature is maintained throughout the company's forestry operations.

These actions included careful review of ecological landscape plans and felling plans, renewed instructions to, and training of, the felling teams and a follow-up process for each felling. For a more extensive description of these efforts, see page 30.

In February 2008, SCA underwent a follow-up FSC audit which showed that the Group had taken appropriate action to ensure that its forestry operations met the requirements for FSC certification. This was also confirmed during a regular FSC audit in the summer of 2008, after which SCA's FSC certification was renewed for the next five years.

Verification of external suppliers

SCA purchases large quantities of raw materials that originate from fresh fibre. In order to ensure that no fresh fibre-based material originating from controversial sources is used in the Group's production, SCA checks fibre-based raw materials by assessing existing and potential suppliers. These efforts include:

- questionnaires and documentation requirements,
- random follow-up of suppliers and
- independent audits.

In 2008, SCA collected data from all of its major pulp suppliers, and evaluated them based on such criteria as quality, environmental aspects and delivery reliability. The Group also carried out its own field audits of pulp suppliers. For more information, refer to page 31.

As part of its audits, SCA reviews the systems implemented by each company in order to ensure that the Group's requirements are met. Based on the result, a discussion is then held regarding each supplier's stronger and weaker qualities. The main goal is not to exclude suppliers, but to bring about improvements. Companies that do not meet SCA's requirements will be phased out if they are unable to present credible plans for improvement.

Using the data collected and the results of the field audits, all pulp suppliers are ranked. In the long term, SCA strives to concentrate its purchases to a smaller number of suppliers who enjoy favourable preconditions for meeting the Group's far-reaching environmental demands. The result is larger average purchase volumes and hence a more efficient supplier evaluation process.

SCA views suppliers being FSC certified, or planning for certification, as an advantage. FSC certification provides SCA with an assurance that a supplier meets the Group's demands, and it provides maximum flexibility in terms of the products in which SCA can use the pulp.

Far-reaching use of recovered fibres

In 2008, SCA consumed around 4.2 million tonnes of recovered paper and 4.4 million tonnes of wood and sawmill chips in its production.

The recovered fibres come from paper recycling in cities all over the world. In Europe, SCA has its own organization (SCA Recycling) for the purchase, collection and distribution of recovered paper. The fibres collected are supplied to the Group's European packaging and tissue mills. SCA's North American tissue production is based on 100% recovered fibre.

SCA leads development

SCA is one of the leading companies in the development of production based on recovered fibre. It has developed new production methods so that recovered fibre can also be used as a raw material for high-quality publication paper.

One example of this is SCA's paper mill in Laakirchen, Austria which has launched high-quality publication paper with a high proportion of recovered fibre. The new paper has become so successful that the mill in Laakirchen is now investing about SEK 95m in its deinking plant so that it can increase its annual capacity for recycled pulp production from 145,000 tons to 175,000 tons.

The higher proportion of recovered fibre also means that consumption of energy and timber, as well as carbon dioxide emissions, will decline considerably. The new plant will begin operations in mid-2009.

As a result of SCA's goal-oriented efforts to expand production based on recovered fibre, only half of its production is now based on fresh fibre.

The forest and climate

Thanks to their capacity for absorbing carbon dioxide, forests have a unique ability to offset climate change. Forests are also a significant natural resource and, in many cases, wood raw material can contribute to favourable climate trends by replacing other raw materials.

Growing forests absorb carbon dioxide

The world's forests are vital for the earth's climate, and if cultivated correctly they can make a significant contribution to limiting climate change. All growing forests absorb carbon dioxide from the air through their needles and leaves, turning it into biomass. The faster a tree grows, the more carbon it absorbs. In other words, active forestry contributes to increasing the amount of carbon that is absorbed by the forest.

If a growing forest absorbs carbon dioxide, the opposite is also true. Felling that is not followed by replanting contributes to increasing the amount of carbon dioxide in the atmosphere. The same phenomenon occurs when forests are transformed into fields.

Forest products are climate neutral

Raw materials from responsibly managed forests are not only renewable; they may also counteract climate change. The carbon dioxide that is released when timber or paper products are finally burned is already part of the atmosphere's carbon ecocycle, and no "new" carbon dioxide is released. The same applies for various types of biofuels that are produced using forest raw materials.

Forest products can thereby contribute to limiting climate change in that they replace non-renewable materials that require high amounts of energy. For example, it is clear that timber replacing concrete and steel in buildings exerts a favourable climate impact.

Biofuels can reduce the use of fossil fuels

The fundamental reason for the increasing amount of carbon dioxide in the atmosphere

is the use of fossil fuels. When fossil fuels are burned, "new" carbon dioxide is released into the atmosphere which contributes to the greenhouse effect. By replacing some of the burning of fossil fuels with biofuels, the release of new carbon dioxide into the atmosphere can be limited.

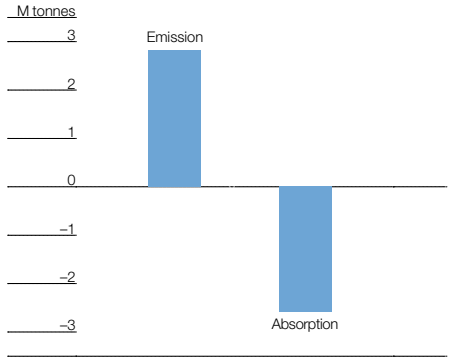
Deforestation – a global challenge

Every year, seven million hectares of forest disappear from the earth, corresponding to 0.2% of the world's total forestland. The amount of carbon dioxide that can be absorbed by trees and land declines accordingly.

For SCA's forest operations, the situation is the reverse. Each tree harvested by the company is replaced with three new ones. The net carbon dioxide absorption of SCA's forests is almost equivalent to the combined amount of carbon dioxide released by all of the Group's production facilities.

Altogether, Sweden's forests have an annual growth of about 1%. If half of the earth's forestland were used in the same way as Sweden's forests, the amount of carbon dioxide absorbed by a growing forest would be so high that climate change resulting from fossil fuel use would not exist.

SCA's emissions and absorption of carbon dioxide from own forests 2008



All growing forests absorb carbon dioxide from the air via their leaves or needles and convert it into biomass. Felled timber becomes solid-wood and paper products that contain this stored carbon. Wooden houses are particularly important since they store carbon dioxide for a long period of time. When forest products are eventually incinerated or rot, carbon dioxide is released, absorbed by the trees and returned to the eco-cycle.

INVESTMENTS IN TRAINING AND PLANNING RAISE THE LEVEL OF SCA's NATURE CONSERVATION

Following criticism related to several cases of poor nature conservation, SCA has taken extensive action. More than 600 forest machinery operators have undergone training. SCA has tightened its monitoring of nature conservation during felling and has revised both its felling plans and its ecological landscape plans.

"We have reached the conclusion that there were problems with several felling operations and that our nature conservation instructions were not complied with," says Hans Djurberg, Chief Forester at SCA's Norrbotten forest district. "We implemented our extensive training and follow-up program specifically to ensure that nothing like this would ever happen again."

During the winter, all forest machinery operators who work for SCA including contractors, contractor employees and SCA's own employees, received training and underwent a knowledge test. In the past, SCA has also regularly provided such operators with nature conservation training, but with longer intervals between training sessions. The training emphasises that it is important for instructions to be followed so that nature conservation targets can be reached.

In order to ensure that these efforts are successful and to enable rapid transfer of results to field employees, SCA now follows up its nature conservation efforts at all felling sites in its forests, rather than using random checks as it did previously. SCA is also reviewing its plans for felling operations as yet unimplemented.

"We want to feel absolutely certain that we have not made any mistakes in our planning of future felling," says Hans Djurberg. "Our work methods are based on having our own staff identify areas of high natural value, so that the machine operators can concentrate on the nature conservation required in the areas where felling is to be implemented."

SCA is also reviewing its ecological landscape plans. In these plans, SCA determines how it will manage areas of high natural value. These areas may be excluded from felling or managed in a way that preserves and strengthens their characteristics.

"Not all areas of high natural value are included in our landscape plans," says Hans Djurberg. "We have identified some areas ourselves in connection with our planning of felling, while others have been brought to our attention. Our landscape plans also include areas where, following closer scrutiny, it is determined that the natural value is not high enough to warrant complete exclusion from felling."

All of the more than 600 machine operators contracted by SCA have received supplementary training in nature conservation. Here are participants of a course in Kramfors, Sweden arranged by the Ångermanland Forest District in 2008.

BRAZILIAN PULP SUPPLIERS

During the autumn of 2008, SCA carried out inspections of three pulp suppliers in Brazil to ensure compliance with its environmental requirements.

Following a few years of reduced deforestation in the Amazon, information received in early 2008 indicated that this favourable trend had been reversed and that illegal logging was on the increase.

The most important reason for illegal logging in Brazil is believed to be increasing global market prices for meat and soy. In other words, forests are logged primarily to create arable land and pasture, and for charcoal production, although the illegally logged timber also finds its way onto the global market. Accordingly, deforestation in Brazil is not caused by the growing of trees to produce pulp.

SCA now has three pulp suppliers in Brazil. Brazilian pulp originates from eucalyptus plantations which provides very high, uniform quality. The Brazilian pulp is used at the SCA Group's tissue plants in Australia, Europe and Mexico where eucalyptus fibres provide products with improved softness and bulk.

Eucalyptus, which is originally an Australian species, is widely used in Brazil. Its production is up to ten times higher than the average Swedish tree. Consequently the same amount of timber can be grown on a tenth of the land that would be required in Sweden. The forest management method used is significantly more intensive than that used in Sweden.

The environmental and social impact of plantation forestry is controversial. Critics claim that it depletes the land and reduces the ability of local people to support themselves. Others believe that it is an extremely efficient method of producing the timber that is required to meet demand for products and energy, and that it creates new sources of income and develops rural areas. Both views may be correct, because the results depend on how the forest is managed and relationships with local populations.

Brazilian legislation includes stringent requirements for the protection of natural vegetation and the allocation of protected areas. Among other requirements, companies must present land use plans before they begin planting exotic species.

SCA performs its audits to ensure suppliers adhere to good practices in this respect. Based on SCA's audits, there is no reason to suspect illegally logged wood by SCA suppliers. All three suppliers have systems in place that clearly specify the origin of their timber.

An important part of pulp supplier assessments is checking the traceability of the timber utilised in production.

Water

Water is one of the earth's most important and most sensitive natural resources. Access to clean water is affected by climate change and by emissions from industry and society. Accordingly new political directives, some of them in the EU, are under development in order to improve the protection of watercourses.

"I work directly with the mills to develop procedures and processes that ensure we utilise energy and water in the most responsible and cost effective ways. We have developed teams which meet on a regular basis to follow up on their projects and results. We are constantly investigating new technologies and methods for conservation of both energy and water."

Michael Dillon,
Environmental Manager, responsible for the ESAVE and water management networks in the US

Systematic efforts to improve water usage

SCA consumes large quantities of water to produce pulp and paper. The organic material that collects in the plants' wastewater contributes to oxygen depletion of watercourses if it is not treated before being discharged.

In 2005, SCA formulated two clearly-stated water targets in order to improve the Group's water consumption, reduce the oxygen-consuming content of wastewater and prepare for future legislation:

The Group's target is to reduce water usage by 15% and to reduce the organic content in wastewater by 30% during the period 2005 to 2010.

By the end of 2008, the reduction to these figures since 2005 were 5.5% and 17.1% respectively.

Primarily, the reduction of total water consumption has been achieved by reusing process water, and the proportion of organic material in wastewater has been limited through investments in more efficient external treatment.

SCA uses the sludge resulting from wastewater treatment to produce renewable energy through incineration and/or production of biogas.

There are also other interesting applications for wastewater sludge. One example is the Medellin Mill in Colombia whose sludge is used by companies in the region for several different applications, including as a raw material for producing bricks and in order to reduce soil erosion in exposed areas.

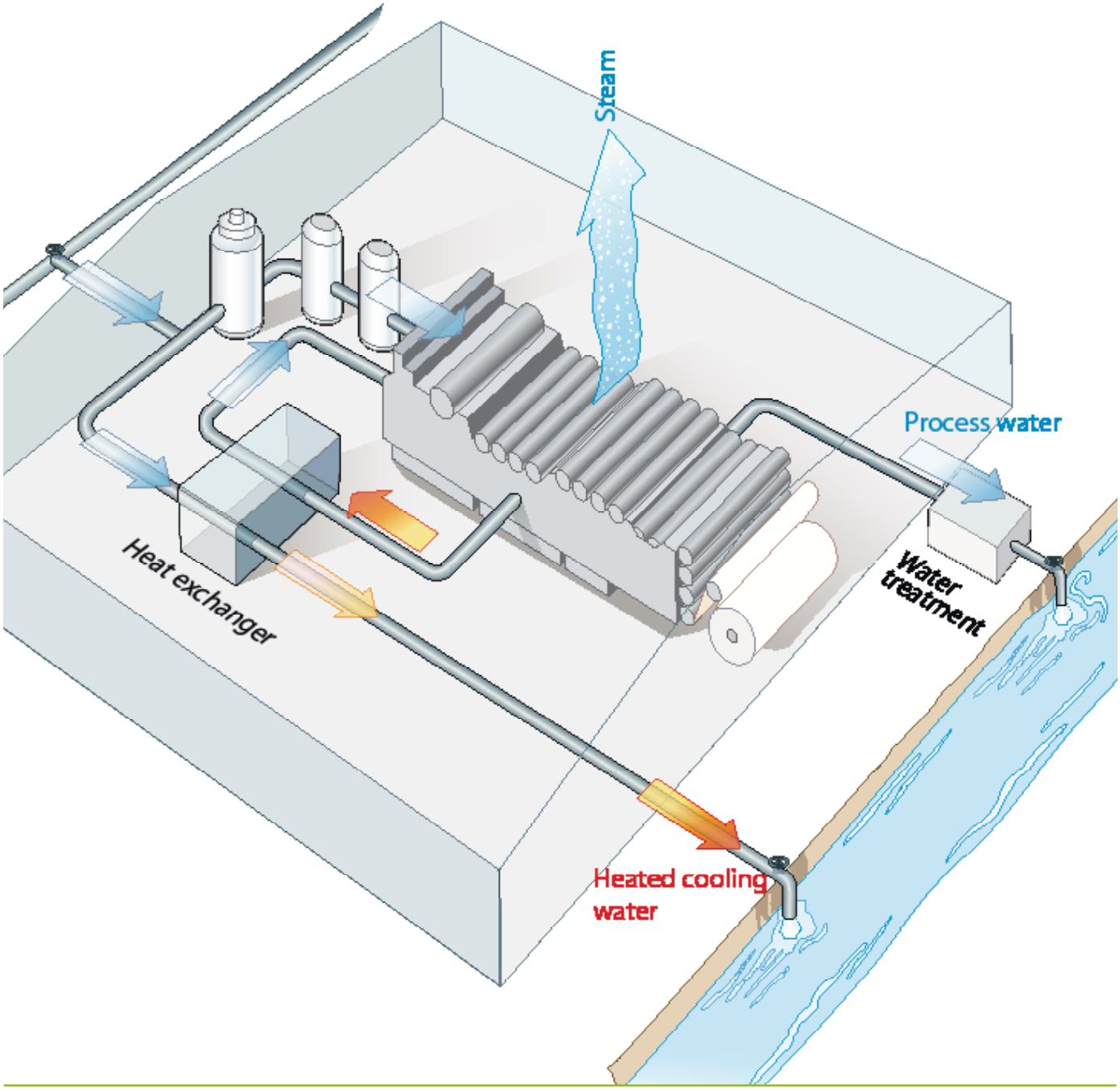
NEW TREATMENT PLANT IN MUNKSUND WILL REDUCE OXYGEN-CONSUMING MATTER BY 70%

At its mill in Munksund, Sweden, SCA is now constructing a new biological treatment plant to further improve the quality of the mill's wastewater. The new plant will be based on what is known as a Multibio process, which is a very efficient technique for water treatment. It will reduce the amount of oxygen-consuming matter in the wastewater by more than 70%.

Total investment is SEK 223m. Apart from the treatment plant itself, this sum also includes the separation of the mill's wastewater into cooling water and process wastewater, which is piped to the treatment plant.

The plant will be started up in June 2009.

The new treatment plant in Munksund, Sweden will reduce oxygen-consuming matter in wastewater by more than 70%.



Large amounts of cooling and process water are used in pulp and paper production. Wood fibre is mixed with water to bleach, treat and form the sheets of paper. Oxygen-consuming substances are released from the wood fibre at all of these stages and for this reason the water is treated both mechanically and biologically before it is released. Cooling water is hot, clean water that is heated via heat exchange using the surplus energy from the process.

EU directive for good water quality

The EU Water Framework Directive from 2000 is under gradual implementation, and the goal is to achieve "good" water quality by 2015. The directive states that specific water districts such as lakes or rivers should be managed based on their unique conditions. This entails that the focus is on what each individual watercourse can actually sustain. Expenses in the form of mechanisms to check and control the management of a water district will be paid directly by industry and municipalities. The price of water will therefore rise significantly. The EU also recommends that price be used as an incentive to reduce water consumption in member states.

Project for improved water usage

- New biological treatment plant at the mill in Munksund, Sweden. The plant will be brought into use in June 2009.
- New biological treatment plant at the mill in Drammen, Norway. The plant will begin operating in 2009.
- New anaerobic treatment plant at the mill in Kostheim, Germany. In an anaerobic treatment bacteria in an oxygen-free environment break down and transform organic material into energy. The plant was brought in use in autumn 2008.
- Advanced tertiary-stage treatment at the new plant in Sovetsk, Russia which began operating in late 2008.

Tertiary treatment is a treatment stage used in addition to mechanical treatment (primary stage) and biological treatment (secondary stage). It is used when water is discharged into particularly small or sensitive receiving environments. The tertiary stage can vary, but is generally significantly less cost-effective than the primary and secondary stages, simply because it is quite difficult to further degrade substances that remain after conventional wastewater treatment.

One example is in Laakirchen, Austria, where SCA, besides mechanical and biological treatment, also uses ozone to purify mechanical and biological pre-treated wastewater. The ozone purification process was introduced in order to meet the growing demand for brighter grades of quality paper while continuing to comply with stringent limit levels which have been set for wastewater sent to the receipient, the river Traum.

ADVANCED WATER TREATMENT AT THE NEW MILL IN SOVETSK, RUSSIA

SCA has recently finalised the building of an entirely new mill in Sovetsk, Russia. It is located about 200 kilometres south of Moscow. The facility is based completely on recovered fibre and will supply tissue products to the Russian market.

The mill has a very advanced wastewater treatment plant with various treatment stages, including preliminary sedimentation, a cooling tower, active sludge management, secondary sedimentation and final filtration.

The converting began in late 2008 and the paper production started at the beginning of 2009.

The first Zewa-brand toilet roll was produced at the new tissue plant in Sovetsk, Russia in mid-December 2008.

Chemicals and product safety

The use of chemicals and the committment to product safety are central to SCA because so many of the company's products come into direct contact with people's skin.

"We have between 4,500 and 5,000 active chemicals in our chemicals database. It is in our interests that the chemicals we handle are safe and do not exert a negative impact on humans or the environment. It is also essential that our products do not contain any chemicals that may be hazardous when used and handled by our customers."

Eva Lindström,
R&D specialist in product safety and chemicals

Chemicals

The use of chemicals is an area in which legislation plays a decisive role for development. In 2007, the EU's new REACH (Registration, Evaluation and Authorization of Chemicals) legislation became effective. This legislation covers issues related to the working environment, product safety and the environment, and makes producers responsible for demonstrating that their chemicals are safe to use.

In the first year of the new legislation, from the summer of 2007 until the summer of 2008, the main focus was on establishing the new European Chemical Agency (ECHA), based in Helsinki. During the autumn of 2008, the new agency's efforts were made tangible through the publication of an initial list of particularly dangerous substances and the pre-registration of chemical substances by chemical producers and importers. With pre-registration as a basis, the producers will be able to collaborate to test and register chemical substances in accordance with REACH.

REACH's definition of chemicals is broader than the preceding legislation, and also comprises raw materials not normally classified as chemicals. SCA has surveyed its suppliers of both raw materials and chemicals. Accordingly, it is well prepared to handle the new requirements entailed by the implementation of REACH. In addition, SCA does not use any of the substances included on the ECHA's initial list of particularly dangerous substances.

An important tool in SCA's chemicals efforts is the Group's web-based chemical management system. This system describes the health and environmental impacts of various chemicals. It now includes information on a total of approximately 5,000 chemical products that are used by SCA.

The Personal Care Europe and Tissue Europe business groups use chemical assessment procedures – a new and improved control tool for their production plants. It is used to evaluate chemicals from occupational health, environmental and product safety perspectives.

Product safety

SCA works systematically with product safety to guarantee that its products meet all environmental or product-safety requirements.

Since SCA's product range is highly diversified, a variety of routines and processes relating to product safety are in place across the different business groups. As a rule, however, these include safety assessments of raw material, raw material specifications and quality assurance, hygiene standards, information to customers, and processes for complaints and product recalls. Responsibility is shared by the various purchasing, manufacturing, R&D and quality organizations.

Developments are driven by legislation, demands from SCA's customers and voluntary agreements within industry organizations.

Our social agenda

- Ensure human rights compliance.
- Develop policy and associated documentation for blood borne virus infections.
- Assessment of suppliers.
- Continuous improvement of health and safety.
- Recruit, retain and develop employees with the right skills.

The SCA Code of Conduct

SCA activities concerning corporate social responsibility contribute to sustainable development. Inputs are based on its Code of Conduct, which provides the basis for SCA's approach to issues such as health and safety, employee relations, human rights, business ethics and community involvement.

The Group's commitment to social responsibility dates back many years and is part of its corporate culture. In February 2004, SCA's Board of Directors approved a Code of Conduct. This code was the result of a growing need for common guidelines since SCA had expanded substantially over the previous decades and evolved into a truly international Group with a presence in a growing number of countries on all continents.

At a minimum, SCA will comply with all applicable legislative and regulatory requirements. In addition, SCA will adopt standards consistent with its Code of Conduct where existing legislation or regulations are not in keeping with the company's goals.

Compliance

SCA monitors compliance with the Code of Conduct through existing financial and HR reporting systems where performance on a series of Key Performance Indicators (KPIs) is reported by all SCA businesses. These indicators include health and safety, age and diversity statistics, education levels and many others.

Follow-up of targets for 2008

Targets for 2008 included continued evaluation of human rights compliance within operations. This took place through cooperation with the internal audit function and a new evaluation method was developed.

SCA continued to raise awareness of the prevention and reduction of diseases transmitted by bodily fluids such as HIV/AIDS.

In addition, SCA has developed routines and systems for the gathering of data for GRI indicators (Global Reporting Initiative), which will continue in 2009.

Evaluation of human rights according to new model

Between 2005 and 2007, a total of 28 human rights assessments were conducted at 26 wholly owned, and two jointly owned, SCA facilities in 12 countries. These assessments focussed on the implementation of the Code of Conduct, employment conditions, health and safety, community involvement and an ethical evaluation of business practices.

In 2008, SCA developed a new method of assessing Code of Conduct compliance. In collaboration with the internal audit function, the CSR unit developed a method based on business practices, internal control regulations and global SCA policies. This resulted in a summary of about 100 questions to be used in assessments.

In 2008, the first business practice review was conducted in selected units within SCA's tissue paper and personal care product operations in Eastern Europe. The evaluation primarily consisted of in-depth interviews with senior managers in three country organisations. A total of 25 managers with different areas of responsibility were interviewed.

The questions focussed on business conduct in the SCA unit of interest, but also addressed business partners and suppliers, distributors and service companies. The interviews also dealt with the local business climate's potential impact on SCA.

The results of the interviews provided a solid view of how well the divisions adhered in reality to the Code of Conduct and, for example, competition legislation, conflict of interests and health and safety. Internal regulations such as second level approval of certain issues regarding human resources and

"I support the SCA Americas' Leadership Team in keeping track of strategic HR Key Performance Indicators (KPIs) such as diversity, training hours, safety performance and many other metrics that support SCA's dedication to reflecting its Code of Conduct in all its actions."

Victor Palomo, Director Center of Excellence, Human Resources

segregation of duties in process were also addressed.

No Code of Conduct or other major policy breaches were discovered in the pilot project in Eastern Europe. The method does not entail a comprehensive audit; it is rather a method of identifying risks in daily operations. SCA developed business practice standards that will be deployed in the entire Group based on the answers received. The project demonstrated that this type of review is a cost-effective and practical method of evaluating policy compliance.

The evaluation also provided an indication of whether standards or policies could be misinterpreted or need to be more detailed. In the future, the aim is to also employ this process and methodology for information and follow-up of compliance in other countries and SCA operations.

Compliance self-monitoring

In conjunction with the evaluation of business practices project, a system for monitoring compliance with the Code of Conduct and other policies was also developed. This contains a number of points regarding which the local SCA unit must disclose whether it complies completely, partially or not at all.

If it is only partially adhered to, management must explain why this is the case and what is being done to ensure full compliance. If it is not adhered to at all, management will be required to produce an action plan for how to achieve compliance.

The first self-monitoring activity will be conducted at the beginning of 2009, the results of which will determine whether or not SCA will continue with this type of assessment.

Code of Conduct implementation in jointly owned companies

SCA co-owns companies with various partners in Latin America, Africa and the Middle East. All are managed by a local Board in which the interests of both SCA and its partners are represented. In most cases, the partnerships were initiated prior to the existence of the SCA Code of Conduct (2004), which means that the relevant contracts do not include any compliance requirements to the Code of Conduct. However, future contracts will include this stipulation.

However, in spite of this situation, SCA still tries to ensure compliance with its Code of Conduct. In 2008, the Group developed a checklist of CSR indicators. This list will be reviewed annually by jointly owned company's boards and SCA's representative will then be informed of the degree to which the company adheres to the Code of Conduct.

This procedure will initially be implemented in the Middle East and Africa, but the idea is that it will eventually apply to all jointly-owned companies. Since SCA lacks a mandate to require compliance with its Code of Conduct in these cases, the company will attempt to achieve a consensus in these matters. In practice, this entails few difficulties since the company's partners share SCA's view on business ethics.

The issue of compliance to the Code of Conduct is an ongoing project, which may occasionally take time. SCA's Jordan-based jointly owned company FINE SCA is an example of how complex this matter can be. FINE SCA operates in 18 countries in the Middle

GROWING IN RUSSIA

2009 will see the opening of a major SCA production facility for personal care items in Veniov, Russia, some 200 km south of Moscow. Russia is one of the world's most populous countries and sales of SCA's hygiene products there have grown significantly. A production base in Russia gives SCA lower costs and greater flexibility in supplying products to their market.

The plant's location in Russia's "diaper valley" – so called because other major companies in the hygiene industry also have facilities there – is in the Tula region, where construction of a new SCA tissue mill has recently been completed.

The new tissue and personal care plants require the recruitment and training of many new employees. SCA focuses on attracting candidates from all over Russia to join SCA's plants in management positions. Local employer branding activities are undertaken in the Tula region aimed at attracting people who live there to key specialist and blue-collar positions. The SCA Job Portal and the www.sca.ru website are important tools supporting this process.

SCA in Russia puts considerable effort into communicating SCA values and its Code of Conduct to new employees.

Andrey Kudryashov is plant manager at the SCA Personal Care Veniov facility. On the photo he is showcasing a model of the plant in conjunction with the groundbreaking ceremonies.

East and Northern Africa where political and cultural conditions can deviate drastically.

Supplier screening

Since 2007, SCA has been working to further develop and integrate the requirements of the SCA Code of Conduct into the supplier evaluation processes of each business group. All business groups undertake some form of screening of major suppliers using self-assessment questionnaires, as well as on-site audits when the need arises. While the data for this indicator is incomplete, it is estimated that so far around 60% of all major suppliers have undergone screening for human rights.

Corruption

The SCA Code of Conduct clearly stipulates that corrupt business practices will not be tolerated. The Code of Conduct is made available to all employees, with face-to-face and online training given at regular intervals and for new employees in particular. An estimated 73% of employees have so far been trained in SCA's anti-corruption policies via Code of Conduct training.

While there is no general programme for specifically assessing corruption risks, these risks are to some extent included in the recurrent assessments of business risks conducted throughout SCA. A more thorough analysis is frequently carried out in situations where there may be a heightened risk of corrupt business practices, such as in sourcing activities.

Despite the attention given to the Code of Conduct and recurrent training sessions, incidents of corrupt business practices may still occur. In some cases these incidents involve SCA employees behaving in an unacceptable manner, in other cases it may be a business partner who violates the terms of their contract with SCA by engaging in corrupt business practices.

In 2008, a total of nine incidents of corruption were reported to management, six of these involving an SCA employee, and three involving business partners (suppliers or customers). In all cases, SCA terminated the relevant employment and business contracts and in some incidents also handed over the case to the police for prosecution.

SCA NAMED AS ONE OF THE WORLD'S MOST ETHICAL COMPANIES

SCA has been ranked one of the most ethical companies in the world by the Ethisphere Institute in New York, US. The Ethisphere Institute is dedicated to the research and promotion of profitable best practices in governance, business ethics, compliance and corporate responsibility. Ethisphere uses rigorous criteria in its process to evaluate the world's most ethical companies.

A total of 95 companies earned this honour, selected from a pool of more than 5,000 businesses evaluated. Each of the companies is a standout in their industry.

"We are honoured to be recognised for our commitment to doing business in a responsible manner. In our experience there are substantial benefits to be gained in having shared core values and a strong ethical culture - especially in a multi-national, multi-cultural growing organisation such as ours," said Yogi Pillay, SCA Corporate Social Responsibility Programmes Director who attended the June 4th award ceremony in New York.

Yogi Pillay, Director Corporate Social Responsibility Programmes, at the award ceremony in New York.

Employee relations

A company with no employees does not exist. It is therefore of utmost importance to recruit the right people and then to retain and develop employees for the good of both the company and the individuals themselves.

SCA focuses on nurturing and developing its relationships with its employees by honing employee abilities through training and education, respecting individual dignity and human rights, offering fair pay and advancement opportunities and maintaining a safe, healthy workplace together with open and honest communication.

SCA aims to have the right people in the right place at the right time at the right cost. To support this in 2008 SCA agreed on four strategic people focus areas. The first area is talent management, to help the company develop and utilise talent to achieve the best results for employees and the company. Secondly, performance management to support continued focus on what is important for success. Thirdly, workforce planning to assure that SCA is prepared for, and understands demographic trends both internally and externally, and finally compensation and benefits to ensure SCA has the people it needs to deliver on business promises. These four areas will form the focus of the 2009 people agenda across the Group.

Diversity strengthens competitive edge

The people who comprise SCA number more than 52,000 and work in 60 countries. About 29% are women and approximately 13% hold an academic degree.

Diversity helps SCA competitively by adding insights into customer wants and needs across the global marketplace.

In order to maintain this diversity, one basic requirement is that all employees are treated fairly and with respect regardless of age, gender, ethnicity, religious belief or any other personal characteristic. SCA strives towards a non-discriminatory workplace, and takes any examples of discrimination very seriously.

Management diversity survey

In order to obtain an accurate picture of the company's management content, SCA conducts an annual diversity survey of its top managers. In 2008, 39 nationalities were represented among the 1,000 most senior executives, of whom 19% were women. Among the 300 most senior executives there were 28 nationalities represented, and 12% of this group were women. The five-year trend in these surveys shows increases in both gender and ethnic diversity.

Incidence of discrimination

Diversity and non-discrimination in the workplace are cornerstones in the SCA Code of Conduct. Given that SCA is a global company with a significant number of employees, it is difficult to completely avoid instances of discrimination. It is all the more important to deal with these incidents as they occur, working to avoid similar incidents in the future.

In 2008, a total of three discrimination incidents were reported in the SCA Group. Each of these cases was investigated in accordance with SCA procedures and local legislation. Two of the cases have now been resolved, resulting in a warning to an employee in one case. The third case is still open and pending possible further investigation by local authorities.

Employee recruitment

In order to achieve its operational and strategic goals, SCA must use effective methods to recruit competent people and ensure that in-house talent is well distributed throughout its

"SCA is expanding in Russia and as in all other parts of our business, it is important to attract and retain the right people. My team currently focuses on attracting candidates from all over Russia to management positions in SCA plants. Local employer branding activities are carried out in the Tula region aimed at attracting people for key specialist and blue-collar positions. The SCA job portal and www.sca.ru web-site are important tools supporting this process."

Ekaterina Morozova, Country HR Director Russia and the CIS (Ukraine, Kazakhstan and Belorussia)

businesses. In 2008, for this purpose, SCA rolled out a new web-based recruitment system across all SCA business groups: the Job Portal. The portal aims to show all available jobs within SCA and is intended for both internal and external use. Additionally, those who wish can register their CV as well as preferences for future work in a database that automatically matches them to available jobs as vacancies arise.

The Job Portal offers important benefits: it establishes an open market for jobs within SCA, offers development opportunities to more people, and ensures a more efficient recruitment process. Pilot programs were launched in Sweden and Russia at end of 2007, with 35 more countries gradually becoming connected through to the end of 2008 and with remaining country markets scheduled to go on line in 2009.

Training and development

At SCA, training and development of employees is given high priority. Developing employees to make greater use of their talents – and availing SCA of their maximum potential contribution – pays dividends in increased operating efficiency, improved competitiveness and more satisfied employees.

There are a number of centrally and locally run development programmes available for various employee categories throughout the organisation, as well as opportunities for employees to attend specialised courses as the need arises. The average number of training hours for all employees in 2008 was 9 hours. The total training cost, as measured by 2008 expenditures, was some SEK 153 (178) million, or about SEK 3,400 per employee.

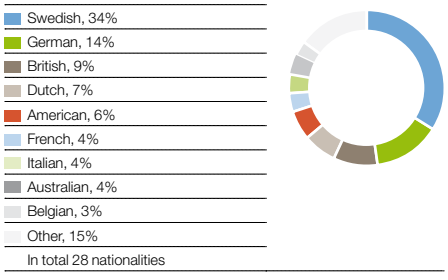
Succession planning

SCA needs a steady supply of employees ready and able to step up to increased responsibilities – management positions that bring with them greater authority and greater scope. To that end, each business group has a succession plan that is revised annually. Similarly at the Group level, a corresponding process encompasses SCA's top 300 managers and is led by the CEO.

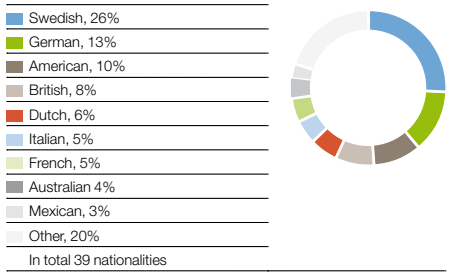
Employees

	Total
Number of Employees	51,999
Temporary employees	2,927
Sub-contractors	2,467
Employees leaving the company	7,511
Employee turnover	**14%**

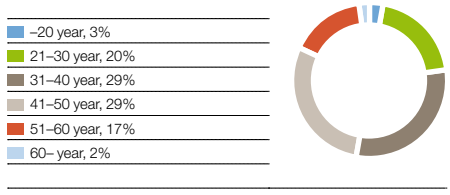
SCA's top management diversity survey top 300 managers 2008



SCA's top management diversity survey top 1,000 managers 2008



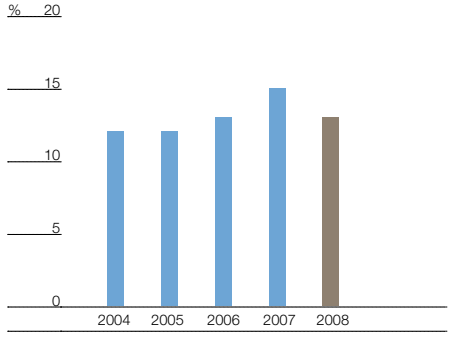
Employee age distribution SCA Group 2008



SCA's top 300 managers by gender 2008

SCA's top 1,000 managers by gender 2008

Percentage of employees with academic degree or similar 2004–2008



Dialogue with employees

SCA believes that well-informed employees will help the company succeed. It is therefore important to actively inform employees about the company, core values, business goals and business practices. It is also important to gain a good understanding of employee concerns and respond to these issues in a constructive manner.

SCA regularly conducts surveys in its business groups to gather feedback on important initiatives from employees. One example is a survey conducted by the SCA Group in conjunction with a reorganisation of the hygiene business in the spring of 2008.

In order to obtain a better understanding of the employees' opinions of these changes, a quantitative study was conducted in August-September of 2008 with 532 respondents. The employees' opinions indicated a need for further explanation. These views were taken seriously and were further validated by a follow-up study among selected key employees. The insights from the studies resulted in an action plan which was implemented with the intended effect.

Examples of other such surveys include the following:

- SCA Americas needed to identify how employees felt about the SCA culture. A study that sampled 1,000 employees, found that company values, particularly "respect", formed an integral part of the company character, as did customer service and teamwork. The greatest desire was more extensive collaboration across operating divisions and around the world.
- SCA Tissue Europe conducted a survey to see how the Group was regarded by employees and how well its strategy was understood. The survey found that employees are proud to work for SCA, and are generally well informed as to business goals.
- A survey of SCA sawmill personnel in Sweden included personal interviews as well as questionnaires on topics such as leadership, motivation, skills development, work environment and stress. To date, the results indicate high levels of job satisfaction. Each sawmill is developing plans for further improvement.

THE TOP PROGRAMME

The employee development program used by SCA Packaging Europe is emblematic of the approaches used throughout SCA business groups.

SCA Packaging Europe terms its employee development approach TOP, short for "Transforming Our Performance". This is an allusion to the fact that enhanced employee skills drive improved operating performance.

The TOP process is not a performance appraisal. It is a technique for performance enhancement and personal growth. The annual TOP process starts with a discussion between the line manager and employee. They agree on the employee's goals and how to achieve them. Throughout the year, employee and manager talk informally about performance and development. Employees are given an annual review at which the employee's performance is measured against the agreed goals.

This process lets employees know what is expected of them and how to achieve their individual performance and growth goals. Beyond that, however, it is a codified method of grooming people for increasingly responsible roles in the organisation, thus helping to assure smooth management succession.

An illustration of how the TOP programme functions, a programme for performance enhancement and personal growth.

- SCA Hygiene Australasia participated in an external survey examining best employers. They now have clear feedback on how they are tracking with regard to employee commitment and are developing their plans to improve further.

Freedom of association and collective bargaining

SCA recognises the right of employees to freely associate and all SCA employees are free to join trades unions. However, the level of trade union activity and existence of formal collective bargaining arrangements varies from country to country. On average, around 70% of employees at SCA sites were covered by collective bargaining agreements in 2008.

In many markets SCA has formal employee consultation processes. One of the largest representative groups is the SCA European Works Council (EWC) which represents about 30,000 SCA employees. Through regular meetings, SCA maintains an ongoing dialogue with employee representatives. Items on the agenda include the Group's development, earnings and organisational changes.

Global framework agreement

In April 2004, SCA signed a global framework agreement with the International Federation of Chemical, Energy, Mine and General Workers' Union (ICEM, which represents more than 20 million members worldwide), the Swedish Paper Workers' Union (which in this context represents all the Swedish trade unions) and SCA's European Works Councils.

The agreement is based on the Code of Conduct and expresses SCA's willingness to promote cooperation and social responsibility within its worldwide operations and to act as a responsible employer. Areas covered by the agreement are reviewed bi-annually in a joint meeting between the signatories. The signatories will meet in March 2009 for the next review.

LEADERSHIP CONGRESS – BRINGING TOGETHER TOP MANAGERS

SCA as a company, and most of SCA's business groups, regularly bring their top managers together. In 2008, SCA's top 120 executives (SCA Leadership Team) gathered twice to discuss short and long-term strategies. The first meeting, in April, was concentrated on the implementation of a new organisation, while the second meeting in November focussed on the 2009 Business Plan and challenges ahead given the global economic downturn.

An example of a top management meeting in the business groups was the third annual SCA Americas' Leadership Congress which brought together 130 top managers from SCA's businesses in North and South America. In addition there were participants from SCA joint ventures in South America as well as SCA's CEO and other members of the corporate senior management team.

Some 130 of SCA Americas' senior executives gathered in Philadelphia, Pennsylvania for the Third Annual Leadership Congress.

Health and safety

It is vitally important to SCA to provide a safe working environment for its employees. To that end, SCA continuously monitors safety performance at company facilities around the world and works to eliminate potential risks in the workplace.

SCA's efforts with regards to health and safety are based on national legislation, international regulations, benchmarking of industry standards and on SCA's own requirements which often exceed those of national legislation.

Safety performance

Performance monitoring using key safety indicators is an important part of SCA's commitment to employee health and safety. These indicators play an important role at the individual manufacturing sites, as well as at business group and corporate level in alerting management to the need for action.

SCA has been monitoring key safety statistics for several years with a view to reducing the number and severity of accidents in the workplace. At local level, the causes of accidents are carefully investigated helping others to avoid similar events in the future.

Dangerous incidents and minor accidents that do not result in injuries or absence from work are also tracked but not consolidated at Group level. Tracking such incidents is helpful in identifying situations that may potentially lead to more serious accidents which could therefore be prevented.

At Group level, SCA tracks five key health and safety indicators on a regular basis. The number of accidents is measured by Lost Time Accidents (LTA), which is the total number of accidents resulting in time away from work. LTA in relation to number of employees or number of hours worked results in the relative indicators Incident Rate (IR) and Frequency Rate (FR) respectively. The number of days lost due to accidents (DLA) is a measurement of the impact of accidents, while DLA in relation to LTA is an indication of the Accident Severity Rate (ASR).

Fewer but more severe accidents

A review of SCA's safety statistics 2004-2008 shows somewhat diverging trends. Whereas the number of accidents (LTA) and incident rate (IR) has decreased steadily, the severity of accidents (ASR) has tended to increase.

A significant reduction in Lost Time Accidents by 17% was reported during this period, producing a corresponding similar reduction in the Incident Rate. The Accident Severity Rate, however, rose by approximately 10% and although the number of days lost as a result of Lost Time Accidents fell during the corresponding period, the days lost fell only by approximately 8%.

According to Dr John Mason of The Preventative Health Company Limited this is often the case when an organisation addresses health and safety proactively. When the number of lost time accidents decreases, the accidents that do occur are usually of a more severe nature. Because of their severity they require longer periods of recovery for the individuals concerned and may require more complex and intensive treatment. In the next few years, SCA will address the severity of accidents occurring.

Decentralised responsibility

Within SCA, health and safety policy is set at the highest levels of the organisation. Responsibility for executing these policies, however, belongs to every level of the organisation because sharing responsibility improves safety performance.

Thus local SCA facilities around the world have specific accountability for maintaining a safe work environment, one in which relevant safety management systems, procedures and training are in place and operating within the SCA Group Health and Safety Guidelines.

"In the long run sustainability requires commitment and motivation across all levels of operations. I advise the management team in onsite health and safety matters. I and my colleagues coordinate and provide support for issues related to reporting, communication and dialogue with local authorities for health, safety and environmental matters."

Muhammad Shukri, Occupational Health and Safety Manager, SCA Hygiene Malaysia

Risk analysis

Reductions in accident rates require an investment in risk analysis and incremental improvement. SCA's Falkenberg, Sweden plant is a case in point. Over a ten-year period, in-depth risk analysis helped to identify sources of accidents and losses; analysis which led to improvements including a new machine guard to reduce ergonomic, crashing and jamming incidents, falls, crush injuries and damaging noise levels. The improvements made it possible to cut accident frequency by half at the same time as operating efficiency was improved by 10% and production waste reduced by some 20%. Another effect of this shop floor improvement has been a significant reduction in total medical leave days, from over 250 days before1998, to just under 20 days in 2008.

Accident-free milestones:

- SCA's personal care products plant in Bowling Green, Kentucky has been in production for three years without a lost time accident (LTA). The plant credits safety inspections, hazard identification and corrections, BEST observations, training sessions and safety reward programmes with making safety a priority in everyday functions.
- SCA's Kasto sheet plant in Serra De' Conti, Italy, has gone 3,470 days or more than 9 years without a lost time accident.
- The warehousing and shipping facilities at SCA Packaging in Nördlingen, Germany, celebrated 20 years of accident-free operations in 2008, despite a 50% growth in the volume of finished goods handled since 1988.
- For fire insurance purposes, many SCA plants fall into the high risk category. The correspondingly high annual insurance premiums helped provide the impetus for SCA to start its own insurance companies – SCA Försäkrings Aktiebolag and SCA Reinsurance Ltd – some 11 years ago. The past year has been a good one for these insurers, with no major fire losses in SCA since July 2007, a new record.

External awards

In 2008, the SCA Tissue facility in Greenwich, New York was awarded Star status by OSHA, the U.S. Occupational Safety and Health Administration. The Star award is given to fewer than 2,000 candidates of the more than 7 million facilities regulated by OSHA in the U.S.

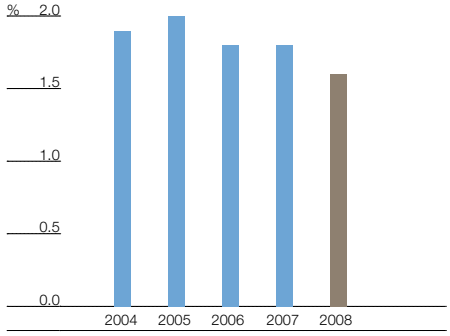
Applicants for the award must demonstrate management support of, and employee involvement in, workplace health and safety. Further, winners must provide comprehensive health and safety training for all employees, and high-quality worksite hazard analysis protocols, prevention and control programmes. Additionally, the Greenwich facility had to be 50% under the national average for OSHA incidents for its type of facility.

Blood-borne viruses

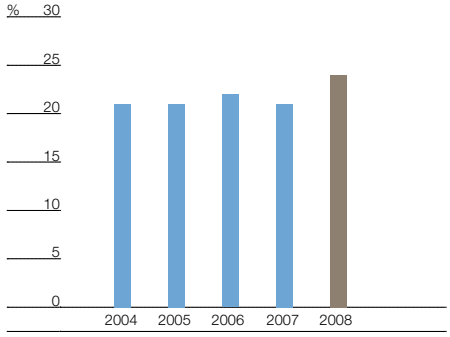
In 2008 SCA have compiled an SCA Group Blood-Borne Virus Umbrella Policy which summarises SCA's view on blood-borne virus infections, such as HIV/Aids and Hepatitis, and how they should be dealt with within the organisation.

Further documents and tools have also been produced including a management information document, an example of a policy that can be implemented at workplace level and information leaflets. Business groups are in the process of assimilating this into their organisations to ensure an agreed approach is in place.

Incident Rate (IR)



Accident Severity Rate (ASR)



Safety statistics

	2008	2007	2006	2005	2004
Lost Time Accidents (LTA)	685	770	762	915	822
Days Lost (DLA)	16,181	15,812	17,428	18,969	17,552
Accident Severity Rate (ASR)	23.7	20.5	22.3	20.7	21.4
Incident Rate (IR)	1.6	1.8	1.8	2.0	1.9
Frequency Rate (FR)	8.5	9.5	9.8	11.7	11.3

Community involvement

SCA's presence in the communities where it is located contributes to the economic development of those communities. In addition, many SCA products help improve the quality of the everyday life of consumers. SCA also actively engages in local communities through various initiatives.

SCA creates jobs, adding directly to the economic wellbeing of thousands of families. The company pays taxes, adding to local and national government revenue. It hires and trains new workers. It buys goods and services from other businesses in the community, adding to the vitality of the local economy. It invests capital in projects of all kinds, from new construction to charitable events.

In many cases, SCA contributes to local communities in other ways as well. SCA employees give of themselves and their time through various projects. SCA sites become directly involved in local activities, building relationships with local organisations, schools, institutions, neighbourhood groups, action groups and industry associations.

Improving the everyday lives of women

SCA's manufacture of feminine care products gives the company a natural link to the issues of personal hygiene and women's health. Consequently, SCA is involved in efforts to improve the everyday lives of women around the world.

Millions of women and girls in impoverished or remote communities cannot afford nor have access to sanitary protection. Many must use newspapers or rags, which leads to increased risk of infection, a serious complication where medication is often unavailable.

Implications can be far reaching. When mothers and wives cannot work because they have their periods, families face increased poverty. When girls cannot attend school for four or five days a month, their education suffers as does the literacy rate of the society.

One example of SCA action to help improve women's lives is the support provided to the "Dignity! Period." campaign championed by Action for Southern Africa (ACTSA). For the second consecutive year, SCA's sanitary towel brand Bodyform joined forces with ACTSA to provide feminine protection products for Zimbabwean women.

The Bodyform efforts helped consumers understand how even a small donation makes a massive difference to the millions of Zimbabwean women and girls who suffer both physically and socially from the lack of basic feminine protection. The Bodyform offer of "Buy one and we'll donate one" was designed to provide five million feminine protection products during the year.

Promoting early cancer detection

Each year SCA participates in a variety of activities and initiatives to raise awareness of various forms of cancer and help in their early detection.

In 2008, one such effort was spearheaded by SCA's Tena brand in conjunction with PapScreen Victoria under the auspices of Australa's National Cervical Screening Program. The goal of the effort was to promote bi-annual Pap tests for women aged 18 to 70.

Pap tests are important because they are effective in detecting abnormal cell changes in the cervix before they become cancerous. To remind women of the importance and effectiveness of this screening test, Tena added the PapScreen Victoria message and logo to the package sides of Tena products, and also on the release tape on pads.

As part of SCA's commitment towards increasing awareness of women's health issues – bladder weakness as well as breast cancer – Tena became an official partner and sponsor of the 2008 Odyssea Tour in France. This is an annual women's running event intended to promote breast cancer awareness.
Other examples of community involvement during the year:

- More than 5,000 people participated in the 2nd annual Tena Race in Mexico City sponsored by Tena. The purpose of the event was to create awareness of the issue of bladder weakness. The race attracted nearly 3,000 seniors who participated with their families. Approximately 100 employees from SCA's Mexican manufacturing and headquarters facilities also participated.
- Three SCA Packaging employees in the UK participated in a charity run to raise funds for the Kent Air Ambulance. One UK Containerboard employee completed the London Marathon to raise funds for the Spinal Injuries Association.
- A team of 10 employees from SCA Packaging Fulda ran the Challenge Run in Germany, an event that supports needy people in the region. The SCA employees were among participants from 130 companies from the Fulda region. In addition to its charitable purpose, the 6km run aims to strengthen team spirit in the companies and at the same time improve employee health.

SCA AND VINDA SUPPORT EARTHQUAKE VICTIMS

The 7.9 magnitude earthquake that hit the Sichuan province in 2008 claimed over 69,000 lives and was the worst earthquake to strike China in 30 years. SCA and its Chinese joint venture partner, Vinda, jointly contributed CNY 1million to help the earthquake victims and, in addition, SCA's Asian colleagues made personal contributions of CNY 230,000.

Parts of these donations were used on ground relief efforts undertaken by Vinda staff. A total of three batches of water, dry food and hygiene products were delivered and distributed to the victims in the earthquake areas. The remaining funds were donated to Deyang City Charity Association and will be used to support longer term restructuring projects.

SCA, and its partner Vinda, sent provisions to the earthquake victims in Sichuan Province in China. One of their trucks was among the very first to reach the stricken area.

Our economic agenda

- Efficient production and lower costs.
- Good, long-term business relationships.
- Compete successfully for orders where customers require high levels of sustainability.

Long-term financial value creation

Sustainability initiatives have a major impact on SCA's efficiency and ability to attract and retain both customers and employees. From an owner perspective, sustainability initiatives helps to maximise the value of the company.

To create value for shareholders

SCA creates value for shareholders through dividends and share price appreciation. Normally, about one third of the operating cash flow over a business cycle is used for dividends and two thirds for value-creating investments. During the past ten years, the dividend has increased by an average of 6% annually. The Board has proposed a dividend of SEK 3.50 for 2008.

In 2008, the SCA B shares fell 42% to SEK 66.75 on the Stockholm Stock Exchange. The Nasdaq OMX Stockholm index fell 39% the corresponding period. SCA's market capitalisation decreased to SEK 47m (81). Viewed over a five-year period, the SCA share has demonstrated a stronger performance than comparable industry indexes but weaker than the Nasdaq OMX Stockholm index.

At year-end 2008, SCA had 79 858 registered shareholders. The largest owners are AB Industrivärlden, Handelsbanken and SEB.

SCA's net sales in 2008 rose by 4% compared with the preceding year and amounted to SEK 110,449m (105,913). Profit before tax declined 24% to SEK 6,237m (8,237).

Largest shareholders

	% of votes	% of shares
AB Industrivärden	29.8	10.0
Handelsbanken	13.0	5.1
SEB	6.1	2.7
Skandia	3.5	1.0
Alliance Bernstein	3.4	8.2
Alecta	2.6	3.1
Skrindan	2.2	0.5
Swedbank	1.4	3.3
Nordea	1.1	1.3
Andra AP-fonden	0.7	1.3

Key figures

	2008		2007		2006	
	SEK	EUR	SEK	EUR	SEK	EUR
Net sales, SEKm/EURm	110,449	11,532	105,913	11,456	101,439	10,972
Operating profit	8,554	893	10,147	1,098	8,505	920
Operating margin, %	8		10		8	
Profit before tax, SEKm/EURm	6,237	653	8,237	891	6,833	739
Profit for the year, SEKm/EURm	5,598	584	7,161	775	5,467	591
Profit for the year, SEKm [1]	5,598		6,908		5,467	
Earnings per share, SEK	7:94		10:16		7:75	
Earnings per share, SEK [1]	7:94		9:80		7:75	
Cash flow from current operations per share, SEK	5:42		6:42		3:95	
Dividend, SEK	3:50	[2]	4:40		4:00	
Strategic investments incl. acquisitions, SEKm/EURm	–4,873	–509	–5,887	–637	–1,258	–136
Equity, SEKm/EURm	67,252	6,147	64,279	6,792	58,963	6,518
Return on equity, %	8		11		9	
Return on equity, %	9		12		9	
Debt/equity ratio, multiple	0,70		0,58		0,62	
Average number of employees	51,999		50,433		51,022	

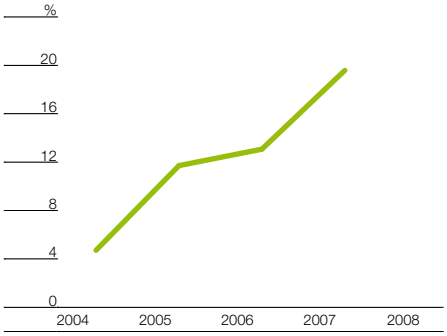
[1] Excluding items affecting comparability.

[2] Proposed dividend.

"The Internal Audit function has twelve employees and works with issues such as internal control and the monitoring of compliance with SCA Group-wide policies, for example its Code of Conduct. We manage 110–120 projects every year. One of the large projects we implemented in 2008 was in Eastern Europe where we examined their processes and systems and compliance with policies and regulations."

Nils Lindholm,
Head of the SCA Internal Audit function

Percentage of SCA shares owned by investors with sustainability screening



Source: European Business School

The declining results are mainly a result of the global financial turmoil and the weaker economic climate. SCA's hygiene business is less affected since the demand for everyday products is relatively stable. However, the packaging operations and solid-wood products are more sensitive to changes in the economy.

SCA strives to develop and launch innovative products with high value content in all segments. It also seeks to strengthen its positions in its European home market and simultaniously expand on prioritised growth markets such as Eastern Europe and Russia, Latin America, South East Asia and the Middle East. Organic growth in SCA is estimated at 3–4% annually, driven primarily by strong growth of incontinence products and in growth markets.

Increased interest from SRI parties

Sustainability assessments have become increasingly important to investors in SCA shares. Major institutional investors (such as certain pension funds) often add environmental and social parameters to their risk analysis while a number of sustainability funds have a strategy of only investing in companies that are among the best from an environmental, social and economic perspective. A total of almost 20% of SCA's shares are owned by investors who examine how the company works with sustainable development. This corresponds to an increase of 15 percentage points since 2004. Slightly more than 70 European sustainability funds have SCA in their investment portfolios.

SCA is ranked annually by several ranking institutes. Since 2001, SCA has been listed on FTSE4Good, a market index measuring earnings and performance among companies that meet globally recognised norms for corporate responsibility. SCA is also listed on Global Challenges, which is a global sustainability index developed by the Hanover Stock Exchange as well as Oekom Research AG. SCA has achieved pass status in the Orange SeNSe Fund, which is a fund of European companies that meet stringent sustainability criteria. In 2008, SCA was included in the OMX GES Nordic Sustainability Index. The index was launched by the Nasdaq OMX exchange in collaboration with GES, an ethics analysis company.

There has been substantial interest in SCA by SRI parties in 2008. SCA regularly holds meetings and keeps in touch with them as part of its work with investor relations.

INCREASING DEMAND FOR CERTIFIED PRODUCTS

Certified products are becoming increasingly more important from a commercial viewpoint. Demand continues to grow, giving SCA a competitive edge. SCA is one of the world's largest suppliers of FSC-certified wood products, pulp and publication papers.

Interest in FSC has continuously increased in recent years, which is clearly evident at SCA's paper mill in Ortviken, Sweden. For many years, Ortviken has supplied FSC certified paper to customers primarily in the Nordic region and the UK; however a recent rise in interest from such countries as Germany and Japan has been noted. In 2008, the mill doubled its sales of FSC certified magazine paper, which represents approximately 12% of the total production volume of this grade of paper. The mill has also noticed an increased demand (although from an initially low level) for regular newsprint.

The FSC market consists primarily of customers with a distinct environmental interest and a proprietary environmental profile. SCA's excellent reputation, combined with the ability to supply FSC certified products, generates favourable conditions for establishing long-term relationships with these customers.

The paper mill in Laakirchen in Austria has also noticed increasing interest in its certified products. The mill has been PEFC certified (Program for the Endorsement of Forest Certification schemes) since 2001 and FSC-certified since 2005. Approximately 50% of total production volumes can be certified according to one or the other. The demand for certified products has increased dramatically in the past three years and between 10-15% of production is for customers with specific demands for certified products, including major catalogue productions. It is anticipated that demand for certified products will increase in the long term.

Being able to sell FSC-certified products has developed into a competitive advantage since demand is constantly rising.

Sustainability – an increasingly important competitive tool

In the recent years, far greater interest in sustainability has been noted from the Group's customers. In contract negotiations customers increasingly ask questions and make demands, primarily related to the environment.

For SCA, which has been conducting sustainability work for many years, this provides a competitive advantage. In the US for example, SCA has built a strong position as a leading sustainability company and markets tissue (Tork) which is made from 100% recovered paper. Customers seek out SCA on their own accord and ask for advice regarding how they can improve in the area of sustainability. Certain customers want to associate themselves with SCA to reinforce their own sustainability position. In other words, the sustainability aspect is becoming a competitive tool and a way to increase product added value.

Investments lead to efficient operations

Over the past five years, SCA has made major investments that have provided considerable improvements in both efficiency and environmental performance. When investments are made, their environmental effects are taken into account. During the period 2004 to 2008, investments totalled SEK 52bn.

In 2008, SCA decided to invest in a new facility for tissue manufacturing in Mexico. The plant is scheduled to open at the end of 2010 following an estimated investment of SEK 1,525m.

SCA is also in the process of building a plant for tissue and one for personal care products in the Moscow region.

Economic consequences of climate change

One effect climate change has had on SCA is participation in the EU's trading system for emission rights. The system's first phase was completed in 2007 and the second five-year phase started in 2008. In the first phase, SCA had an emission rights surplus of about 10% annually. The allocation in Phase 2 was roughly the same size and will generate a surplus of approximately 200,000 tons annually.

The financial value of one emission right (corresponding to one ton of carbon dioxide) has varied considerably over the years and was valued at about EUR 15 at the end of 2008. This surplus has either been sold or invested in CDM projects.

The emission rights system also affects SCA since it has contributed to increased electricity prices. These price increases have made a substantial impact on SCA's electricity costs in recent years.

Europe's efforts to comply with the Kyoto Protocol and reduce emissions of fossil fuels have led to increased demand for biofuel. This increases the price of wood raw material and may, in the future, increase competition for important raw materials needed for SCA's production processes.

TORK WON ANTARCTIC CONTRACT THANKS TO STRONG ENVIRONMENTAL PROFILE

High product quality and a strong environmental profile worked to Tork's advantage when the Antarctic research station operated by New Zealand chose a tissue supplier.

SCA has supplied New Zealand's Antarctic Program with tissue for eight years and in 2007 the contract was renewed. The contract covers the supply of toilet tissue to the Scott Base Antarctic research station and its offices in Christchurch, New Zealand. Scott Base provides services and accommodation for the many research groups that visit Antarctica during the summer.

Michael Nottage, Purchasing Officer for Scott Base, says that SCA won the contract because it offers a "trusted quality brand" and because of "SCA's environmental profile and its compliance with the government of New Zealand's sustainable procurement initiative (Govt3)."

"When we gave our presentation last year, they were also interested in the fact that SCA Tissue Europe supplies tissue to the British Antarctic bases. The British business was also won on the basis of SCA's strong environmental credentials," says Tim Gunther, Account Manager at SCA Australasia's AFH division in Christchurch.

SCA helps to reduce waste and storage space, which are important in such an isolated part of the world.

"No waste stays on the ice – it is all shipped back to New Zealand for recycling or disposal. Unfortunately, the research station's limited sewage system is only able to cope with one-ply toilet tissue – much to the disapproval of some of the staff on the base," says Tim Gunther.

In January each year, Scott Base orders tissue to last the entire year. The paper is then shipped from Christchurch which is a ten-day trip.

Every year, the US and New Zealand compete in a rugby match on the ice outside the Scott Base on Antarctica.

Creating value for stakeholders

Through its business operations, SCA contributes to creating economic prosperity in society and economic development among its other stakeholders, both directly and indirectly.

SCA supplies its customers with products and services and purchases materials and services from its suppliers. Salaries are paid to employees, who in turn contribute to society through taxes and purchasing power. Shareholders receive dividends and society is paid taxes. SCA's involvement in community projects contributes to local economies. SCA operations in new growth markets help these regions to develop economically through the interaction SCA has with stakeholders, such as employees and local suppliers.

SCA's cost distribution in 2008 allocated by stakeholder

		SEKm
Suppliers	Purchase of goods and services	79,942
Employees	Salaries and social security costs	19,299
Lenders	Interest paid	2,317
State	Taxes	1,702
Shareholders	Dividend	3,128

Customers

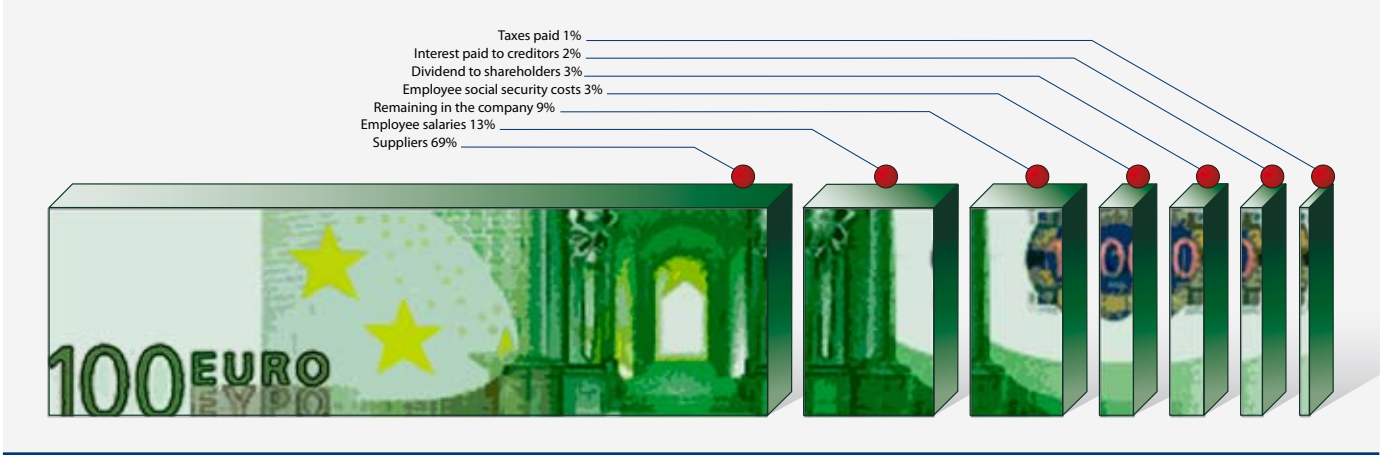
SCA delivers high-quality products to its customers, products that fulfill their needs. Customers consist primarily of large companies even though it is mostly consumers who in the end use SCA products.

Net sales in 2008 amounted to SEK 110,449m (105,913). Of that amount, 79% was generated in Europe, SCA's primary market. The largest markets in terms of sales are Germany, the UK and France.

The Group's growth occurs primarily in markets in Asia, Latin America and Eastern Europe/Russia, growing by 12, 13 and 17% respectively in 2008. Sales in all of SCA's growth markets account for 14% of the company's total sales, approximately a doubling compared to ten years ago.

In growth markets, SCA is primarily active in hygiene products. Improved sanitation is one of the most important public health issues in the

Cost distribution by stakeholder 2008



world. Consequently, in certain countries SCA uses products and distribution channels other than its traditional ones in order to provide more people with access to hygiene projects.

For example in Costa Rica, SCA is working on packages containing a smaller number of products with distribution through very small "mom and pop" stores. Smaller packages provide more people living on a day-to-day budget with the ability to purchase them. Stores are often situated in inaccessible areas, which mean high distribution costs so many companies choose not to deliver to them. In Costa Rica, SCA's revenues from such micro-stores account for 45% of sales.

Sales, SEKm

(10 largest countries)	2008	2007
Germany	15,453	13,325
U.K	11,995	12,850
France	9,102	8,295
U.S.	8,216	9,158
Italy	7,809	7,449
Sweden	7,302	7,761
Netherlands	5,323	5,054
Spain	4,810	4,378
Denmark	3,460	3,464
Australia	2,699	2,711

Suppliers

SCA is a major customer for many of its suppliers and a significant portion of SCA's sales consist of supplier costs. SCA has a responsibility to its suppliers and strives to maintain long-term relationships with them in order to guarantee high quality as well as financial stability for both parties. For many suppliers, SCA is an important income source.

In 2008 SCA purchased raw materials and services for a total of SEK 79,942m (73,063).

SCA is a large company and as such aims to achieve economies of scale, for example in purchasing. Many input goods, such as paper pulp, electricity and chemicals, are global goods and are largely purchased centrally.

However, there are examples of the opposite. Forest raw materials are goods that are almost exclusively purchased locally. Nearly 100% of the fresh fibre acquired by the Swedish forest industries and the packaging units is purchased from local suppliers. The paper mills in Austria and the UK also mostly use local suppliers.

Price is often the factor determining where the purchase is made. Provided that environmental and social requirements are met, the least expensive supplier is chosen. Oversized goods cost more to transport and tend to be purchased locally. This strengthens the local community and provides substantial economic contributions to local suppliers and the local economy of which they are a part.

In certain instances SCA trains its suppliers, for example the forestry contractors that work for the Group.

Employees

SCA has 52,000 employees to whom they pay salaries. The Group, as a principle, pays competitive remuneration to its employees. This is true of all markets. SCA follows local wage structures, on the condition that these terms are not below internationally established rules for minimum salaries and reasonable compensation.

In 2008 employee salaries totaled SEK15,226m (15,465), and social security costs amounted to SEK 4,074m (3,051).

SCA has both defined-contribution and defined-benefit pension plans. The most significant defined-benefit plans are based on employment period and employee salaries at, or just prior to, retirement. The total net cost for pensions in 2008 amounted to SEK 190m (217). For further information, see Note 26 in the SCA 2008 Annual Report.

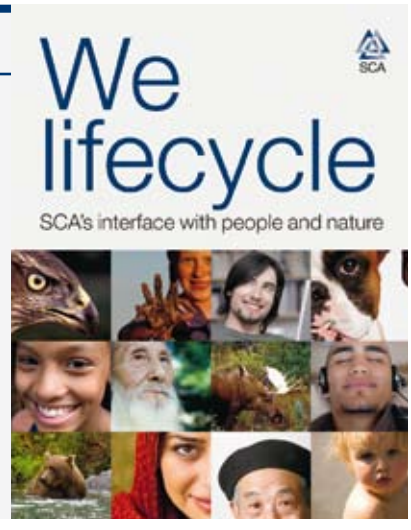
WE LIFECYCLE – SCA's SUSTAINABILITY STORY

Sustainability has been a hot topic in recent years. It is also an area in which SCA possesses extensive knowledge, enjoys a long history and has achieved excellent outcomes. As a result, "We lifecycle" was created.

We lifecycle is a concept that describes SCA's strong position on environmental and social issues. The aim is to communicate the Group's sustainability activities in a simple and understandable manner. Customers and other stakeholders are interested in, and ask many questions about, what the Group is doing in this area.

The We lifecycle concept refers to SCA thinking long term and shouldering its responsibility to people and to nature. We lifecycle also alludes to the lifecycle approach and SCA assuming responsibility for its products' impact from cradle to grave, the extensive use of recovered fibres, recycling of water and responsible forest management that results in sustainable growth.

Read more about We lifecycle at http://www.sca.com/en/Press/Publications



SCA employees should be able to develop in terms of competence as well as financially within the company. The Group invests significant resources in competence development in order to strengthen employees' abilities to build a career within SCA. In 2008, SCA invested a total of SEK 153m (178) in employee competence development, or nearly SEK 3,400 (3,500) per employee.

SCA is the dominant employer in certain areas which means the company has a very large impact, this places increased responsibility on SCA. For many employees in growth markets, employment at SCA can be an important financial guarantee for them and their families. In 2008, SCA employed 16,075 people in Eastern Europe/Russia, Asia and Latin America, who received a total of SEK 1,328m in salaries.

SCA favours local management in each country. As a rule, following an acquisition the existing management is retained since they know most about local conditions. At the same time, SCA is an international company that encourages its employees to try employment in other countries. Diversity and a variety of experience contribute to the dynamics and development of the company.

Society

SCA contributes to national economies by paying taxes and creating job opportunities and economic prosperity. In 2008, SCA paid SEK 1,702 (1,719) in taxes globally.

SCA's operations are currently under expansion in a number of emerging markets. SCA's essential everyday products contribute to general quality of life and there is a strong correlation, for example, between use of personal care products and GDP per capita.

Total salary costs, SEKm

(10 largest countries)	2008	2007
Germany	2,752	2,366
Sweden	2,497	2,643
U.K	1,360	1,915
U.S.	1,175	1,388
Netherlands	977	887
France	936	903
Italy	800	728
Austria	750	660
Denmark	654	658
Belgium	413	446

HYGIENE MATTERS

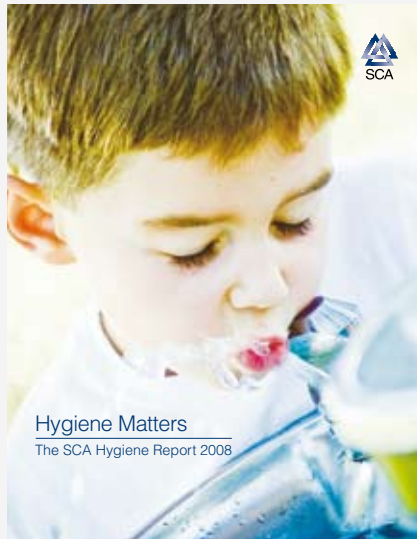
Hygiene is one of the most important issues of our time and 2008 was proclaimed International Sanitation Year by the UN. As one of the world's largest manufacturer of hygiene products, SCA has both a natural and commercial reason for ensuring that this issue receives proper attention.

Hygiene is a crucial issue for the developing countries, but people also become sick or die because of insufficient hygiene in the industrialised world. One of the most effective ways to combat poverty is to invest in sanitation. It is estimated that every dollar that is invested in improving sanitation will generate returns of seven to nine dollars. More than 2.4 million people worldwide do not have access to adequate sanitation.

The International Year of Sanitation shed light on the fact that it is possible to improve everyday life for many poor people by using small means. Diapers, feminine care products, toilet paper and incontinence protection are both a matter of health and quality of life.

SCA believes it is obligated to contribute to improving sanitation in poor countries and consequently sponsored the World Toilet Summit & Expo 2008, which was organized by the World Toilet Organization, an organization that works to provide more people with access to toilets.

During 2008, SCA also conducted a global survey on hygiene in Russia, Mexico, Sweden, France, Germany, the UK, Australia and China to highlight the local variations and attitudes to hygiene. The survey resulted in a report entitled "Hygiene matters." Therefore, we hope this report will alert both decision-makers and the general public about the importance of hygiene. SCA is planning to publish additional hygiene reports in coming years.



During 2008, SCA conducted a survey concerning people's hygiene habits in nine countries around the globe. The survey resulted in the "Hygiene Matters" report.

Control and assurance

RMS

SCA operates an extensive system of gathering and presenting data for individual production facilities and entire business groups. The Resource Management System (RMS) allows SCA to analyse data that describes how the company uses energy, water, transports and raw materials, as well as waste and emission levels. The RMS data is used for internal control and monitoring, external benchmarking and as a tool for evaluating acquisitions and major investments. This year's RMS data includes four new tissue mills and one new conversion facility. Two tissue mills have been shut down and have therefore been removed from the RMS.

Resources

This section describes SCA's use of raw materials, water, energy and transports in 2008.

Raw materials

A typical SCA product is made from various types of wood fibre. It also contains small amounts of inorganic and fossil organic materials.

Renewable raw materials (fresh fibre and recycled fibre) account for the largest share of the material used in an average SCA product. Inorganic materials (kaolin clay and calcium carbonate) are used as filler and coating pigment in certain types of paper in order to satisfy customer quality requirements. Synthetic materials are used in highly absorbent hygiene products to improve quality and function as well as in packaging with superior protective qualities.

SCA is one of Europe's largest collector and user of recycled fibre. The diagram below shows the raw material distribution of SCA's products.

Water

SCA's water supply is presented under the heading Raw Material Supply. The figures stated are totals for surface water, groundwater and municipal water systems. SCA's total water intake is 226 Mm3.

Energy

Energy use includes purchased energy (heating, electricity and fuel) supplied to production units, energy generated from wood, liquor, bark, sludge and waste paper, and electricity generated on site. A large portion of the energy used by SCA comes from the incineration of wood residuals and from on-site cogeneration of electricity. The energy data figures stated therefore include both a fuel component and an electricity component.

Any excess electricity produced at an SCA facility that is not used internally is supplied to the national grid. In 2008 SCA delivered 445 GWh of electricity to the national grid.

SCA supplies secondary heat derived from effluent hot water to district heating systems, mainly in Sweden. This is a good way of saving energy and in 2008, SCA delivered heat to district heating systems equivalent to 25,399 m3 of fuel oil.

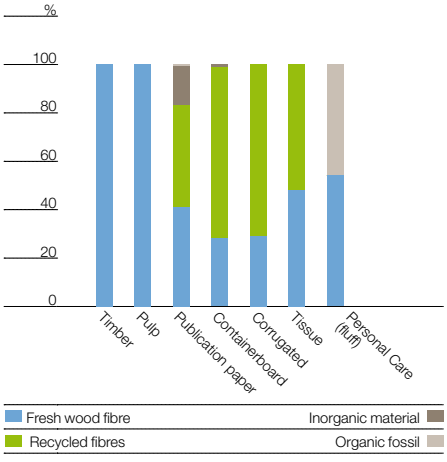
Transports

Raw materials are transported to SCA's production plants and finished products are delivered to SCA's customers. SCA uses external suppliers for most of its transports. SCA's transport use is equivalent to 34.5 billion tonne-kilometres. Sea transports account for the greatest portion of SCA's transports and the remainder consists of road and rail. SCA's raw material and product transports use the equivalent of 12,873 TJ of fuel and electricity.

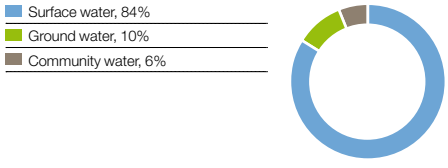
Emissions

The company's total emissions are determined by fuel consumption, which in turn is determined by the level of production. Changes in production volumes over the past few years, measured in tonnes and cubic

Distribution of raw materials

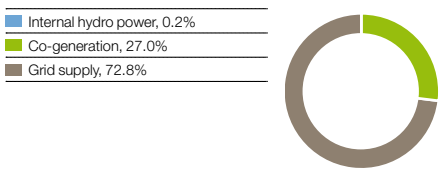


Distribution of water supply

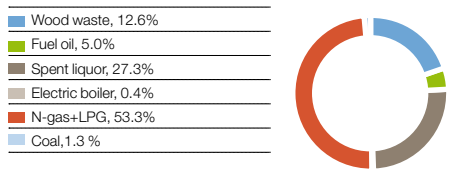


Distribution of transport usage

Distribution of electricity supply



Distribution of fuel supply



metres, are shown in the tables that present Group emissions in 2006, 2007 and 2008. It should be noted that SCA has made a number of acquisitions in recent years and this RMS report includes four new tissue mills and one converting plant for the first time. Two tissue mills have been shut down and are no longer included in the figures.

Air emissions

Air emissions comprise emissions from all combustion units at SCA's production sites, including fossil fuel and biofuel emissions and emissions from purchased thermal energy. When energy (primarily thermal energy and/or electricity) is supplied to an external facility, air emissions are reduced in relation to the energy amount delivered and the reduction is distributed among SCA's main products.

Three chemical compounds are measured and reported in relation to air emissions: NO_X, SO_2 and fossil CO_2.

The stated CO_2 figures may differ somewhat from those reported to local authorities under the EU Emissions Trading Scheme (ETS). This is because the countries participating in ETS use different limits and definitions for their calculations, while SCA calculates and presents RMS data according to a separate set of rules. A global company such as SCA, with operations on several continents, needs a single set of rules for calculating data to enable uniform reporting and monitoring of emission levels.

Carbon dioxide emission from SCA's Fossil fuel consumption corresponded to 2,836 ktonnes and purchased electricity to 1,536 ktonnes during the year.

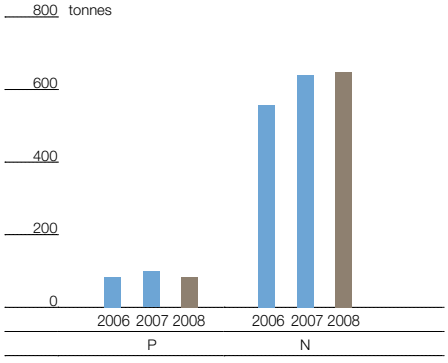
Air emissions from transports

A large portion of SCA's air emissions is generated by transports, rather than the company's production activities. Transport emissions are not included in the tables "Raw materials, energy, and emissions" on page 59, but are presented in the diagrams below.

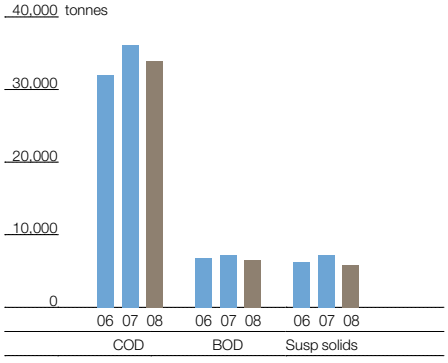
Water emissions

SCA's effluent water is divided into cooling water and process water. Cooling water has simply been heated and is not contaminated in any way. The total volume of discharged process water is 129 Mm3. This water is treated using methods similar to those employed at municipal sewage treatment facilities. The figures for 2008 refer to process water emissions.

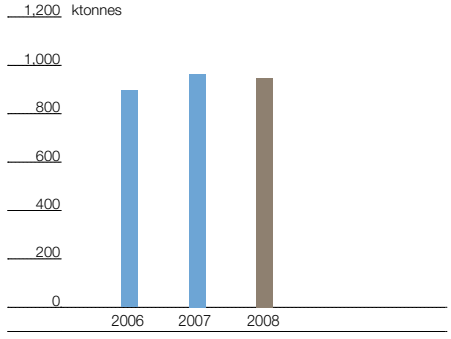
Water effluents P, N



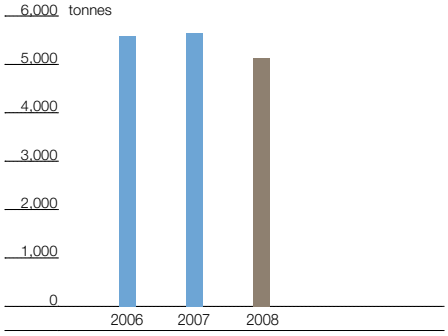
Water effluents COD, BOD, and suspended solids



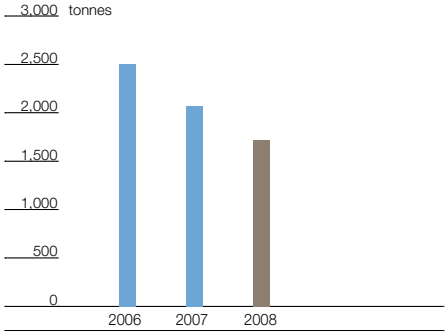
Emission from transport, CO_2



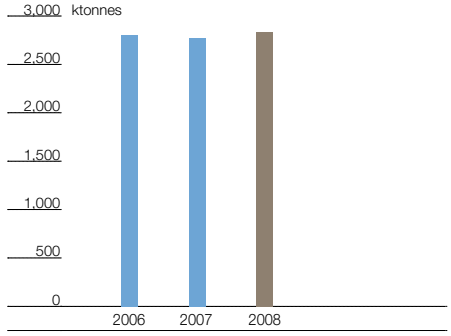
Air emissions, NO_X



Air emissions, SO_2



Air emissions, CO_2 fossil



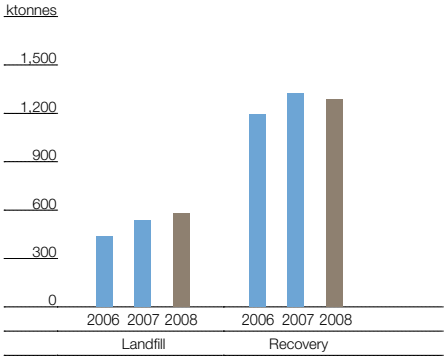
Data table – terminology

The emissions to water stated in the tables comprise COD, BOD, suspended solids, AOX, P and N. Methods of measuring differ in some respects. All SCA production of bleached chemical pulp employs Totally Chlorine Free (TCF) processes. The stated AOX data refers to treatment of incoming raw water.

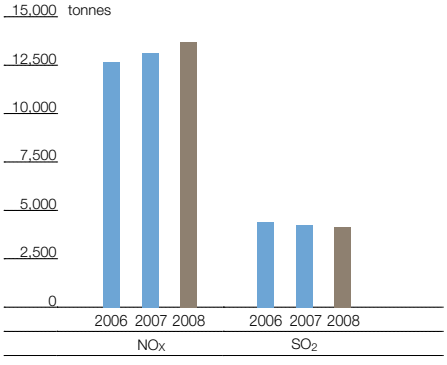
Solid waste

The solid waste reported by SCA is waste that is sent to landfill, recycled waste and hazardous waste. Recycled waste refers to materials that can be used as raw materials in other industries, such as the cement, brick-making and construction industries. The main types of recycled waste are ash, sludge, organic waste and plastics. Hazardous waste is primarily waste oil as well as organic solvents, batteries and strip lights.

Distribution of solid waste



Emission from transport, NO_x and SO_2



The notes below define the terminology used in our environmental data tables in the context of SCA. Production is the sum of all main products delivered from each site. SCA off-site integration is not included.

Raw Material Supply

Wood/sawmill chips the sum of wood delivered to each site.

Purchased pulp the sum of pulp supplied to a site.

Inorganic material covers inorganic fillers and coating materials supplied to a site calculated at 100% dry substances (ds).

Organic fossil material covers crude-oil-based materials such as super-absorbent and adhesives calculated at 100 percent dry substances.

Water represents the sum of surface water, ground water and tap water for processes and cooling purposes. Where input water is not measured, it has been calculated as equalling the effluent water.

Energy

Internal hydro power electricity produced in fully owned local hydro power stations.

Co-generation combined production of electricity and thermal energy. Co-generation has a high total efficiency.

Grid supply the electricity supplied from the national grid.

Biofuel renewable fuel from wood and process residues.

Fossil fuel coal, fuel oil and natural gas supplied to the site, exclusive of fuel for transport.

Electric boiler electricity supplied for thermal heat (production), for boilers and heat pumps, measured at the site and converted in GJ.

Of which co-gen that part of the total fuel supply allocated to the electricity produced by the CHP schemes.

Discharges

NOX as NO2 the nitrogen oxides NO and NO2, calculated as NO2 derived from combustion. Where NOx is not measured, a standard value of 100 mg/MJ fuel is used.

SO2 total sulphur calculated as SO2 from processes and combustion at the site. Where SO2 is not measured, the input sulphur in the fuel is calculated.

Dust particles in the flue gas created during combustion.

CO2 fossil the carbon dioxide derived from combustion of fossil fuels. It is calculated from the carbon content of each fuel.

CO2 biogenic the carbon dioxide derived from combustion of biofuel. It is calculated from the carbon content of wood.

COD the chemical oxygen demand substance measured in the effluent water leaving the site.

BOD the biochemical oxygen demand substance measured over seven days in Swedish mills and five days in the rest of Europe, in accordance with national legislative systems.

Suspended solids particles which are not dissolved in the effluent water.

AOX the amount of chlorine-bound organic substances.

P the total of phosphorus in the effluent water.

N the total of nitrogen in the effluent water.

Effluent water water discharged to the water courses after treatment.

Landfill solid waste material sent to a landfill.

Recovery solid waste material recovered into an outside process.

Hazardous waste material disposed of by authorised contractors, as defined by national laws.

Raw materials, energy and discharges

		Forest Products		Packaging		Tissue Products		Personal Care		SCA Group Total	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Production											
Paper and pulp	ktonnes	2,275	2,208	4,613	5,022	2,473	2,254			9,361	9,483
Personal Care products	ktonnes							560	541	560	541
Timber and solid-wood products	1 000m^3	1,597	1,810							1,597	1,810
1. Raw materials											
Wood/sawmill chips*	ktonnes	3,187	3,321	727	716	436	453	0	0	4,349	4,491
Purchased pulp*	ktonnes	121	130	0	0	1,007	837	352	377	1,481	1,345
Purchased paper	ktonnes	0	0	0	0	72	18	0	0	72	18
Containerboard*	ktonnes	0	0	2,477	2,890	0	0	0	0	2,477	2,890
Recovered paper	ktonnes	870	809	1,823	1,881	1,548	1,626	0	0	4,240	4,315
Inorganic material	ktonnes	351	336	16	2	8	10	0	0	376	347
Organic fossil material	ktonnes	13	13	26	27	2	4	274	275	315	319
Water	Mm^3	92	91	44	45	89	92	0	1	226	229
2. Energy											
Electricity											
Internal hydropower	GWhe	17	17	0	0	0	0	0	0	17	17
Co-generation	GWhe	1,307	1,200	642	586	512	530	0	0	2,460	2,315
Grid supply	GWhe	2,319	2,393	974	1,106	2,941	2,609	405	385	6,638	6,492
Total	**GWhe**	**3,643**	**3,610**	**1,615**	**1,692**	**3,453**	**3,139**	**405**	**385**	**9,116**	**8,825**
Fuels											
Biofuel	TJfuel	16,514	16,736	10,094	9,847	4,603	4,818	0	0	31,211	31,401
Fossil fuel	TJfuel	10,352	10,069	13,291	14,896	23,974	22,631	215	209	47,832	47,805
Electric boiler/hood	TJfuel	123	152	31	25	188	249	0	0	342	427
Total	**TJfuel**	**27,011**	**26,957**	**23,415**	**24,768**	**28,766**	**27,699**	**215**	**209**	**79,407**	**79,633**
of which co-gen.	TJfuel	6,617	5,970	3,264	2,989	3,149	3,484	0	0	13,031	12,442
3. Discharges											
To air											
NO_X as NO_2	tonnes	1,527	1,522	1,563	1,775	2,026	2,331	21	21	5,138	5,649
SO_2	tonnes	362	353	534	740	826	980	0	0	1,722	2,072
Dust	tonnes	91	129	167	262	277	185	0	0	535	575
CO_2 fossil	ktonnes	634	556	806	907	1,383	1,298	13	12	2,836	2,772
CO_2 biogenic	ktonnes	1,718	1,753	1,083	1,022	576	604	0	0	3,377	3,379
To water											
COD	tonnes	11,613	13,078	10,664	11,934	10,226	11,077	0	0	32,504	36,089
BOD	tonnes	910	1,182	3,359	3,578	2,331	3,550	0	0	6,600	8,309
Suspended solids	tonnes	470	746	2,338	2,897	2,987	3,524	0	0	5,796	7,168
AOX	tonnes	6	10	3	5	3	2	0	0	12	17
P	tonnes	27	34	32	28	27	37	0	0	85	100
N	tonnes	199	207	191	190	259	243	0	0	649	641
Effluent water	Mm^3	38	39	28	29	63	60	0	0	129	127
Solid waste											
Landfill	tonnes	37,842	75,803	71,782	81,302	470,887	378,060	4,401	3,626	584,913	538,791
Recovery	tonnes	373,346	356,100	139,938	138,844	719,817	773,094	61,990	60,519	1,295,091	1,328,557
Hazardous	tonnes	37,626	868	1,308	993	1,074	980	18	18	40,026	2,859

* Partly internal deliveries.

Note: Aylesford increased the hazardous waste levels due to a new classification of fly ash.

Facts about the mills – Tissue

2008		Edet Sweden	Jönköping Sweden	Drammen Norway	Prudhoe Great Britain	Chesterfield Great Britain	Oakenholt Great Britain	Stembert Belgium	Mannheim tissue Germany	Mannheim pulp Germany	Mannheim Total Germany	Kostheim Germany	Neuss Germany	Witzenhausen Germany	Friesland The Netherlands	Le Theil France	Ortmann Austria	Valls Spain	Mediona Spain
Grades		**ti**	**ti**	**ti**	**ti**	**ti**	**ti**	**ti**	**ti,gp**	**bsi**	**ti,gp, pp,bsi**	**ti**	**ti**	**ti**	**ti,nw**	**ti**	**ti**	**ti**	**ti**
Production	**ktonnes**	**96**	**19**	**19**	**88**	**27**	**54**	**71**	**259**	**209**	**319**	**98**	**101**	**28**	**5**	**65**	**125**	**132**	**33**
Energy																			
Electricity																			
Internal hydro power	GWhe	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Co-generation	GWhe	9	0	0	0	0	0	0	200	54	254	29	0	0	0	0	84	0	0
Grid supply	GWhe	133	25	59	137	28	51	79	247	67	314	105	131	36	11	68	58	154	33
Total	GWhe	**142**	**25**	**59**	**137**	**28**	**51**	**79**	**447**	**120**	**568**	**134**	**131**	**36**	**11**	**68**	**142**	**154**	**33**
Fuels																			
Biofuel	TJfuel	542	76	0	0	0	0	0	99	3,886	3,984	0	0	0	0	0	0	0	0
Fossil fuel	TJfuel	200	74	49	1,090	230	470	571	3,525	634	4,158	1,137	715	169	41	348	1,376	754	290
Electric boiler	TJfuel	110	0	78	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	TJfuel	**852**	**151**	**127**	**1,090**	**230**	**470**	**571**	**3,623**	**4,520**	**8,143**	**1,137**	**715**	**169**	**41**	**348**	**1,376**	**754**	**290**
of which co-gen.	TJfuel	37	0	0	0	0	0	0	869	234	1,102	126	0	0	0	0	463	0	0
Discharges																			
To air																			
NO_x as NO_2	tonnes	55	12	3	19	4	21	14	206	522	728	61	30	17	1	21	67	84	29
SO_2	tonnes	1	2	0	10	1	3	0	13	244	257	4	0	0	0	0	0	0	0
Dust	tonnes	0	0	0	1	0	0	1	0	36	37	0	4	0	0	0	0	2	0
CO_2 fossil	ktonnes	13	5	3	61	13	26	29	133	101	234	57	40	9	2	19	76	42	15
CO_2 biogenic	ktonnes	69	7	0	0	0	0	0	148	351	499	0	0	0	0	0	0	0	0
To water																			
COD	tonnes	453	148	279	140	E/T	57	102	276	5,317	5,593	183	81	51	E/T	26	267	53	0
BOD	tonnes	94	48	N/A	8	E/T	7	47	60	248	308	13	6	13	E/T	8	25	N/A	0
Suspended solids	tonnes	167	21	107	21	E/T	7	30	60	247	306	2	5	0	E/T	1	23	8	0
AOX	tonnes	1	0	N/A	N/A	E/T	N/A	N/A	1	0	1	0	0	0	E/T	N/A	0,3	0	0
P	tonnes	1.1	0	0.8	0	E/T	N/A	0.3	2.0	8.3	10	1.6	0.4	0	E/T	0	0.4	0.2	0
N	tonnes	15.8	2.3	3.1	1	E/T	N/A	1.9	16.4	67.4	84	9.0	6.0	0.1	E/T	0.9	9.0	2.3	0
Effluent water	Mm^3	3.99	0.48	0.95	2.22	0.36	0.47	0.82	3.34	13.76	17.10	1.89	0.82	0.03	0.14	0.40	3.63	0.30	0
Solid waste																			
Landfill	tonnes	3,957	681	18,480	6,077	2,345	469	153	177	0	177	0	3	0	0	0	0	344	72
Recovery	tonnes	36,909	18,502	16,495	91,000	35,101	4,445	4,034	28,565	37,579	66,144	78,783	3,688	322	2,098	4,273	107,538	2,078	1,151
Hazardous	tonnes	9	8	201	6	0	13	63	201	0	201	17	69	8	7	42	26	145	30

ti = tissue paper reels and/or tissue consumer products
nw = non woven
gp = grease proof paper
pp = packaging paper
bsi = bleached sulphite pulp
uc = uncoated fine paper
rc = recycled pulp
mp = market pulp
E/T = external treatment
N/A = data not available

Svetogorsk Russia	Lucca 1 Italy	Collodi Italy	Pratovecchio Italy	Altopascio Italy	Alsip US	Barton US	Flagstaff US	Menasha US	South Glens Falls US	Ecatepec Mexico	Monterrey Mexico	Uruapan Mexico	Lasso Ecuador	Pisa Chile	Cajicá Colombia	Medellin Colombia	Box Hill Australia	Kawerau New Zealand	**Tissue Products** 35 mills	**Total**
ti	**ti**	**ti**	**ti**	**ti**	**ti**	**ti**	**ti**	**ti**	**ti**	**ti**	**ti**	**ti, uc, mp**	**ti**	**ti**	**ti**	**ti**	**ti**	**ti**		
41	**124**	**40**	**20**	**25**	**47**	**94**	**56**	**202**	**71**	**59**	**43**	**84**	**23**	**57**	**29**	**38**	**56**	**85**	**2,473**	
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	76	0	25	35	0	0	0	0	0	0	0	0	0	0	0	0	0	0	512	512
44	44	35	0	3	60	142	67	331	106	71	87	96	33	86	53	50	131	79	2,941	3,453
44	**120**	**35**	**25**	**38**	**60**	**142**	**67**	**331**	**106**	**71**	**87**	**96**	**33**	**86**	**53**	**50**	**131**	**79**	**3,453**	**3,453**
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,603	4,603
349	1,476	271	311	407	387	800	458	1,809	741	643	531	729	259	651	277	578	1,023	600	23,974	23,974
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	188	188
349	**1,476**	**271**	**311**	**407**	**387**	**800**	**458**	**1,809**	**741**	**643**	**531**	**729**	**259**	**651**	**277**	**578**	**1,023**	**600**	**28,766**	**28,766**
0	915	0	212	294	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,149	3,149
33	156	23	17	45	5	13	25	78	18	0,3	22	127	80	27	7	55	68	60	2,026	2,026
0	0	0	0	0	0	0	0	1	0	0	0	73	203	108	0	161	1	0	826	826
4	1	0	0	0	1	3	2	44	0	1	3	3	6	3	0	157	3	0	277	277
20	83	15	17	23	22	45	25	99	41	36	30	55	23	53	15	48	53	34	1,383	1,383
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	576	576
E/T	E/T	E/T	0	E/T	N/A	415	450	N/A	N/A	E/T	E/T	76	158	7	65	635	987	E/T	10,226	10,226
E/T	E/T	E/T	0	E/T	864	35	13	50	224	E/T	E/T	55	67	2	39	349	57	E/T	2,331	2,331
E/T	E/T	E/T	0	E/T	913	76	58	82	193	E/T	E/T	41	24	1	88	76	734	E/T	2,987	2,987
E/T	E/T	E/T	0	E/T	N/A	N/A	N/A	N/A	N/A	E/T	E/T	N/A	N/A	N/A	N/A	N/A	N/A	E/T	3	3
E/T	E/T	E/T	0	E/T	0.0	3.0	1.6	3.0	N/A	E/T	E/T	0.4	0.1	2.0	1.6	N/A	N/A	E/T	27	27
E/T	E/T	E/T	0	E/T	0.0	40.0	0.3	44.8	N/A	E/T	E/T	3.8	0.9	16.4	3.4	6.6	7.1	E/T	259	259
1.87	0.27	0.16	0	0.16	2.57	4.87	0.28	8.36	2.36	N/A	N/A	1.15	0.63	1.89	0.70	0.60	0.82	2.47	63	63
8,263	470	130	2,592	10	49,166	70,096	539	49,397	0	711	57,289	84,988	19,890	47,605	33,850	9,857	698	2,578	470,887	470,887
1,374	991	295	1,711	493	0	23	68,776	153,856	2,322	287	774	0	281	1,396	3,851	10,322	263	242	719,817	719,817
0	22	6	31	28	61	18	3	1	0	9	28	22	0	0	0	0	0	0	1,074	1,074

Facts about the plants – Personal Care

		Mölnlycke Sweden	Falkenberg Sweden	Linselles France	Gennep The Netherlands	Hoogezand The Netherlands	Olawa Poland	Gemerská Hôrka Slovakia	Drummondville Canada	Bowling Green US	Selangor Malaysia	Springvale Australia	Auckland New Zealand	Calia Colombia	Ecatepec Mexico	Rionegro Colombia	**Total Personal Care 15 factories**
2008 Grades																	
Production	**ktonnes**	**4**	**78**	**54**	**86**	**103**	**27**	**27**	**31**	**29**	**53**	**6**	**7**	**22**	**16**	**17**	**560**
Energy																	
Electricity																	
Internal hydro power	GWhe	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Co-generation	GWhe	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Grid supply	GWhe	5	51	36	37	89	22	30	24	23	29	11	5	14	17	13	**405**
Total	**GWhe**	**5**	**51**	**36**	**37**	**89**	**22**	**30**	**24**	**23**	**29**	**11**	**5**	**14**	**17**	**13**	**405**
Fuels																	
Biofuel	TJfuel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Fossil fuel	TJfuel	13	0	39	27	84	3	32	4	8	3	0.2	0.6	N/A	N/A	2	**215**
Electric boiler	TJfuel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total	**TJfuel**	**13**	**0**	**39**	**27**	**84**	**3**	**32**	**4**	**8**	**3**	**0.2**	**0.6**	**N/A**	**N/A**	**2**	**215**
of which co-gen.	TJfuel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Discharges																	
To air																	
NO_x as NO_2	tonnes	1.3	0	3.9	2.7	8.4	0.3	3.2	0.4	0.8	0.3	0	0	N/A	N/A	0.2	**21**
SO_2	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0	**0**
Dust	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0	**0**
CO_2 fossil	ktonnes	0.8	0	2.2	1.5	4.7	0.2	1.8	0.2	0.5	0.2	0	0	N/A	N/A	1.3	**13**
CO_2 biogenic	ktonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0	**0**
To water																	
COD	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
BOD	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Suspended solids	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
AOX	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
P	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
N	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Effluent water	Mm^3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Solid waste																	
Landfill	tonnes	0	50	0	0	1,404	0	85	276	231	6	727	122	718	240	542	**4,401**
Recovery	tonnes	286	6,822	5,538	6,854	12,814	4,868	6,601	3,795	3,038	1,804	605	387	3,118	3,095	2,365	**61,990**
Hazardous	tonnes	0	2	0	0	0	0.4	2	7	1	0	0	0	0	3	3	**18**

Facts about the mills – Packaging

2008 Grades		Munksund Sweden kl, wtl	Obbola Sweden kl, tl	New Hythe Great Britain tl, fl	De Hoop The Netherlands tl, fl	Aschaffenburg Germany fl	Witzenhausen Germany tl, fl	Lucca Italy tl, fl,wtl	**Containerboard** 7 mills fl	**Corrugated board Europe** 63 plants	**Corrugated board Asia** 17 plants	**EPS Europe** 13 plants	**EPS Asia** 8 plants	**Total** **Packaging**
Production	**ktonnes**	**362**	**417**	**231**	**309**	**319**	**333**	**341**	**2,312**	**2,053**	**229**	**10**	**9**	**4,613**
Energy														
Electricity														
Internal hydro power	GWhe	0	0	0	0	0	0	0		0	0	0	0	0
Co-generation	GWhe	178	140	109	118	0	95	1	642	0	0	0	0	642
Grid supply	GWhe	157	182	1	4	151	30	155	681	238	23	13	20	974
Total	**GWhe**	**335**	**323**	**110**	**122**	**151**	**125**	**157**	**1,322**	**238**	**23**	**13**	**20**	**1,615**
Fuels														
Biofuel	TJfuel	5,494	4,091	0	0	395	63	47	10,091	0	0	2	0	10,094
Fossil fuel	TJfuel	300	651	1,924	2,416	1,195	2,154	1,233	9,873	2,214	485	110	609	13,291
Electric boiler	TJfuel	31	0	0	0	0	0	0	31	0	0	0	0	31
Total	**TJfuel**	**5,825**	**4,742**	**1,924**	**2,416**	**1,590**	**2,217**	**1,280**	**19,994**	**2,214**	**485**	**113**	**609**	**23,415**
of which co-gen.	TJfuel	749	591	760	687	0	399	47	3,232	32	0	0	0	3,264
Discharges														
To air														
NO_x as NO_2	tonnes	383	346	94	99	209	98	28	1,257	201	45	11	48	1,563
SO_2	tonnes	56	148	2	0	1	20	0	227	141	79	20	67	534
Dust	tonnes	72	49	0	0	0	0	0	122	14	30	0	2	167
CO_2 fossil	ktonnes	23	51	108	135	67	121	69	574	135	40	7	50	806
CO_2 biogenic	ktonnes	564	469	0	0	43	4	4	1,083	0	0	0	0	1,083
To water														
COD	tonnes	5,560	3,350	166	324	213	226	278	10,117	470	77	0	0	10,664
BOD	tonnes	2,426	688	9	13	15	18	54	3,223	125	12	0	0	3,359
Suspended solids	tonnes	731	1,213	40	5	8	12	113	2,122	196	20	0	0	2,338
AOX	tonnes	2	1	0	0	0	0	0	3	0	0	0	0	3
P	tonnes	3.9	22.1	1.5	1.0	0.8	0.6	1.9	32	0	0	0	0	32
N	tonnes	20.2	90.0	13.1	9.0	9.2	5.8	43.8	191	0	0	0	0	191
Effluent water	Mm^3	14.02	6.07	1.61	1.80	1.37	1.27	1.50	28	0.46	0.15	0	0	28
Solid waste														
Landfill	tonnes	12,695	11,464	33,610	30	0	0	9,341	67,140	3,541	647	442	12	71,782
Recovery	tonnes	1,886	28,906	10	24,065	23,721	22,895	34,042	135,525	3,296	816	188	113	139,938
Hazardous	tonnes	130	140	20	23	66	19	25	424	765	116	2	1	1,308

kl = kraftliner
wtl = white top liner
tl = testliner
fl = fluting
E/T = external treatment
N/A = data not available

Facts about the mills – Forest Products

2008 Grades		Ortviken Sweden	Östrand Sweden	Laakirchen Austria	Aylesford Great Britain	**Pulp and paper** 4 mills	**Forest operations** 8 mills	**Total Forest Products**
								Total
Production	**ktonnes**	**np, lwc**	**bk, ctmp**	**sc**	**np**		**solid-wood products**	
	1,000 m^3					**2,275**	**1,597**	**2,275**
								1,597
Energy								
Electricity								
Internal hydro power	GWhe	0	0	17	0	**17**	**0**	**17**
Co-generation	GWhe	68	456	425	358	**1,307**	**0**	**1,307**
Grid supply	GWhe	1,889	42	242	5	**2,178**	**140**	**2,319**
Total	**GWhe**	**1,958**	**498**	**684**	**363**	**3,502**	**140**	**3,643**
Fuels								
Biofuel	TJfuel	2,603	12,547	0	308	**15,457**	**1,057**	**16,514**
Fossil fuel	TJfuel	557	887	4,382	4,361	**10,186**	**166**	**10,352**
Electric boiler	TJfuel	87	0	0	0	**87**	**37**	**123**
Total	**TJfuel**	**3,246**	**13,434**	**4,382**	**4,669**	**25,730**	**1,281**	**27,011**
of which co-gen.	TJfuel	303	1,919	2,167	2,228	**6,617**	**0**	**6,617**
Discharges								
To air								
NO_x as NO_2	tonnes	222	694	190	330	**1,435**	**92**	**1,527**
SO_2	tonnes	29	300	0	5	**334**	**28**	**362**
Dust	tonnes	42	44	0	5	**90**	**1**	**91**
CO_2 fossil	ktonnes	40	66	246	244	**596**	**38**	**634**
CO_2 biogenic	ktonnes	260	1,344	0	30	**1,633**	**85**	**1,718**
To water								
COD	tonnes	3,500	6,014	1,054	955	**11,522**	**91**	**11,613**
BOD	tonnes	129	650	53	46	**878**	**32**	**910**
Suspended solids	tonnes	247	87	41	95	**470**	**0**	**470**
AOX	tonnes	0	6.1	0.2	0	**6**	**0**	**6**
P	tonnes	3.2	19.0	3.2	1.1	**27**	**0**	**27**
N	tonnes	72.9	118.0	4.5	3.1	**199**	**0**	**199**
Effluent water	Mm^3	12.50	13.67	7.22	5.08	**38**	**0**	**38**
Solid waste								
Landfill	tonnes	371	12	0	34,472	**34,855**	**2,987**	**37,842**
Recovery	tonnes	29,613	57,976	156,185	129,149	**372,923**	**423**	**373,346**
Hazardous	tonnes	179	418	72	36,674	**37,343**	**283**	**37,626**

Note: Aylesford increased the hazardous waste levels due to a new classification of fly ash.

np = newsprint
sc = SC paper
lwc = LWC paper
ctmp = chemical thermomechanical pulp
bk = bleached kraft pulp
N/A = data not available

Global Compact Communication on Progress

SCA became a member of the United Nations corporate citizenship initiative, Global Compact, in July 2008, joining a network of more than 5,000 businesses and other participants in promoting ten core principles in the areas of human rights, labour, environment and anti-corruption.

As a part of this commitment, SCA will report on the company's corporate responsibility activities and performance in an annual Communication on Progress (COP), using the Sustainability Report as a vehicle for this communication. The Sustainability Report provides a number of examples of ongoing activities, as well as key performance indicators clearly showing that SCA supports the ten Global Compact principles in its everyday business.

The SCA Code of Conduct is an important internal document, guiding and aligning employee behaviour with the Global Compact principles. Regular reviews of business practices are conducted throughout the organisation to ensure compliance with the Code of Conduct.

Measurements of performance related to the Global Compact principles are given throughout the report using indicators suggested by the Global Reporting Initiative (GRI), wherever possible. In particular, GRI performance indicators relating to human rights, labour and anti-corruption principles are presented in the Social Responsibility section, and environmental performance indicators reported through the RMS system are presented in the Control and Assurance section. A complete GRI index is available on www.sca.com

UNGC and GRI cross reference table

The following table shows how performance on each UN Global Compact principle can be reported via a number of Global Reporting Initiative (GRI) standard performance indicators. This is based on guidance documents published by the UN Global Compact.

THE GLOBAL COMPACT
WE SUPPORT

UNGC principles	GRI indicators
Human Rights	
1. Business should support and respect the protection of internationally proclaimed human rights	HR1-9, EC5, LA6-9, 13-14, SO5, PR1-2, 8
2. Business should make that they are not complicit in human rights abuses	HR1-9, SO5
Labour	
3. Business should uphold the freedom of association and the effective recognition of the right to collective bargaining	LA4-5, HR1-3, 5, SO5
4. Business should uphold the elimination of all forms of forced and compulsory labour	HR1-3, 7, SO5
5. Business should uphold the effective abolition of child labour	HR1-3, 6, SO5
6. Business should uphold the elimination of discrimination in respect of employment and occupation	LA2, 13-14, HR1-4, EC7, SO5
Environment	
7. Business should support a precautionary approach to environmental challenges	EC2, EN18, 26, 30, SO5
8. Business should undertake initiatives to promote greater environmental responsibility	EN1-30, SO5, PR3-4
9. Business should encourage the development and diffusion of environmentally friendly technologies	EN2, 5-7, 10, 18, 26-27, 30, SO5
Anti-corruption	
10. Businesses should work against corruption in all its forms, including extortion and bribery	SO2-6

Global Reporting Initiative (GRI) Index

SCA's Sustainability Report for 2008 follows Global Reporting Initiative guidelines (version G3). The following index shows where information can be found: this Sustainability Report (SR), Annual Report (AR), or SCA's Group website (sca.com) which contains the corresponding GRI index with direct links. The table includes all core indicators and the supplementary indicators that are applicable to SCA's operations.

The GRI Guidelines are the most widely accepted and used standard for sustainability reporting with more than 1,500 companies around the world applying the guidelines. This is the first report in which SCA applies GRI guidelines. SCA is reporting on the A-level as defined by GRI, which has been confirmed by PricewaterhouseCoopers.

PROFILE	
1. STRATEGY & ANALYSIS	
1.1 CEO's comments	SR 2
1.2 Description of key impacts, risks and opportunities	SR 3 + sca.com
2. ORGANIZATIONAL PROFILE	
2.1 Name of the organization	AR 81
2.2 Primary brands, products, and services	AR 10, 17–18, 21–22, 25–26, 29–30
2.3 Operational structure of the org.	SR10 + AR10
2.4 Location of organization's headquarters	SR inside back cover
2.5 Countries where the organization is active	SR inside cover + AR 61
2.6 Nature of ownership and legal form	AR 4-5
2.7 Markets	SR inside cover, AR 18, 22, 26, 30
2.8 Size of the organization	SR inside cover + AR inside cover
2.9 Significant changes during the reporting period	AR 11
2.10 Awards received during the reporting period	SR inside cover
3. REPORT PARAMETERS	
Report profile	
3.1 Reporting period	SR 68 + AR 44
3.2 Date of most recent previous report	SR 68
3.3 Reporting cycle (12 months, 24 months, etc.)	SR 68
3.4 Contact person for questions regarding the report	SR 11
Report scope & boundaries	
3.5 Process for defining report content	SR 15, 68
3.6 Boundary of the report	SR 68
3.7 Specific limitations on the scope or boundary of the report	SR 68
3.8 Basis for reporting on joint ventures, subsidiaries, etc	SR 68
3.9 Data measurement and calculation principles	SR 56–58 + 68
3.10 Comparability with previous reports	SR 68
3.11 Significant changes from previous reporting periods regarding scope, boundaries, etc.	SR 56, 68
GRI content index	
3.12 Table identifying the location of the Standard Disclosures in the report	SR 66–67
3.13 Policy and current practice in regard to external verification of the report	SR 69–70
4. GOVERNANCE, COMMITMENTS & ENGAGEMENT	
Governance	
4.1 Governance structure for the organization	SR 10–11
4.2 The Chairman of the Board role in the organization	AR 84
4.3 Independent and/or non-executive board members	AR 83
4.4 Methods for shareholders and employees to propose recommendations, etc. to the board	SR 10 + AR 86
4.5 Remuneration to senior executives	AR 59–61 (note 7) + sca.com
4.6 Processes for avoiding conflicts of interests in the board	sca.com
4.7 Processes for determining the competence of board members	sca.com
4.8 Mission, values, Code of Conduct, etc.	SR 12
4.9 The board's monitoring of the sustainability work	SR 10 + sca.com
4.10 Processes for evaluating the board's own performance	AR 84 + sca.com
Commitments to external initiatives	
4.11 Explanations of if and how the precautionary principle is applied	sca.com
4.12 Association to external voluntary codes, principles or other initiatives	sca.com
4.13 Membership in organizations	sca.com
Stakeholder engagement	
4.14 List of stakeholder groups	SR 13–15
4.15 Basis for identification and selection of important stakeholders	SR 13–15
4.16 Approach to stakeholder relations	SR 13–15
4.17 Key topics and concerns that have been raised through dialogues with stakeholders	SR 13–17
5. ECONOMIC PERFORMANCE INDICATORS	
Disclosure on management approach	AR 7, 8, 82
Economic performance	
EC1 Direct economic value and distribution	SR 52
EC2 Risks and opportunities for the organization due to climate changes	SR 51 + AR 33
EC3 Coverage of the organization's defined benefit plan obligations	SR 53 + AR 72–73 (note 26)
EC4 Financial assistance received from government	AR 48
Market presence	
EC5 Range of ratios for standard entry level wage compared to local minimum wage	SR 53 + sca.com
EC6 Purchases from local suppliers	SR 53
EC7 Local hiring and proportion of senior management hired from the local community	SR 40–41 + sca.com
Indirect economic impact	
EC8 Infrastructure investments and services provided for public purposes	SR 46–47 + sca.com
EC9 Significant indirect economic impacts, including the extent of impacts	SR 46–47, 52–54
6. ENVIRONMENTAL PERFORMANCE INDICATORS	
Disclosure on management approach	SR 4–6, 11 + sca.com
Materials	
EN1 Materials used by weight or volume	SR 59
EN2 Recycled input materials	SR 28, 56, 59
Energy	
EN3 Direct energy consumption	SR 20, 56, 59
EN4 Indirect energy consumption	SR 20, 56, 59
EN5 Energy saved due to conservation and efficiency improvement	SR 21-22

Water	
EN8 Total water withdrawal	SR 56, 59
Biodiversity	
EN11 Location/scope of land owned near protected areas/areas of biodiversity value	SR 26–27 + sca.com
EN12 Factors that affect biodiversity	sca.com
Emissions, effluents & waste	
EN16 Direct and indirect greenhouse gas emissions	SR 29, 57, 59
EN17 Other relevant indirect greenhouse gas emissions	SR 57
EN18 Initiatives to reduce greenhouse gas emissions	SR 4, 19–22, 24–25
EN19 Emissions of ozone-depleting compounds	sca.com
EN20 NO, SO, and other significant air emissions	SR 57, 59
EN21 Emissions to water	SR 57, 59
EN22 Waste	SR 58, 59
EN23 Significant spills	sca.com
Products & services	
EN26 Actions to reduce environmental impacts of products and services	SR 5, 8, 25, 27, 28, 35
EN27 Products sold and their packaging materials that are reused	SR 56 + sca.com
Compliance	
EN28 Fines non-monetary sanctions for non-compliance with applicable laws	sca.com
Transport	
EN29 Environmental impact from transport	SR 57, 58

7. SOCIAL PERFORMANCE INDICATORS	
Disclosure of management approach	**SR 7, 11,12 + sca.com**
Employment	
Employees	
LA1 Total workforce by function, employment type and region	SR inside cover + AR 41, 61
LA2 Rate of employee turnover	SR 41 + AR 59 (note 7)
Labour/management relations	
LA4 Percentage of employees covered collective bargaining agreements	SR 43
LA5 Minimum notice period(s) regarding operational changes	sca.com
Health & safety	
LA7 Rates of injury, occupational diseases, lost days, work related fatalities	SR 44–45
LA8 Programs to assist workforce regarding serious diseases	SR 45 + sca.com
LA9 Health and safety topics covered in formal agreements with trade unions	SR 43
Training & education	
LA10 Average hours of training per year per employee	SR 41
Diversity & equal opportunity	
LA13 Composition of governance bodies and workforce	SR inside cover + SR 40–41, AR 61
LA14 Ratio of basic salary of men to women	sca.com
Human rights	
Investment & procurement practices	
HR1 Consideration for human rights in regard to investments	SR 8
HR2 Human rights in the supplier chain	SR 39
HR3 Training and education in human rights	SR 39
Non-discrimination	
HR4 Total number of incidents of discrimination and actions taken	SR 40
Freedom of association & collective bargaining	
HR5 Operations where freedom of association and collective bargaining may be at significant risk and actions taken	sca.com
Child labour	
HR6 Operations where there is a risk for incidents of child labour and actions taken	sca.com
Forced & compulsory labour	
HR7 Operations identified as having significant risk for incidents of forced or compulsory labour and actions taken	sca.com
Society	
Community	
SO1 Programs for evaluating the operation's impacts on communities	sca.com
Corruption	
SO2 Business units analyzed for risks related to corruption	SR 39
SO3 Employees trained in the organization's anti-corruption policies and procedures	SR 39
SO4 Actions taken in response to incidents of corruption	SR 39
Public policy	
SO5 Participation in public policy development and lobbying	SR 22 + sca.com
Compliance	
SO8 Monetary value of fines for non-compliance with applicable laws	sca.com
Product responsibility	
Customer health & safety	
PR1 Life cycle stages in which health and safety impacts of products and services are assessed	SR 35 + sca.com
Product & service labelling	
PR3 Product labelling and information	sca.com
Marketing communications	
PR6 Programs for adherence to laws, standards and voluntary codes for marketing communications	sca.com
Compliance	
PR9 Monetary value of fines for non-compliance with regulations concerning the use of products and services	sca.com

About this report

This report describes SCA's sustainability initiatives from an environmental, social and economic perspective. SCA publishes a sustainability report each year. For the first time, SCA reports according to the Global Reporting Initiatives (GRI) guidelines, level A.

The sustainability report and the annual report should be viewed as a single unit in which information may be provided in either report or, where appropriate, in both. Corporate governance is an example of a subject that is referred to briefly in the sustainability report but where a more detailed description is provided in the annual report's corporate governance report.

The content of the sustainability report focuses predominantly on issues SCA and its stakeholders consider important to the company and its surroundings

GRI

During 2008, SCA has for the first time collected data on a number of significant social performance indicators recommended by the GRI Sustainability Reporting Guidelines. Initially, the reporting effort has been focussed on those indicators that are deemed most material for SCA and major stakeholders. There are plans to extend the reporting to other potentially relevant GRI social performance indicators during 2009. The GRI indicators cover SCA manufacturing operations and most office locations, but do not include centralised corporate functions or employees of joint ventures.

Parts of the social responsibility data included in the report has been reviewed by PricewaterhouseCoopers and the environmental section by Deloitte. More detailed information about SCA's work with environmental and social issues is available at www.sca.com

Data collection

Data provided that relates to environment, health and safety at SCA's plants and mills refers to the 2008 calendar year. These figures include the SCA Group, wholly owned subsidiaries and subsidiaries where SCA owns at least 50% of the company. If SCA's ownership of a plant or mill is 50% or more, the entire facility is included. Newly acquired businesses are integrated when they have been part of the Group for one calendar year.

The results for the Group's CO_2 goal and water goal are adjusted each year in relation to production levels. Other data is reported in absolute figures. No significant changes have been made since the preceding year.

The information is primarily compiled from SCA's RMS system (described in more detail on pages 56–58) and the Group's accounting system, ABS.

The RMS covers more than 170 production sites. Each unit reports the following data to the system:

- raw material consumption
- incoming and outgoing shipments
- production volumes
- energy consumption broken down by hydroelectric power, co-generation and power from the grid
- fuel consumption broken down by biofuels, fossil fuels and electric boilers
- air emissions, including data on fossil and biogenic carbon dioxide
- water emissions
- solid waste

The data is reported both internally and externally at the mill level, business group level and for the Group as a whole.

All business groups report information to ABS that includes salaries, pensions, absence due to illness, education levels, skills development costs and other information related to employees. Data is also derived from questionnaires sent to business groups.

Assurance report

To the readers of the SCA Sustainability Report 2008

We have performed a limited review of selected aspects of the 2008 sustainability report of Svenska Cellulosa Aktiebolaget SCA (publ). We have reviewed the performance indicators for management diversity (page 41), and health and safety (page 45). We have also reviewed SCA's application of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

The board of directors and management are responsible for the company's sustainability performance and the preparation of a sustainability report in accordance with the applicable reporting criteria. Our responsibility is to express a conclusion on the sustainability report based on our limited review.

Our review has been performed in accordance with the FAR SRS (the institute for the accountancy profession in Sweden) draft standard on independent limited reviews of voluntary separate sustainability reports.

The criteria used in our review are based on the parts of the GRI Sustainability Reporting Guidelines that are applicable to the sustainability report, and the specific measurement and reporting principles regarding the selected performance indicators developed by the company. We consider these criteria to be suitable for our engagement.

The limited review has included the following procedures:

- Updating our knowledge and understanding of SCA's organization and activities.
- Review of measurement and reporting principles, as well as systems and instructions, for recording and reporting the selected performance indicators.
- Visits to two selected business units (Personal Care in Gothenburg and Tissue Europe in Mannheim) and to relevant departments at group level to review routines for reporting, consolidation, and internal control of the performance indicators.
- Review of underlying documentation, on a test basis, to assess whether the performance indicators, in all material aspects, are reported and aggregated in a standardised format and in accordance with SCA's reporting principles.
- Assessment of SCA's self-declared application level according to the GRI reporting guidelines.

Based on our limited review, nothing has come to our attention that causes us to believe that the sustainability report, with regard to the above mentioned aspects and indicators, is not prepared, in all material respects, in accordance with the stated criteria.

Stockholm, March 2, 2009

PricewaterhouseCoopers AB

Anders Lundin
Authorised public accountant

Fredrik Ljungdahl
Expert member FAR SRS

Limited assurance report

To the readers of
SCA Sustainability Report 2008

We have performed a review of information from SCA´s Resource Management System (RMS) provided under the heading "Target" on page 4 and 6 regarding "Target 1" and "Target 3" and on pages 56–64 in the SCA Sustainability Report 2008. It is the executive team that are responsible for the continuous activities regarding environment, health & safety, quality, social responsibility and for the preparation and presentation of the sustainability report in accordance with applicable criteria. Our responsibility is to express a conclusion whether we have found any indications that the reporting under the heading "Target" on page 4 and 6 regarding "Target 1" and "Target 3" and on pages 56–64 in the SCA Sustainability Report 2008 is not, in all material aspects, performed in accordance with the criteria stated below.

The scope of the limited review

Our review has been performed in accordance with FAR SRS (the institute for the accountancy profession in Sweden) draft recommendation "RevR 6 Assurance of sustainability reports". A limited review consists of making inquiries, primarily of persons responsible for sustainability matters and for preparing the sustainability report, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing in Sweden RS and other generally accepted auditing standards The procedures performed in a limited review do not enable us to obtain an assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our limited review has been based on an assessment of materiality and risk, among other things included the following review procedures:

- An update of our knowledge and understanding for SCA:s organization and activities.
- Discussions with Director of Environmental Affairs and chairperson and members of SCA´s RMS on risk management issues related to the RMS data and information reporting.
- Review of SCA´s principles for calculation and disclosure of RMS data and information.
- Visit at a paper factory and interviews in order to assess whether data and information is reported in a standardized format and in accordance with established principles, in all material aspects.
- Review of the scope and limitations of the content of the information given under the heading "Target" on page 4 and 6 regarding "Target 1" and "Target 3" and on pages 56–64 in the SCA Sustainability Report 2008.
- Review of underlying documentation, on a test basis, to assess whether the information under the heading "Target" on page 4 and 6 regarding "Target 1" and "Target 3" and on pages 56–64 in the SCA Sustainability Report 2008 and in the RMS are based on that documentation.
- Discussion with SCA Director on Environmental Affairs and chairperson for RMS on the results of our review.

Conclusion

Based on our review procedures, nothing has come to our attention that causes us to believe that data and information provided under the heading "Target" on page 4 and 6 regarding "Target 1" and "Target 3" and on pages 56–64 in the SCA Sustainability Report 2008 have not, in all material aspects, been prepared in accordance with the above stated criteria.

Stockholm, March 2, 2009

Deloitte AB

Svante Forsberg
Authorized Public Accountant

Torbjörn Westman
Expert member FAR SRS

Glossary A – G

AOX, Absorbable organic halogens expresses the amount of chlorine-bound organic substances. Some of these substances accumulate in fish and fish-eating b AOX.

Bribery is the giving or receiving of any undue reward by or to any person to influence their behavior in a manner contrary to the principles of honesty and integrity.

Business partner A client, customer, or a supplier of the company. Any company that conducts business in association with SCA may be regarded as a business partner.

Child Labour refers to the employment of workers who do not meet the applicable national minimum legal age requirement.

The Code of Conduct is a formal statement of the values and business practices of a company. A code is a statement of minimum standards, together with a pledge by the company to observe them and to require its contractors, subcontractors and suppliers, to observe them.

Compulsory Labour This includes work done in a situation where the workers have to lodge a monetary deposit or identity papers with their employer.

Corporate Social Responsibility (CSR) Managing a company's business processes in a way that creates economic value while also respecting people and communities and minimising environmental impact.

BAT, Best Available Technology officially used terminology to describe the state-of-the-art technology that industry should use in the field of activity concerned (see IPPC directive and BREF).

BOD, Biochemical oxygen demand Water emission factor which describes the amount of oxygen consumed during biodegradation of dissolved organic matter in effluent water, without describing the specific substances present. High BOD values indicate depletion of the normal oxygen content of the water environment. It is measured over 7 days in SCA's Swedish mills and 5 days in the rest of Europe, in accordance with national legislative systems.

BREF Best Available Technology Reference Document. This document identifies BAT (Best Available Technology) for the 32 sectors selected by the EU, including the pulp and paper industry. All pulp and paper mills with a capacity exceeding 20 tonnes/day should follow the IPPC directive (see IPPC)

Biodiversity A term describing the multitude of life-forms and species (flora and fauna) in an ecosystem. An ecosystem is a biological community living in a particular physical environment.

Benchmarking Method of comparing performance and productivity of manufacturing units. Used extensively by SCA in all its families of operation: paper mills, fluff production units, packaging integrated box plants, combustion plants, etc.

COD, Chemical oxygen demand Water emission factor which describes the amount of oxygen which is consumed when dissolved matter in effluent water oxidises. High COD values can indicate a risk of depletion of the normal oxygen content in the water environment.

CO_2, Carbon dioxide a gaseous compound emitted naturally through geological activity during the decomposition process and through human activity. Industry and transport and heating/cooling are currently the largest emitters of CO_2.

Carbon trading The trading of carbon emissions credits by companies or, at a different level, by countries, within a global limitation scheme, (designed to achieve global emissions reductions using market mechanisms.

Carbon sink As they grow, forests transform gaseous carbon into solid form, thereby absorbing CO2 whilst simultaneously producing oxygen. Forests, agricultural land use and the world's oceans are considered to be "carbon sinks" by current science.

Chain-of-Custody The traceability of the origins of a product through all its transformations from raw material to finished product. In the SCA context, Chain-of-Custody certification links SCA's products with its FSC-certified forests.

CHP See Co-generation or Combined Heat and Power.

Chemical pulp Pulp from wood fibers which is processed chemically, normally by cooking.

Chemical Thermo Mechanical Pulp, CTMP A high yield pulp (about 90–95 percent yield from the wood) which is obtained by heating and then grinding chemically pre-treated spruce chips in refining machinery.

Climate Change Also defined as global warming. Human activity contributes to the warming of the global environment and its resulting effects, which range from higher temperatures to eccentric weather patterns and melting of the ice caps.

Co-generation or Combined Heat and Power, CHP combined production of electricity and thermal energy. Co-generation has a high total efficiency.

Containerboard Paper specially manufactured for the production of corrugated board. (See liner and fluting).

Corrugated board Two outer layers of paper with an intermediate layer of fluting. (See liner and fluting).

Council of Europe Not to be confused with the European Commission and its Council of Ministers, grouping the heads of state of the European Union. The Council of Europe, based in Strasbourg, comprises 46 Western and Eastern Europe countries. It was set up to defend human rights, parliamentary democracy and the rule of law, develop continent-wide agreements to standardise social and legal practices and promote a European identity with shared values.

Dow Jones Sustainability Index It is the share index of companies that are considered leaders in the area of sustainable development and that conduct their businesses accordingly.

EDANA International association serving the non wovens and related hygiene industries. EDANA exists to create the foundation for sustainable growth of the nonwovens and associated hygiene industries through active promotion, education and dialogue. Website: www.edana.org and www.hapco.edana.org

EMAS Eco-Management and Audit Scheme created by European Council Regulation.

Environmental Management System That part of the overall management system which includes the structure, practices, procedures and resources for the systematic implementation of the organization's own environmental policy.

EPD, Environmental Product Declaration quantified environmental data for a product with pre-set categories of parameters based on the ISO 14040 series of standards but not excluding additional environmental information.

ESAVE Structured energy-saving programme introduced by SCA in its energy intensive manufacturing units in 2002. Its aim is to substantially reduce the consumption of energy in production units.

ETS, Emission Trading Scheme (or System) greenhouse gas emission allowance trading scheme for the cost-effective reduction of such emissions in the European union, made in the context of the Kyoto Protocol. Installations operating in the paper and board industry, in the energy sector, iron and steel production and the mineral industry apply ETS as of January 1st, 2005 in two initial phases; from 2005 to 2007 and from 2008 to 2012. CO2 emissions are subject to permits and fines (if emissions are above the cap set for the operation). The "allowance" means the entitlement to emit 1 tonne of carbon dioxide.

ETS, European Tissue Symposium organisation based in Brussels made up of European Tissue producers, engaged in a dialogue with the European Commission, the Council of Europe and other international organisations. ETS has been involved in the development of the recently published Council of Europe Guidelines For Tissue Paper Kitchen Towels and Napkins.

Fluting The rippled middle layer in corrugated board packaging.

Forced Labour This includes indentured, debt bondage or involuntary labour of any kind.

Freedom of Association refers to the right of employees to lawfully join associations of their own choosing, peacefully associate, organize or bargain collectively.

FR, Frequency Rate The number of accidents/incidents per million hours worked. It is an indicator of Safety statistics in industry (also see LTA and Incidence Rate).

Fresh wood fibre Also referred to as virgin fiber. First generation use of raw material derived from wood.

FSC, Forest Stewardship Council an international organization promoting responsible forest management. FSC has developed principles for forest management used for certifying the management of forest holdings, and a system of tracing, verifying and labelling timber and wood products which is based on FSC-certified forests. SCA is an active supporter of FSC.

Green energy In the case of SCA, energy produced by burning recovered waste products such as bark, sawdust, plastic rejects, production sludge or other materials.

GWh Gigawatt hours, unit of energy measurement (electricity and heat). 1GWh=1 million kWh.

Glossary H – Z

HAPCO Hygiene Absorbent Products Manufacturers Committee; a group member of EDANA, of which SCA is an active member; Website: www.hapco.edana.org.

Human Rights are based on the recognition of the inherent dignity and the equal and inalienable rights of all members of the human family, and are the foundation of freedom, justice, and peace in the world. They are defined in the Universal Declaration of Human Rights (1948).

Incidence Rate, IR Number of incidents per 100 employees. Also see LTA's and Frequency Rate.

International Labour Organization, ILO The International Labour Organization is a United Nations Agency, which establishes Conventions on Labour standards that are binding on member states when ratified. There are over 150 ILO Conventions, 8 of which are "Core Conventions" since they embody fundamental human rights and set minimum labour standards.

IPP, Integrated Product Policy In a communication published in June 2003, the EC states that "its primary aim is to reduce the environmental impacts of products through-out their life cycle, harnessing where possible a market driven approach within which competitive concerns are integrated". The IPP encourages "green products, "green" public procurement and eco-labelling.

IPPC The European Union's Integrated Pollution and Prevention Control directive (96/61/EC).

ISO 14001 The standard published by the International Standards Organization, specifying the requirements of an environmental management system. All SCA European mills are certified ISO 14001.

Kraftliner Packaging paper made of fresh wood, as opposed to testliner and fluting (recycled).

Kyoto Protocol United Nations framework convention on climate change. Voluntary agreement between industrialised nations, ratified by Europe and the object of European directive 2003/87/EC, to reduce by 2012 the levels of man-made CO2 below the level reached in 1990.

Leach/Leachate The percolation of liquids through the earth. The leaching natural process can pollute underground water or surface water which is situated below a retention basin of wastewater or a landfill which is biologically active for example.

LWC paper, Light Weight Coated paper is a coated paper with a high mechanical pulp content. Used for high quality magazines and advertising materials with demanding colour-printing requirements.

Life Cycle Assessment, LCA A method of assessing the environmental impact of a product, taking account of its entire lifespan from raw material extraction to waste disposal. The process is described in the ISO14040 series. SPINE is the common database enabling comparison between product elements.

Liner The surface layer of corrugated board. Available in various grades, such as kraftliner (based on fresh wood fiber) and testliner or fluting (based on recycled fiber).

Liquor Substance(s) used in or resulting from chemical pulp production. White liquor is the cooking liquor (sodium hydroxide and sodium sulphide). Black liquor is the waste liquor from the completed production cycle. Most of it is re-used as fuel and burnt in the recovery boiler. Green liquor is an aqueous solution, the residue of burning the black liquor.

LTA, Lost Time Accidents Accidents that cause the absence of an employee from work for X number of days. One of the main safety indicators in industry. See also FR (Frequency rate) and Incidence Rate (IR).

MBT, Mechanical-biological treatment hybrid technology combining mechanical sorting of waste and biological treatment to produce biogas. A further processing stage can convert the residual material into refuse-derived fuel.

Mechanical pulp Debarked wood which is ground or chipped for mechanical refining to separate the fibres which form pulp.

Monitoring is the process of regularly collecting information to check performance against certain criteria.

MSW, Municipal Solid Waste an important fraction (15%) of the total solid waste. Disposable diapers and incontinence products are part of the MSW.

N, Nitrogen A chemical element, also present in wood, that is necessary for plant and animal life. Excess N in water can cause major increases in the amount of algae, which can lead to oxygen deficiency when the algae decompose.

Newsprint Paper for newspapers produced from mechanical pulp based on fresh fibre or recovered fibre.

Non-Governmental Organizations (NGOs) are national, international, and community based groups that raise awareness about social, environmental, community and human rights issues.

Old Corrugated Container, OCC Used corrugated board collected for recycling.

Opacity Degree to which something is opaque.

P, Phosphorus A chemical element, also present in wood, that is necessary for plant and animal life. Excess P in water can cause nutrient enrichment.

PSR, Product Specific Requirement (also see EPD, Environmental Product Declaration) List of requirements enabling SCA to label its products in an accurate and informative way, avoiding unverifiable labelling.

RAP, Regulatory Affairs Platform The network keeps and updates the list of SCA representatives in organisations at EU and national levels. It is in charge of communicating and defending SCA positions to lawmakers directly and through industry organisations.

REACH, Regulation, Evaluation, Authorization and Restriction of Chemicals European regulation (1,907/2,000/EC) which address the production and (safe) use of chemical substances and their potential impact on both human health and the environment. Some 30,000 chemicals will have to be registered after testing to the central European Chemical Agency (ECHA) in Helsinki. Companies will have to obtain authorisation to use hazardous chemicals.

RMS SCA's Resource Management System: a means of collecting and collating all environmental data and resource utilisation within the SCA Group.

Recovered fibre Paper-making fibre derived from a secondary source, such as used paper and board, used for recycling.

Renewable All materials which can be re-grown or produced without depletion of natural resources.

SC paper, Super Calendared publication paper with a high gloss surface and with a high content of mechanical and/or recycled pulp. Mainly used for catalogues, magazines and advertising materials.

SRI, Socially-responsible investment a method of selecting stocks for investment using criteria related to a company's environmental, social and ethical performance.

Sludge Residue from the production of paper; consists of inert materials, mainly small fibre debris, filler and other inert materials. It used to be sent to landfill. Nowadays used as 'new' raw material and incinerated with energy recovery.

Solid-wood products Wood sawn into various dimensions and sizes for furniture, joinery and construction use.

Stakeholders Groups of people with whom an organization has active relationships, and with whom effective dialogue is necessary to the functioning of the business. Shareholders, authorities, customers, employees and NGOs are all stakeholders in SCA's business activities.

Sustainable Development Bringing into decision-making processes the three interlinked factors – economic growth and social and environmental care – which enable society to meet the needs of the present without compromising the needs of future generations. Also referred to as the "triple bottom line".

TCF, Totally Chlorine Free Paper pulp which is bleached without using chlorine in any form.

TMP, Thermo Mechanical Pulp A high yield pulp (about 90-95 percent yield from the wood) which is obtained by heating spruce chips and then grinding them in refiners.

TJ, Terajoule a unit used to measure energy (fuel).

Testliner Packaging paper made from recycled fibre.

Tissue Creped soft paper which is the basis for hygiene products such as napkins, toilet paper and towels, and towelling products for institutions, hotels, etc.

TWh, TeraWatt hour Unit of energy measurement. 1 TWh=10 Million KWh

Waste To SCA, waste comprises only materials leaving our production units which cannot be used for any further useful purpose. Recovered paper and fibre are excluded, since they form part of SCA's main raw materials.

SVENSKA CELLULOSA AKTIEBOLAGET SCA (PUBL)
PO Box 7827, SE-103 97 STOCKHOLM, Sweden. Visiting address: Stureplan 3
Tel +46 8 788 51 00, fax +46 8 660 74 30
Corp. Reg. No.: 556012-6293 www.sca.com

Operations

GHC, SCA TISSUE EUROPE AND SCA PERSONAL CARE EUROPE
München Airport Center (MAC)
Postfach 241540
DE-85336 MÜNCHEN-FLUGHAFEN
Germany
Visiting address:
Terminalstrasse Mitte 18
Tel +49 89 9 70 06-0
Fax +49 89 9 70 06-204

SCA PACKAGING EUROPE
Culliganlaan 1D
BE-1831 DIEGEM
Belgium
Tel +32 2 718 3711
Fax +32 2 715 4815

SCA FOREST PRODUCTS
SE-851 88 SUNDSVALL
Sweden
Visiting address: Skepparplatsen 1
Tel +46 60 19 30 00, 19 40 00
Fax +46 60 19 33 21

SCA AMERICAS
Cira Centre
Suite 2600
2929 Arch Street
Philadelphia, PA 19104
US
Tel +1 610 499 3700
Fax +1 610 499 3402

SCA ASIA PACIFIC
1958 Chenhang Road
Pudong, Minhang District
SHANGHAI 201114
China
Tel +86 21 5433 5200
Fax +86 21 5433 2243

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